

Central Cultural Fund - 2014

The audit of financial statements of the Central Cultural Fund for the year ended 31 December 2014 comprising statement of financial position as at 31 December 2014 and the statement of financial performance, 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(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 9(2) of the Central Cultural Fund Act, No. 57 of 1980. My comments and observations which I consider should be published with the Annual Report of the Fund in terms of Section 9(4) of the Central Cultural Fund Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

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 statements 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 conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report I am unable to determine whether any adjustments might have been found necessary in respect of the recorded or unrecorded items and the elements making up the statement of financial position, the statement of financial performance, the statement of changed in equity and the cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Non-disclosure of Transactions with Related Parties

The private company, Cultural Conservation and Construction Company Ltd. established under the Ministry of Culture and the Arts, executes certain construction and conservation

works of the Central Cultural Fund on contract basis. This Company had deployed labourers during the year under review as excavation / conservation assistants of the project work sites of the Central Cultural Fund and a sum of Rs.142 million out of the Fund had been paid to the Company.

Two officers holding Director post of the Fund had been included in the Board of Directors of the Company while an Accountant of the Fund Staff had functioned as the Accountant of the Company during the year under review. The nature of this connection and the transactions between the Central Cultural Fund and the Cultural Conservation and Construction Private Company had not been disclosed in the financial statements.

2.2.2 Sri Lanka Public Sector Accounting Standards

The following observations are made.

(a) Sri Lanka Public Sector Accounting Standard No. 3

The prior period adjustments of errors made to the accounts for the rectification of errors should be done as a restatement of the comparative information of the prior year and disclosed as a note to the financial statements. Even though the adjustments of Rs.44,290,617 made to the comparative information of the prior year had been adjusted to the statement of changes in equity, the information of that had not been disclosed by way of notes.

(b) Sri Lanka Public Sector Accounting Standards 7

(i) Even though the fully depreciated fixed assets which are still being used and the assets that cannot be used and due for disposal should be disclosed in the financial statements, the assets fully depreciated and in use included in the property, plant and equipment existing from the year totalling Rs.963 million had not been disclosed in the financial statements. In addition, 6,984 units of 758 categories of goods auctioned and destroyed as unusable in the year 2013 had not been shown in the financial statements as derecognized assets.

(ii) When fixed assets are revalued, steps should be taken to revalue all the assets of similar classes. But, out of 98 fully depreciated motor vehicles 39 motor vehicles, and a part of the lands and buildings as at 31 December 2012 had been revalued for Rs.461,115,000 and shown in the financial statements.

(iii) Even though the obstructions and limitations relating to the ownership of property, plant and equipment should be disclosed in the financial statements, the value of the land on which the Head Office is situated but not belonging to the Fund had been shown at Rs.4,064,443 in the financial statements, the limitation to the ownership had not been disclosed in the financial statements.

2.2.3 Accounting Policies

The following observations are made.

- (a) The policy adopted by the Fund for making provision for doubtful debts had not been disclosed in the financial statements. A sum equal to the provision for doubtful debts in the two preceding years without carrying out a review of the recoverability of debts, that is, a sum of Rs.1,964,833 had been made as the provision for doubtful debts for the year under review.
- (b) It was disclosed in the financial statements that Heritage Assets are not assets belonging to the Fund and that the Fund under the Commissioner of Archaeology. The accounting policy on the capital expenditure incurred on improvements to the Heritage Assets had not been disclosed. A sum of Rs.11,875,792 spent in the year under review and a sum of Rs.48,339,812 spent in the preceding year had been capitalized as Buildings, Roads and Infrastructure.

2.2.4 Accounting Deficiencies

The following observations are made.

