

Central Cultural Fund – 2015

The audit of financial statements of the Central Cultural Fund for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing 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 judgement, 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 Fund’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 Fund’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.

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

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Central Cultural Fund as at 31 December 2015 and its financial performance and 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 Transactions with Related Parties

The following observations are made.

- (a) In order to obtain services for executing certain construction and conservation works of the Central Cultural Fund on contract basis, the Cultural Conservation and Construction (Pvt.)Ltd. had been established. A sum of Rs.81 million had been paid to that company in the year 2015 in respect of obtaining excavation / conservation assistants of the project work sites of the Fund and a sum of Rs.04 million had been paid for the construction contract. Nevertheless, the nature of the relationship between the Fund and the Company and the related transactions had not been disclosed in the financial statements.
- (b) Although the tender relating to the construction of Replica Centre, Bataleeya operating under the Fund had been awarded to another construction company belonging to a member of the Board of Directors of the Cultural Conservation and Construction (Pvt.)Ltd, the relationship between that Director and the Company had not been disclosed in the financial statements.
- (c) Although a financial assistance amounting to Rs.400,000 had been given to a company, the post of Director of which was held by a Director of the Fund, the relationship between that Company and the Director 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 2

Investment of Rs.975 million and withdrawal of investment amounting to Rs.50 million made during the year had not been stated as cash outflow and cash inflow respectively in the financial statements and cash outflows of Rs.46,761,998 had been overstated under the investment activities.

(b) Sri Lanka Public Sector Accounting Standard 3

- (i) The accounting policies relating to the capital expenditure incurred on the improvement of inherited assets held under the custodian of the Commissioner General of Archeology had not been disclosed in the financial statements as required by Paragraph 12 of the Standard and a sum of Rs.60,215,604 spent during the years 2013 and 2014 had been capitalized under the buildings, roads and infrastructures.
- (ii) Although the previous year comparative information of the corrections relating to the adjustment of errors of the prior periods made in the accounts should be disclosed in the financial statements by a note after changing it as a restatement according to the Paragraph 54 of the Standard , the adjustments amounting to Rs.74,633,782 made to the previous year comparative information had been adjusted to the accumulated surplus but , the particulars thereon had not been disclosed in the financial statements by the notes.

(c) Sri Lanka Public Sector Accounting Standard 7

- (i) The Department of Building was using the buildings of the Fund valued at Rs.4 million, whereas it had not been disclosed in the financial statements.
- (ii) As the useful life of the non-current assets had not been reviewed annually, fixed assets costing Rs.191.4 million were further being used despite being fully depreciated. Accordingly, action had not been taken to revise the estimated error in accordance with the Sri Lanka Public Sector Accounting Standard No.03. Further, disclosures on the assets due for disposal had not been made in the financial statements.
- (ii) Although the obstacles and restrictions exist on the title of property, plant and equipment should be disclosed in the financial statements according to the Paragraph 87 of the Standard, the following observations are made in that connection.
- The restrictions on the title of the land in which the Head Office is situated had not been disclosed in financial statements.
 - Even though the useful right of the Frim Rose land in Kandy, a property of the Fund that had been assessed and posted to account at Rs.4.2 million in the year 2012 had not been possessed by the Fund, the obstacles and the restrictions existed thereon had not been disclosed.

- The physical tenure of the land, 40.25 perches in extent owned by the Urban Development Authority had been vested in the Central Cultural Fund for a period of 50 years for the construction of the Kataragama Circuit Bungalow of the Fund. Nevertheless, disclosure on the physical tenure existed to the Fund regarding that land had not been made 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. Despite the existence of outstanding debtor balances for more than a period of 5 years, a sum of Rs.1,964,833 had been made as the provision for doubtful debts for the year under review similar to previous 2 years without carrying out a review of the recoverability of debts.
- (b) As an accounting policy had not been introduced on accounting foreign capital grants and accounting had not been carried out accordingly, capital grants amounting to Rs.286,249,552 had been stated under the capital and reserves and the capital grants amounting to Rs.13,174,223 had been stated under the non-current liabilities.

2.2.4 Accounting Deficiencies

The following observations are made.