- (a) According to the statement of financial performance presented with the financial statements, the overall expenditure for the year under review amounted to Rs.1,829,809,971. Even though accrued expenses amounting to Rs.66,119,386 had also been adjusted to the above amount, the expenditure for the year and the accrued expenses had been overstated by a sum of Rs.28 million due to the erroneous adjustment made to the Accrued Expenses Account for the settlement of accrued expenses of the preceding year.
- (b) A sum of Rs.131,910 received from the sale of fixed assets as cash outflows, a sum of Rs.8,513,943 to be adjusted as changes in working capital as investment activities, a sum of Rs.19,115,817 to be shown as investment activities as the working capital variances, foreign aid not received in cash amounting to Rs.23,921,939 foreign aid received in cash and foreign aid received amounting to Rs.3,447,027 as cash outflows, had been erroneously adjusted to the cash flow statement. As such the cash flow statement presented to audit with the financial statements had not been prepared in accordance with the Accounting Standard.
- (c) Out of the 21 motor vehicles received as the foreign aid from the year 1984 to the year 2004, action had not been taken up to the end of the year under review to assess the fair value and account for. It was observed in audit that the insured value of those motor vehicles amounted to Rs.5,460,000.
- (d) The value of the land at Nugagahawatta, Galle purchased for Rs.2,558,000 in the year 2005 for the construction of a Tsunami Museum had not been assessed and brought to account.
- (e) The depreciation for the years 2013 and 2014 in respect of the revalued buildings amounting to Rs.2,100,000 had been debited to the Foreign Resources Fund instead of debiting the Assets Revaluation Reserve. As such the balance of the Foreign

Resources Fund had been understated by that amount while the Assets Revaluation Reserve had been overstated in the financial statements.

- (f) The sum of Rs.1,000,000 given during the year under review to the Ministry of Culture and the Arts on the reimbursement, basis had been written off against the income for the year instead of being brought to account as a sum receivable.
- (g) Even though a sum of Rs.1,342,446 had been shown in the financial statements as the insurance expenses of the year under review, the expenditure on insurance of motor vehicles amounted to Rs.2,293,842. As the receipt and payment of employees medical aid insurance as well had been included in the Insurance Account, the actual annual insurance expenditure incurred on motor vehicles had not been disclosed in the financial statements.
- (h) A van costing Rs.5,067,106 received as foreign aid and fully depreciated had been revalued and shown at Rs.4,300,000 in the financial statements. But the original valued and the accumulated depreciation had not been eliminated from the accounts. As such the cost of the van and the accumulated depreciation had been overstated by a sum of Rs.5,067,106. Similarly, the amortization for depreciation on the revalued amount of the vehicle amounting to Rs.860,000 had been included in the Revaluation Account instead of posting in the Foreign Resources Fund Account. As such the Foreign Resources Fund Account had been overstated by a sum of Rs.860,000 and the Assets Revaluation Reserve Account had been understated by that amount.
- (i) The cost of labour, overheads and the materials relating to the figurines costing Rs.4,278,305 given as tokens had been credited to the Cost of Production Materials Account instead of the respective accounts. As such, Production Materials Account had been understated by a sum of Rs.2,032,503 while the labour and the overheads expenditure had been overstated by sums of Rs.542,242 and Rs.1,490,261 respectively.
- (j) Expenditure of Rs.1,479,575 incurred on carrying out improvements to motor vehicles had been posted erroneously and as such the Motor Vehicles Account and the Accrued Expenses Account had been overstated by that amount.
- (k) Expenditure relating to 02 Objects amounting to Rs.2,370,698 had not been properly classified and shown in the financial statements.

2.2.5 Lack of Evidence for Audit

The following items of accounts could not be satisfactorily vouched or accepted in audit, as the evidence indicated against each item had not been furnished to audit.

Item -----	Value ----- Rs.	Evidence not made available -----
(a) Special Funds Projects (Relating to 10 Projects)	8,803,143	Files containing information on each Project and supporting documents
(b) Foreign Fund Projects (Relating to 3 Projects)	1,969,612	
(c) Adjustments made to the Accumulated Profit and the Cash Flow Statement	59,331,279	How adjustments were made and particulars of adjustments
(d) Payment made to the National Heritage Park Trust of the Purana Viharaya Kahawilgoda	30,500,000	Cost Estimates, Bills of Quantities, Payment Vouchers for Payments, Receipts, Bills etc., Designs, Work Done Reports, Engineers Certificates
(e) Debtors	950,463	Schedules and Age Analysis
(f) Direct Payments made to the Contractor as fees for aerial photography	2,297,740	Invoice, Bill or Receipt issued by the Sri Lanka Air Force

2.3 Transactions not Supported by Adequate Authority

The following observations are made.

- (a) According to Section 7 of the Central Cultural Fund Act, No. 57 of 1980, the Secretary to the Ministry of the Minister in charge of the subject Cultural Affairs, should by virtue of the post, be the Chief Administrative Officer of the Central Cultural Fund and as such provision for the payment of allowances for the post had not been made in the Act. Nevertheless, the Fund had paid a sum of Rs.241,356 during the year under review as a monthly allowance calculated at 33 1/3 per cent of the monthly salary of the Secretary. Similarly, the approval of the Director General of Establishments and the Treasury had not been taken for the payment in terms of Section 1.2 of Chapter IX of the Establishments Code and the Public Finance Circular No. 374 of 04 May 1999.
- (b) A sum of Rs.1,791,507 comprising the total of 09 Sundry Deposit Accounts amounting to Rs.152,252 , the total of 06 advance balances amounting to Rs.166,407 and the value of 08 cash frauds amounting to Rs.1,472,848 had been written off from accounts as bad debts without obtaining the Treasury approval.
- (c) A sum of Rs.4,618,938 as donations and a sum of Rs.1,299,000 for the Deyata Kirula Exhibition had been spent in the year under review without the approval of the Board of Directors and a budget estimate.

- (d) According to the provisions in Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the resources of institutions should not be given to the Line Ministry or any other Government institution. Nevertheless, the Central Cultural Fund had paid a sum of Rs.3,000,000 at the rate of Rs.1,000,000 to the Ministry of Cultural Affairs and the Arts, the Department of Cultural Affairs and the Tower Hall Theatre Foundation.

2.4 Accounts Receivable and Payable

The following observations are made.

- (a) Festival and special advances and distress loan balances older than 06 years amounting Rs.1,458,653 paid to the employees had not been recovered even by 31 December of the year under review.
- (b) Five debtors balances amounting to Rs.153,784 remaining without being recovered over a period exceeding 17 years and the debtors balances amounting to Rs.75,300 remaining without being recovered over a period exceeding 5 years had been shown in the accounts continuously without taking action for recovery.
- (c) Action had not been taken for the recovery of a sum of Rs.772,577 older than 03 years and a sum of Rs.20,598 older than 05 years remaining receivable from the Ministry of Cultural Affairs and the Arts.
- (d) Advances older than 2 years amounting to Rs.1,025,420 granted to 02 Projects had not been settled and action had not been taken over a period exceeding 05 years for the settlement of an advance granted to the Sigiriya Project.
- (e) An advance balance of Rs.79,924 granted to officers and older than 02 had not been recovered up to date and Courts deposit balance of Rs.44,534 older than 8 years further remained without being recovered.
- (f) The balances payable totalling Rs.397,019 not identified and older than 05 years as at 31 December of the year under review had not been identified and settled.

2.5 Non-compliance with Laws, Rules and Regulations

The following non-compliances were observed.

Reference to Laws, Rules and Regulations

- (a) Establishments Code of the Democratic Socialist Republic of Sri Lanka
(i) Chapter XLVII Section 1.11

Non-compliance

Even though Government should not be made use of for private purposes, the Director General of the Central Cultural Fund had used an aircraft of the Sri Lanka Air Force for a private purpose

and had paid a sum of Rs.850,067 out of the Fund for that purpose. The approval of the Secretary to the Ministry had not been obtained.

- (ii) Chapter XLVII Sections 8.1 and 8.2

Even though disciplinary action should be taken against the officers acting in contravention of the Establishments Code, Financial Regulations and the provisions of the Public Service Commission as well as the instructions of the Treasury Circulars, disciplinary action had not been taken against the officers who were responsible for the illegal purchase of timber valued at Rs.1,163,525 for the conservation work of the Yapahuwa.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

- (i) Financial Regulation 396(d)

Action in terms of the Financial Regulation had not been taken on 07 cheques totalling Rs.110,908 issued but not presented for payment for over 06 months.

- (ii) Financial Regulation 751

All stores received must be taken on charge immediately entered in the Inventory Book or other prescribed documents in the Stores Rules, 07 items of goods valued at Rs.570,455 purchased at the ceremony held for the Sigiriya “Matikalaya” Project had not been recorded in the Inventory Books.

- (c) Procurement Guidelines 2006

- (i) Sections 5.3.13(a), 5.4.6 and 8.12.2

Action in terms of the Procurement Guidelines had not been taken in the award of the contract for Rs.1,397,000 for the painting of the Sigiriya Museum. Even though the refundable deposit should be 1 per cent of the contract value, the deposit amounted only Rs.4,000. A sum equivalent to 10 per cent of the value of work done had not been retained in making payments. Payments had been made without obtaining a certificate from a supervisory officer that the work had been done in accordance with the specifications.