- (a) A sum of Rs.4,294,901 paid in cash to the Sri Lanka Red Cross Society in respect of the first aid camp maintained within the Sigiriya Project in the year 2015 had not been stated as the expenditure for first aid services and it had been brought to account under the publicity expenditure.
- (b) Due to the error in the computation, provision for gratuity amounting to Rs.285,596 for the year under review had been understated in the account.
- (c) Stocks of publications of Rs.141,380, building materials of Rs.1,777,694 and consumables of Rs.141,402 included in the closing stock had been understated.
- (d) Donations valued at Rs. 9,364,296 granted by the Bataliya Replica Centre during the year under review had been omitted from the accounts.
- (e) Instead of stating as the work-in-progress, a sum of Rs. 25,950,998 paid to the Provincial Road Development Authority in respect of the construction of access roads in the Polonnaruwa Heritage Town had been written off against the income of the year.

- (f) As the debit balances of the employees loans had been set off against the credit balances, the distress loan and the motor bicycle loan had been understated by Rs.82,986 and Rs.96,090 respectively.
- (g) Instead of stating the interim payment of Rs.1,423,226 as the work-in-progress made during the year, it had been capitalized and as such the value of the buildings and the work-in-progress had been overstated and understated by that amount respectively. Accordingly, depreciation of the buildings Rs.71,161 had been overstated in the accounts.
- (h) According to the financial statements presented, as the interest relating to two investments had not been brought to account, interest income and the receivable interest amounting to Rs.1,678,504 had been understated.
- (i) According to the income summary reports of the Replica Sales Division, the sales income of the year was Rs.8,850,461, whereas it had been brought to accounts as Rs.7,127,634 according to the Note No.11 of the financial statements presented. Accordingly, the sales income of the year had been understated by Rs.1,722,827.

2.3 Transactions not Supported by Adequate Authority

The following observations are made.

- (a) In terms of 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 of Cultural Affairs, should by virtue of the post, be the Chief Administrative Officer of the Central Cultural Fund. The Fund had paid a sum of Rs.140,791 from February to August 2015 and at Rs.241,356 during the years 2013 and 2014 as a monthly allowance calculated at 33 1/3 per cent of the monthly salary of the Secretary. Nevertheless, the prior approval of the Director General of Establishments had not been obtained thereon in terms of Section 1.2 of Chapter IX of the Establishments Code.
- (b) In terms of Section 8 of the Central Cultural Fund Act, No. 57 of 1980, no activity whatsoever should be initiated without the approval of the Board of Governors. Nevertheless, new constructions valued at Rs.562,471,775 not included in the Procurement Plan, Action Plan or Budget had been carried out during the years 2014 and 2015 without the approval of the Board of Governors.
- (c) Contrary to Section 4 (d) of the Central Cultural Fund Act, No. 57 of 1980, replicas valued at Rs.4,449,852 had been donated, free of charge to various Centres, temples and Government institutions by Replica Centre, Bataleeya in the year 2015, outside the estimate.

2.4 Accounts Receivable and Payable

The following observations are made.

- (a) Distress loan totalling Rs.1,670,016 due from 35 employees who vacated the service, housing loan amounting to Rs.841,288 due from 5 employees and motor bicycle loan amounting to Rs.336,369 due from 5 employees had not been recovered during a period ranging from 1 to 5 years. Further, Festival Advance totalling Rs.1,151,000 and Special Advance amounting to Rs.91,400 older than 5 years had not been recovered and action had not been taken to recover those loan balances from the relevant guarantors.
- (b) A sum of Rs.672,577 due from the Ministry of Cultural Affairs remained unrecovered over a period of 4 years in the sundry debtors balance.

2.5 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) Central Cultural Fund Act, No. 57 of 1980.	
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(i) Section 3 (2) (i)

The Secretary to the Ministry of Cultural Affairs had not been appointed as a member of the Board of Governors.

(ii) Section 7

Although the Secretary to the Ministry in charge of the subject of Cultural Affairs shall be the Chief Administrative Officer of the Fund, the Secretary to the Ministry of Education had been appointed as the Chief Administrative Officer.

(b) Sections 43 (a) 1 and 40 (b) of Antiquities Act, No.9 of 1940 as amended by the Act No.24 of 1998.

Contrary to these Sections, 17 projects valued at Rs.812,471,775 had been initiated without the approval of the Director General of Archeology.

Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulations 104 and 105.

Even though a period exceeding 5 years had elapsed from occurring a stock shortage of publications valued at Rs.499,368 at the Publication Stores, Dambulla, action in terms of the regulations had not been taken thereon.

(ii) Financial Regulation 380 (1)

Twenty five Current Accounts had been opened without the approval of the Treasury.

(c) **Government Procurement Guidelines
2006**

(i) Sections 4.3.1 and 4.3.2

Without preparing a total cost estimate on the expenditure to be incurred prior to calling for quotations for obtaining employees insurance coverages and obtaining approval therefor, an insurance coverage valued at Rs.9,905,284 had been obtained.

(ii) Section 5.3.5

Although the contract valued at Rs.46.4 million relating to the construction of Administrative building of the Bataleeya Replica Centre should be awarded to a contractor registered with the Institution for Construction Training and Development in its Grade C 5 or an above grade, it had been awarded to a contractor registered in a lower grade.

(d) Sections 3.1 and 4.2.2 of the Public Enterprises Circular No. PED/02 June 2003.

Even though Board of Governors Meetings should be held once in a month, only one Board of Governors Meetings had been held during the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Fund for the year under review amounted to a surplus of Rs.867,115,251 as compared with the corresponding surplus of Rs.479,462,969 for the preceding year, thus indicating an improvement of Rs.387,652,282 or 80.8 per cent in the financial results for the year under review as compared with the preceding year. The increase in ticket sales income by Rs.550,917,864, investment income by Rs.18,523,725 and decrease in the sales promotion and public relations expenditure by Rs.52,947,362 and other expenditure by Rs.127,454,242 as compared with the preceding year had been the main reason for the above improvement.

Analysis of the financial results of the year under review and 4 preceding years revealed that, the financial surplus had ceaselessly increased after the year 2012. In taking into consideration the employees remuneration and the depreciation for the non-current assets, the contribution amounting to Rs.807,979,481 in the year 2011 had gradually improved and it had been Rs.1,966,952,196 in the year 2015.

4. Operating Review

4.1 Performance

According to the Central Cultural Fund Act, No. 57 of 1980, the main objectives of the Fund are given below.

- To develop cultural monuments in the Cultural Triangle and such other cultural monuments in any area, other than the Cultural Triangle.
- To settle all expenses of the Jetavana Dagobe Project and other similar projects.
- For the Promotion of religious activities within Sri Lanka or abroad.
- For the advancement of religion or the maintenance of religious places.
- For the making of awards to persons who have served the nation in the cultural and religious fields.
- To provide financial assistance for artistic activities.
- To provide financial assistance for the religious or cultural activities conducted for the public interests.

The following observations are made on the achievement of the above objectives.

(a) An analysis on the number of tourists arrived in Sri Lanka from the year 2013 to the year 2015 and the number of Tourist Admission Ticket sold by the Fund is given below.

Year	Number of tourists arrived in Sri Lanka	Number of Tourist Admission Ticket sold by the Fund	Number of tickets sold as a percentage of the number of tourists	Tickets Income
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				Rs.
2013	1,274,593	504,699	39	1,748,439,894
2014	1,527,153	627,136	41	2,200,143,813
2015	1,798,380	722,676	40	2,751,061,677

According to the above information, the number of tickets sold by the Fund as a percentage in relation to the number of tourists arrived had been 39 per cent, 41 per cent and 40 per cent in the year 2013, 2014 and 2015 respectively. Accordingly, it was observed that the management had not paid attention on the implementation of a sales promotion programme with a view to attracting tourists to view the places with ancient cultural ruins and promoting religious affairs.