- (ii) Section 4.3.1, 5.2.1 and 5.3.1

Even though maximum limit of procurement work by the Project Manager of the Sigiriya Project is Rs.2 million, inviting bids for the sanitation works of the Project, without

preparing a total cost estimate and award of the contract for Rs.3,468,000 had been done by him. All important information had not been recorded in the Bid Documents and the recommendations of a Technical Evaluation Committee had not been obtained for the bids received.

- (d) Public Enterprises Circular No. PED/57 of 11 February 2011 Paragraph 6

Figurine products, stocks of publications and printed materials costing Rs.5,917,937 had been given as donations to external parties on the approval of the Director General of the Fund without obtaining the approval of the Minister of Finance in terms of the circular.

- (e) Treasury Circular No.842 of 19 December 1978

The Register of Fixed Assets had not been maintained in accordance with the circular.

3. Financial Review

3.1 Financial Results

According to the financial statements, the financial results of the Fund for the year under review amounted to a surplus of Rs.479,462,969 as compared with the corresponding surplus of Rs.302,069,090 for the preceding year, thus indicating an improvement of Rs.177,393,879 in the financial results for the year under review. Even though the operating expenses of the Fund for the year under review had increased by Rs.313,121,676 as compared with the preceding year, the increase of other income including the Tourist Admission Ticket sales by a sum of Rs.490,515,555 had been the main reason for the improvement.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) Twenty eight excavation and conservation work sites of estimated costs amounting to Rs.47.3 million planned for execution during the year under review, had not been commenced in the year.
- (b) Even though 19,422 units of work of 24 excavation and conservation under 11 Projects had been planned for completion during the year under review and estimated at Rs.88,744,470. Out of that 2,657 units of work only had been completed by the end of the year under review. The actual expenditure thereon amounted to Rs.6,565,697 and as such the physical and the financial progress had been very low 14 per cent and 7 per cent respectively. Even though the completion of 301 excavation and

conservation work sites had been planned for the year under review, the work of 48 work sites only had been completed.

- (b) Out of the materials cost of Rs.210,722,168 and direct labour cost of Rs.367,698,199 for the 301 work sites referred to above for completion during the year under review, the actual expenditure as at the end of the year under review had been 24 per cent of the materials cost amounting to Rs.52,177,452 and 110 per cent of the estimated direct labour cost or Rs.402,875,598. Accordingly, the contribution to the labour in the performance had resulted in a very high value.

4.2 Management Inefficiencies

The following observations are made.

- (a) (i) A proper internal control system is not set in place for the main source of income of the Fund, that is, the printing sale and stock control of Tourists Admission Tickets. As such the Tourist Admission Tickets had been misused. Action had not been taken to exercise a good control over this through the use of the Bar Code System.
- (ii) Stocks of 15,968 circuit tickets the sale of which had been suspended after 31 December 2011 and 44,904 Single Tourist Tickets with mini DVD, the sale of which had been suspended after 31 December 2012, had been retained without being cancelled even up to 31 October 2014. Instances of the issue of overseas travellers Mini DVD Tickets even during the year 2014 were observed.
- (iii) There was no proper technology for the disposal of tickets with printing errors and the cancelled tickets and the goods verification reports as at 31 December of the year under review revealed the existence of 42,706 such tickets as at 31 December of the year under review.
- (iv) Labourers instead of officers or the Ticket Sellers had been deployed for the sale of Tourists Tickets at Sigiriya.
- (b) In making payment for the construction of a roof above the Vidyadhara cave of the Polonnaruwa Gal Vihara awarded to the State Engineering Corporation and completed in the year under review, action had not been taken for the recovery of the 20 per cent advance of Rs.1,427,866 paid to the State Engineering Corporation in the year 2012.
- (c) According to the decision of the case filed by the Fund against a contractor for the failure to work in accordance with the agreement, a private company had been ordered on 30 June 2011 to pay a sum of Rs.4,472,150 to the Fund. But, that amount had not been recovered even up to 31 December of the year under review.

4.3 Operating Inefficiencies

According to the financial statements, a sum of Rs.115.67 million had been spent during the year under review for other Cultural activities and as compared with the preceding year indicated an increase of Rs.53 million or 85 per cent. Grant of sponsorship aid for modernization of temples and processions had been granted without a methodology to ensure that the money given has actually been utilized for the intended purpose itself. A list of priorities, specifications, plan or estimates had not been prepared.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) Mobile exhibition stall with an extent of 40×80 feet for the Sigiriya Project had been purchased for a sum of Rs.3,176,708 without preparing the designs and plans and contrary to the Procurement Guidelines. That remained idle without being used. The supplier had not been issued an official order and as such these transactions were observed as not executed with transparency. It was observed that the stall had been given for political meetings.
- (b) Out of the 998 copies of the book on “Chief Priests of the Malwatta Vihara” printed in the year 2013 at a cost of Rs.1,069,636 by the Printing Division of the Fund, 901 copies had been given out as donations. Out of that 890 books costing Rs.953,884 had been issued to the Ministry of Culture and the Arts. As such it was observed that the book had not been printed for the requirements of the Fund.
- (c) A sum of Rs.1,718,882 had been spent out of the Fund for the air travel tickets, incidental allowances, entertainment allowances, etc., of the Minister of Culture and the Arts and the officers who participated in the Conference of the Ministers of the SAARC Countries held in India from 24 to 27 September of the year under review.
- (d) Competitive quotations had not been invited for the award of the contract valued at Rs.1,790,000 for the installation of tempered double doors in connection with the modernization of the restaurant of the Sigiriya Project and the Fund had not provided specifications and construction designs. The full amount of the contract had been paid without a certificate from a Technical Officer.

4.5 Apparent Irregularities

The following observations are made.

(a) Production of the “Our Heritage” Documentary Programme

- (i) Three agreements valued at Rs.18,725,700 had been entered into in the years 2011, 2012 and 2014 with a Film Director for the production of this documentary without following the procurement procedure.

- (ii) Even though the first and the second agreements valued at Rs.7,237,000 entered in to in the years 2011 and 2012 had not been finalized within the agreement periods, the full amount of the agreements had been paid. Even though the work had not been completed during the specified period according to the third agreement for Rs.11,488,700 entered into on 19 August 2014, and the documentary had not been handed over 40 per cent of the agreed sum amounting to Rs.4,595,480 had been paid. If the work had not been completed according to the terms of the agreement, the agreement should have been cancelled and payments stopped. But it had not been done and no action had been taken against the contractor for the failure to act according to the terms of the agreement.

(b) Construction of the National Heritage Concepts Museum, Kahawilgoda

An agreement had been entered into on 19 February of the year under review for the grant of a sum of Rs.60 million within three years to an institution called National Heritage Park Trust which did not have a legal existence, for the above construction and a sum of Rs.30.5 million had been paid by 30 January 2015. The following matters were observed in this connection.

- (i) Loans had been granted to an external party contrary to the provisions in the Central Cultural Fund Act. No. 57 of 1980 and without the approval of the Cabinet of Ministers.
- (ii) A sum of Rs.30.5 million had been paid to the Trust without a plan of the constructions, an estimate, a bill of quantities, the work to be executed, particulars of expenditure incurred, work done reports, Engineers Certificates, etc.
- (iii) The approvals needed to be obtained from the relevant Government institutions for a work of this nature had not been obtained. Even though owner of the land on which construction works are done had filed a case in the Supreme Court, the Fund had released the money without considering that situation.

(c) Procurement of DVD for free issue with Foreign Tourists Tickets

A sum of Rs.51,099,925 had been paid in the preceding year and the year under review for the procurement of 500,000 Digital Versatile Discs containing information on Sigiriya, Polonnaruwa and Anuradhapura without carrying out an evaluation of the requirements and following the procurement procedure.

Even though the contractor had supplied the computer printed Digital Versatile Discs of a previously produced programme, the former Director General of the Fund had suppressed that fact and made the payments, thus leaving room for the contractor to defraud a sum exceeding Rs.50 million. Even though the Committee on Public Accounts and the Audit and Management Committee of the Ministry had directed the

Secretary to the Ministry to conduct a formal inquiry and report the fraud to the Police, the Secretary had not taken action.

4.6 Underutilised Assets

The following observations are made.

- (a) Necessary action had not been taken either for auctioning or disposal of 11,377 old roof tiles stacked in the Alahana Project over a period exceeding 3 years.
- (b) Sixteen motor vehicles belonging to the Fund had been left parked without any protection over a period exceeding one year in the Head Office and Project premises as obsolete assets. Eight of those motor vehicles had been insured for the year under review.