- (b) An Action Plan had not been prepared for the overall Fund and a Work Plan had been prepared only for the excavation and conservation projects. Nevertheless, the approval of the Board of Governors had not been received therefor. According to the Progress Reports presented in terms of the said Work Plan, the following observations are made on the progress of the excavations and conservations.
- (i) Although it had been planned to entirely complete the works relating to 303 excavation and conservation work sites with the estimated cost of materials amounting to Rs.234,399,062 and the direct labour cost of Rs.468,357,144 during the year under review, only 53 work sites had been completed. Nevertheless, as 24 per cent of the estimated cost of materials and 95 per cent of the direct labour cost had been actually spent by the end of the year under review, the expected objectives had not been achieved though the higher contribution had been made on the overall labour performance.
 - (ii) It had been planned to executive 303 work sites during the year under review, of which activities relating to 28 excavations and conservations sites with an estimated cost of Rs.40,452,278 planned to be executed during the year under review had not been initiated.
 - (iii) Plans had been drawn to complete 20,331 work units of 20 excavations and conservations work sites under 12 projects during the year under review and a sum of Rs.72,711,268 had been estimated thereon. Out of which, only 1,896 work units had been completed up to end of the year under review and a sum of Rs.7,447,154 had been spent therefor. Accordingly, the physical and financial performance stood at very lower level as 9 per cent and 10 per cent respectively.

4.2 Management Activities

The following observations are made.

- (a) As the books had been purchased from the publishers without carrying out a proper assessment on the requirement of the stock of publications, the publications valued at Rs.10,438,073 included in the closing stock of the financial statements had remained unsold for more than a period of 10 years and action had not been taken to dispose or sale those books as yet.
- (b) In providing consultancy services for the constructions, all the activities such as preparation of structure plans and Bills of Quantity, acting as a member of the Technical Evaluation Committee, examination of the payments, supervision of works and acting as the Director (Conservation) had been carried out by the Architectural Consultant. Accordingly, the management had failed to introduce a proper system of segregation of duties.
- (c) The balances valued at Rs.770,700 shown as the unidentified opening balance from the year 2013 in the unsettled advances of the Laboratory and Publication Division of the Fund had not been identified and settled even by 31 December 2015.

4.3 Operating Activities

The following observations are made.

- (a) The total expenditure of the Replica Centre, Bataleeya for the year under review was Rs.34,830,911 and the total income was Rs.8,850,461, thus resulting in a loss of Rs.25,980,450.
- (b) The following observations are made in converting the value of Tourists Admission Tickets in to local currency at the tickets outlets.
 - (i) Non - issue of receipts at the time of selling Tickets.
 - (ii) Action had not been taken to increase the income by maintaining a foreign exchange account in respect of the foreign exchange transactions and as the foreign exchange collected is deposited in a local account daily, a foreign exchange loss had incurred.
 - (iii) A proper methodology had not been adopted in converting the value of Tourist Admission Tickets into the local currency, that is, in giving directives on the foreign exchange rates by the Head Office, those had been given without being timely reviewed and the number of directives thus given in the year 2015 was only 02.
 - (iv) According to the directives issued by the Head Office during the year 2015, a difference amounting to Rs.25,455,799 was observed between the value of Tourist Admission Tickets brought to account on the foreign exchange selling rate by the Fund and the value computed based on the monthly foreign exchange selling rate by the Audit.
 - (v) Action had not been taken to increase sales income by converting the foreign exchange value of the tickets on the foreign exchange selling rate daily into the local currency.

4.4 Transactions of Contentious Nature

The following observations are made.

- (i) Obtaining Employees Insurance Coverages.

In order to obtain insurance coverages for 936 employees, the Fund had paid a sum of Rs.9,905,284 (inclusive of taxes) and that expenditure included a sum of Rs.4,571,670 paid in respect of 432 employees who had not given their consent to obtain insurance coverage. Further, this insurance scheme had been implemented with the objective of insuring the employees engaged in the risky tasks, whereas only a few employees of them had contributed to obtain the insurance coverages.