4.7 Uneconomic Transactions

The old restaurant of the Sigiriya Project, fully modernized at a cost of Rs.6,599,746, had been given to an external party to run the restaurant during the year under review without charging a rent whereas the Employees Welfare Association of the Fund which ran the old restaurant had paid a monthly rent of Rs.24,000 to the Fund. In addition, the electricity bills for the year 2014 had been paid by the Fund the electricity charges for the seven months from January to July amounted to Rs.627,064 and that as compared with the preceding year, had increased by 123 per cent.

4.8 Identified Losses

The following observations are made.

- (a) Newspaper advertisements had been published on 11 July 2014 for the sale of 17 unusable motor vehicles of the Central Cultural Fund and the quotations received from 49 bidders had been opened on 06 August 2014. The assessed value of 15 of the motor vehicles amounted to Rs.6,110,000 and the highest bids received for those 15 motor vehicle totalled Rs.11,147,999. Despite the possibility of the sale of motor vehicles for those bids, the sale of motor vehicles had been stopped without adducing any reasons. As such the Fund had been deprived of a profit from the disposal of the motor vehicle.
- (c) Out of the figurines produced for sale by the School of Figurines maintained by the Fund, figurines costing Rs.4,278,305 had been donated to external parties without approval during the year under review. The sales value of the figurines amounted to Rs.9,271,550.
- (c) Instead of purchasing timber for the Yapahuwa Project from the timber merchants registered with the Government or timber agents, timber valued at Rs.1,163,525 had been purchased in the year under review from a person maintaining stocks of timber without permits and such timber had been taken over by Courts as illegal timber.

4.9 Payments Contrary to Objectives

The following observations are made.

- (a) The Fund had spent a sum of Rs.1,986,200 during the year under review for the publication in newspapers of a felicitation message of the former Minister on the occasion of birthday and accession of the former President. In addition the Fund had spent a sum of Rs.413,000 for the publication in the newspapers a felicitation message in connection with a honorific bestowed on the former Minister by the Executive Council of the Malwatta Temple.
- (b) The Fund had made a sponsorship payment of Rs.400,000 in connection with a Literary Symposium organized by the Royal Asiatic Society, an external private institution.
- (c) The Fund had spent a sum of Rs.199,634 for the printing of 7,500 new year greeting cards for the year 2015 by the Media Secretary of the Minister on the instructions of the Minister.

4.10 Resources of the Fund given to other Government Institutions and External Parties

The following observations are made.

- (a) Even though 474 GI pipes and 677 couplings valued at Rs.1,614,965 belonging to the Sigiriya Project had been given to external parties for use in construction works, action had not been taken for the recovery of those. These goods remained with the external parties for about 1 1/2 years without being used for the purposes of the Fund.
- (b) A double cab motor vehicle of the Sigiriya Project had been given to the Ministry during 12 March to 21 April of the year under review and had run 2,065 kilometres while another double cab motor vehicle taken over for use by the former Minister on 12 June 2012 had not been returned up to 15 July 2015. The Fund had not taken any action for the recovery of the motor vehicle.
- (c) Four officers of the permanent staff of the Central Cultural Fund had been released for service in the Ministry of Culture and the Arts over several years ago. Their salaries and allowances for January to December of the year under review amounting to Rs.1,590,744 had been paid by the Fund.
- (d) Even though 3,204 GI pipes and 4,320 couplings belonging to the Abhayagiriya Project valued at Rs.11,520,000 had been given irregularly in 12 instances from 31 December 2010 to 10 November of the year under review to external parties adequate steps had not been taken up to 15 July 2015 for the recovery of those goods.

4.11 Staff Administration

The following observations are made.