- (ii) According to the Public Finance Circular No. PF/437 dated 18 September 2009, although it had been informed that the insurance coverages for the Government institutions should be obtained only from the Sri Lanka Insurance Corporation or the National Insurance Trust Fund, contrary to that, action had been taken to obtain the employees medical insurance coverage from a private insurance company on the payment of Rs.9,905,284 by rejecting the minimum quotations submitted by the Sri Lanka Insurance Corporation. The recommendations made by the internal audit division that the insurance coverage be obtained from the Sri Lanka Insurance Corporation which submitted the minimum quotations had not been taken into consideration in any respect.
- (iii) A sum of Rs.475,000 had been overpaid to the insurance company by producing a false name list including the names of 50 employees in excess and action had not been taken to recover that money from the officers concerned.
- (iv) Although the insurance premium recoverable from the employees salary from 01 April to 31 October 2015 amounted to Rs.1,118,376, a sum of Rs. 299,882 of which had been under recovered.
- (b) For a programme conducted by the state Ministry of Cultural and Arts to mark the international women's day on 28 March 2015 with the participation of the state Minister of Cultural and Arts and the political authority of the Province, the Fund had spent a sum of Rs.722,500 to distribute chintz cloth and small mosquito nets to thousand pregnant mothers in the province contrary to the objectives of the Fund.

4.5 Idle and underutilized Assets

Without being taken action in accordance with the Public Finance Circular No.2/2015 dated 06 October 2015 on 08 unused motor vehicles belonging to the Fund, those had been parked insecurely at the Head Office situated at the Bolurs Road and the Athapattu Office situated at Cinnamon Gardens.

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

The following observations are made.

- (a) Even though 664 GI pipes and 1308 couplings and 19 GI sheets belonging to the Tissamaharamaya and Abayagiriya Projects had been given to various religious places and Government institutions from the year 2008 to the year 2014, those had not been taken back up to date.
- (b) Although the resources belonging to the Fund should not be given to the Line Ministry or the external institutions in terms of Section 8.3.9 of the Public Enterprises Circular No.12 Dated 02 June 2003, contrary to that, three employees of the Fund had been deployed in the service of the Ministry of Internal Affairs, Wayamba Development and Cultural Affairs . A sum of Rs.1,834,645 had been paid to those employees as salaries and the allowances during the year under review and a Double Cab had also been given to the former Minister from July 2012 to August 2015.

4.7 Staff Administration

When taken into consideration the approved cadre and the actual cadre of the Fund as at 31 December 2015, the number of vacancies at senior, tertiary and secondary levels stood at 2, 8 and 50 respectively and the excess cadre of the primary level stood at 1010. Further, 05 persons had been employed for the posts of Archeology Consultant and Architectural Consultant without the approval of the Department of Management Services.

4.8 Procurement and Contract Process

The following observations are made.

- (a) The tender for the construction of Administrative building of the Replica Centre, Bataleeya had been awarded to a private company for Rs.46.4 million. The following observations are made in this connection.
 - (i) The loss sustained by the Fund had been Rs. 3,036,382 due to awarding the tender at a maximum price by rejecting the minimum tender that had fulfilled all the qualifications.
 - (ii) Even though 12 months had elapsed from the contracted period by 25 April 2016, the date of audit, only the foundation had been laid.
- (b) Contrary to Sections 3.6 and 5.1.1 of the Guidelines (August 2007) relating to the selection and employment of the Consultants, an Architectural Consultant had been employed on contract basis and the payment of Rs.33,748,306 had been made from 01 July 2013 to 31 March 2016. Further, approval of the Board of Governance had not been granted for making payments from 01 July 2014 to 31 March 2016.
- (C) Contrary to Sections 3.6 and 5.1.1 of the Guidelines (August 2007) relating to the selection and employment of the Consultants, a sum of Rs.2,000,000 had been paid to the Cultural Conservation and Construction Company for the construction of Administrative Building of the Replica Centre, Bataleeya as the consultation fees. Nevertheless, no plans, BOQQ or structure plans whatsoever had been prepared relating to the constructions by that Company.
- (D) In the physical examination carried out on the construction of new pathway of the Ruwanwelisaya Dagaba, it was observed that the following payments had been made without obtaining relevant measurements or carrying out a price analysis.