- (a) Forty five employees of the post of labour of the Sigiriya Project had been deployed over a period exceeding three years in the Project Office and Watch duty outside the duties of their substantive posts and as such employees had to be obtained on hire basis for labour services purposes. Action had not been taken for filling the vacancies in the labour and watcher services.
- (b) Ten Security Guards of the Sigiriya Project had been deployed in August of the year under review on duty continuously for 36 hours thus violating the provisions in the Labour Act.
- (c) According to the Scheme of Recruitment, the filling of vacancies in the posts from the Excavation Inspector Grade I to the Project Manager should be done by calling for interviews. Nevertheless, an Excavations Inspector Grade I had been appointed to the Post of Project Manager and granted 13 salary increments without conducting an interview. The approval of the Director General of Establishments in terms of Section 1.10 of Chapter II of the Establishments Code had not been obtained for pre-dating her promotion to the post of Project Manager.
- (d) Even though the Director General of the Department of Management Services had, by his letter No. DMS/E1/54/9/241 dated 21 July 2011, instructed that the creation of new posts and recruitment beyond the approved limit should not be resorted to without formal approval, contrary to that, appointments had been made in the year under review to 06 posts of Assistant Directors and 03 posts of Project Manager in excess of the approved numbers and paid salaries and allowances.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of paragraph 4.3 of the Public Finance Circular No. 423 of 22 December 2006, the financial statements should be presented to audit within 02 months after the close of the year of accounts. Nevertheless, the financial statements for the year under review had been presented to audit only on 02 July 2015.

5.2 Holding of Board Meetings

In terms of the Public Enterprises Circular No. PED/12 of 02 June 2003 the Board of the Fund should hold meetings every month. But the Board had held only 04 meetings during the year under review. The Board had not held meetings since 06 June 2014 to the end of the year 2015.

5.3 Budgetary Control

A reconciliation of the budgeted income and expenditure for the year under review with the actual income and expenditure revealed variances ranging from 20 per cent to 123 per cent, thus indicating that the budget had not been made use of as an instrument of management control.

5.4 Unresolved Audit Paragraphs

The following observations are made.

- (a) (i) A sum of Rs.28,255,312 had been paid to a firm of contractors for the development of 1 kilometre of the internal access road of the Polonnaruwa Sacred City, by laying concrete blocks. But no action whatsoever had been taken even up to 30 July 2015 in connection with the payment of Rs.22,099,917 made for the use of concrete blocks not conforming to he standards for the construction, payment of a sum of Rs.4,660,998 for work not done according to the bills of quantities, lack of equilibriums of the road due to the use of ABC Mix less by 40 per cent and underutilization of metal dust mixture by 50 per cent pointed out in the Audit Report for the year 2012.
- (ii) The contract for Rs.27,500,000 had been awarded to the Road Development Authority for laying the blocks to a length of 01 kilometre of the internal road from the exit gate of the Sacred City of Polonnaruwa and a sum of Rs.29,235,510 had been paid for the work. The estimated cost had increased to Rs.48,575,893 due to the increase of the width of the road without obtaining the approval of the Procurement Committee and the recommendation of the Technical Evaluations Committee and the payment of a sum of Rs.16,992,545 made for the use of cement blocks not conforming to the standard was pointed out in the Audit Report for the year 2013. But no action had been taken in that connection up to date.
- (b) Even though the deficiencies in connection with the appointment of an officer without the necessary qualifications to the post of Legal Officer of the Fund on contract basis with effect from 01 June 2013 had been pointed out in the Audit Report for the year 2013 that officer had been deployed in service and a sum of Rs.478,620 had been paid as salaries and allowances for the year under review.
- (c) Even though the deficiencies in obtaining labour on contract basis as trained Conservation / Excavation Assistants from the Cultural Conservation and Construction Private Company Ltd. had been pointed out in the Auditor General's Report for the year 2013, labour had been obtained from that company during the year under review and payments amounting to Rs.142 million had been made.
- (d) Even though the payment of monthly allowances amounting to Rs.4,494,105 from January 2006 to December 2013 for a post of Working Director not included in the approved staff of the Central Cultural Fund and not included in the Central Cultural Fund Act, obtaining full salaries from the Vocational Training Authority of Sri Lanka and the Central Cultural Fund, use of two allocated motor vehicle from both those institutions and obtaining fuel from both those institutions was pointed out in the Audit Report for the year 2013, no action had been taken thereon. Further, payments amounting to Rs.886,730 had been made as monthly allowances for the period from January 2014 to January 2015.

6. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Director General of the Fund from time to time. Special attention is needed further in respect of the following areas of control.

- (a) Accounting
- (b) Income Control
- (c) Procurement
- (d) Contract Administration
- (e) Motor Vehicle Utilisation
- (f) Staff Management
- (g) Internal Control on Printing, Sale and Stock Control of Tourist Admission Tickets