Item of work -----	Amount Payable -----	Amount Paid -----	Overpayment -----
	Rs.	Rs.	Rs.
Set of 05 canals and culverts	188,055	2,500,000	2,311,945
Set of 08 Drop inlets	400,000	400,000	-
Set of a Hume pipe of 03 feet in length and concrete pit of 0.450 x 0.450 x 0.100 mm in size.	26,945	400,000	373,055
Total			----- 2,685,000 =====

5. Accountability and Good Governance -----

5.1 Presentation of Financial Statements -----

In terms of Public Enterprises Circular No. PED/12 dated 02 June 2003, the financial statements for the year ended 31 December 2015 should be presented to the Auditor General within 60 days after the close of the year of accounts. Nevertheless, the financial statements had been presented on 22 August 2016, after a delay of 174 days.

5.2 Corporate Plan -----

Although a Strategic Plan had been prepared for the period 2013-2016 so as to cover the year under review, it had not been timely reviewed and updated.

5.3 Action Plan -----

Only a Work Plan had been prepared for the excavation and construction projects for the year under review and an Action Plan had not been prepared.

5.4 Procurement Plan -----

The Procurement Plan prepared for the year under review had not been approved by the Board of Governors.

5.5 Tabling Annual Reports in Parliament -----

The Annual Reports for the years 2013 and 2014 had not been tabled in Parliament in terms of Section 6.5.3 of the Public Finance Circular No. PED/12 dated 02 June 2003, even by 31 March 2017.

5.6 Budgetary Control

The Budget for the year 2015 had been prepared in November of that year but, the approval of the Board of Governance had not been obtained thereon.

5.7 Unresolved Audit Paragraphs

The following observations are made.

- (a) A sum of Rs.28,255,312 had been paid to a firm of contractors for the development of 1 kilometer of the internal access road of the Polonnaruwa Sacred City by laying concrete blocks. But no action whatsoever had been taken up to date in connection with the following deficiencies pointed out by the Auditor General's Report, 2012.
 - (i) Substandard concrete blocks had been used for the construction and a sum of Rs.22,099,917 had been paid thereon.
 - (ii) Payment of Rs.4,660,998 had been made for the works not carried out according to the Bill of Quantity.
 - (iii) The ABC layer and the quarry dust mixture had been applied less than 40 per cent and 50 per cent respectively.
 - (iv) Unevenness of the road.
- (b) The contract for Rs.27,500,000 had been awarded to the Road Development Authority for laying the blocks to a length of 01 kilometer 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 following deficiencies were observed thereon.
 - (i) Recommendation of the Procurement Committee and the Technical Evaluation Committee had not been obtained.
 - (ii) Width of the road had been increased without obtaining approval.
 - (iii) Due to failure to comply with the proper standard, the estimated amount had increased up to Rs.48,575,893.
 - (iv) Substandard concrete blocks had been used and a sum of Rs.16,992,545 had been paid thereon.

6. Systems and Controls

Deficiencies in systems and controls 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 in respect of the following areas of control.

Area of Systems and Controls -----	Observations -----
(a) Accounting	<ul style="list-style-type: none">(i) Government Grants had not been brought to accounts according to the Accounting Standards.(ii) Correct rates had not applied in converting foreign exchange transactions into local currency.(iii) Transactions with related parties had not been disclosed.(iv) Manufacturing Accounts had not been prepared and the correct cost of production had not been identified.
(b) Personal Administration	<ul style="list-style-type: none">(i) Action had not been to fill the vacancies and officers had been employed on contract basis for certain posts over a long period of time.(ii) Without considering the requirements of the employees, employees insurance coverages had been obtained.
(c) Procurement	<ul style="list-style-type: none">(i) A Procurement Plan had not been prepared.(ii) Procurement activities had been carried out contrary to the procurement guidelines.(iii) Constructions had not been carried out with in a specific time frame.
(d) Funds Management	<ul style="list-style-type: none">(i) A foreign exchange account had not been maintained for foreign exchange transactions.(ii) Funds had been invested in short term deposits.

- (e) Debtors Control
 - (i) Action had not been taken to recover the loan balances remained outstanding over a loan period of time.
 - (ii) A policy for the provision of doubtful debts had not been identified and provisions had not been made accordingly.
- (f) Stock Control
 - (i) Board of Survey had not been conducted and the reports had not been presented on due date.
 - (ii) Stock of tickets had not been clearly stated in the financial statements.
- (g) Assets Management
 - A Register of Fixed Assets had not been maintained on property, plant and equipment including the matters such as code numbers, places located the assets.