

Central Cultural Fund – 2017

The audit of financial statements of the Central Cultural Fund for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 judgment, 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 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 2017 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 Sri Lanka Public Sector Accounting Standards

The following observations are made.

(a) Sri Lanka Public Sector Accounting Standards No.01

- (i) According to the Section 29(c) of the standard, the disclosures had not been made in the financial Statements such as nature of the respective funds, the year of fund received, the purpose of fund received relating to 11 special funded projects amounting to Rs.9,138,563 had shown under non-current liabilities, 05 foreign funded projects amounting to Rs.4,817,900 and 01 foreign funded project amounting to Rs. 676,432 had shown under non-current assets.
- (ii) The disclosures had not been made in the financial statements according to Paragraph 29(c) of the Standards relating to 2,139 antiquities which legal ownership were being vested to the Department of Archaeology were existed in the Fund as at 31 December 2017.

(b) Sri Lanka Public Sector Accounting Standard No.02

- (i) Although the investments have 03 months or less maturity period should be identified as cash and cash equivalents according to Paragraph 09 of the Standard, the short term investment valued at Rs.633,450,476 and petty cash amount in the Head Office of Rs.225,217 had not been shown under cash and cash equivalents.
- (ii) A sum of 1,460,000 US Dollars valued at Rs. 221,059,900 were invested in Fixed Assets during the year under review had been shown in working capital changes under Operating Activities instead of record as cash outflow from Investment Activities in the cash flow statement.

(c) **Sri Lanka Public Sector Accounting Standard No.06**

Even though the disclosures shall be made about events to be identified according to Paragraph 29(i) of the Standard and events of material, non-adjusting category occur after the reporting date according to the Paragraph 28, the material effects had occurred relating to exchange rate transactions of the Fund due to continuous increase in exchange rate values prevailing as at 31 December 2017, it had not been disclosed in the financial statements.

(d) **Sri Lanka Public Sector Accounting Standard No.07**

(i) According to the Paragraph 65 of the Standard, as the result of useful life of the non-current assets had not been reviewed annually, although motor vehicles with a cost of Rs. 126,292,230 and buildings of Rs. 16,867,630 were fully depreciated, continue to be used. Accordingly, action had not been taken to revise the estimated error in accordance with Sri Lanka Public Sector Accounting Standards No.03.

(ii) Depreciation of an asset begins when it is available for use and depreciation of an asset ceases when the asset is derecognized according to the Paragraph 69 of the Standards. However contrary to that, the fixed assets totalling Rs.81,968,622 purchased during the year under review had been depreciated for entire year disregarding the date of ready to be used by following the policy of fully depreciate of Property Plant and Equipment in the year of purchase and no depreciation are made in the year of disposal of respective assets by the Fund.

(e) **Sri Lanka Public Sector Accounting Standard No.09**

According to the Paragraph 15 of the Standard, even though the Inventories shall be measured at the lower of cost and net realizable value, contrary to that, closing stocks in 06 projects had been shown as Rs.10,441,493 in the financial statements by directly evaluating to its selling price.

2.2.2 Accountings Policies

The following observations are made.

(a) Although basis of valuation of publications, replicas and consumable materials only had shown in the financial statements, the basis of valuation of stocks of tickets had not been disclosed in the financial statements.

(b) The accounting policy following by the Fund relating to provision for doubtful debts had not disclosed in the financial statements and doubtful debts amounting to Rs. 1,964,833 had been provided without review of outstanding debtor balances amounting to Rs. 3,388,452 were being existed since more than 05 years.

- (c) Provisions had been made for post-employment benefits from the year under review by the Fund. Even though a policy must be prepared for provisions made on post-employment benefits according to most recent pronouncements of other standard-setting bodies such as increase of employees' salary in future, discount rates, employees' turnover and other actuary assumptions according to the Paragraph 15 of the Sri Lanka Public Sector Accounting Standard No.03 for calculate the amount of provisions made relating to the year, a provision totalling Rs.680,154,693 had been made as Gratuity during the year under review for 2,562 employees based only the service period and lastly drawn salary by the employees without prepare a policy accordingly.
- (d) According to the Note No.1.1 of the financial statements of the Fund, it had been pointed out that the financial statements are prepared according to Sri Lanka Public Sector Accounting Standards and Sri Lanka Accounting Standards are adapted in the case of those standards couldn't be used. But the details such as for which items what is the Accounting Standard would be adapted by the Fund, what is the Accounting Policy in that connection etc. had not been clearly shown in the financial statements by the Fund.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) The Fixed Deposits balance was US \$ 1,460,000 and Saving Account balance was US \$ 246,398 as at 31 December 2017. Instead of calculate of rupee value base on foreign exchange rate of Rs.150.9156 prevailed at that date of preparation of financial statements, the foreign exchange loss understated by Rs. 668,908 and the balance of foreign exchange saving account overstated by Rs.96,588 had been shown in the financial statements due to adaption of rate of Rs.151.3076 prevailed at 29 December 2017.
- (b) A sum of Rs. 22,597,491 had been accounted as Deferred Revenue in the year under review without identifying a clear accounting policy for identification as Deferred Revenue on systematical basis of foreign capital grants amounting to Rs.226,754,060 received to the Fund during the period of 1981-2011 and the capital grant amounting to Rs. 428,110,000 received to the Fund from private, government organizations and foreign countries during the period of 1985-2012.

2.2.4 Unexplained Differences

The following observations are made.

- (a) According to the financial statements, even though the balance of Gratuity Provision Account as at 31 December 2017 was Rs. 680,154,693, the balance of Gratuity Investment Account had maintained according to that was Rs.685,741,723. Accordingly a difference of Rs.5,587,030 had not been reconciled.

- (b) Even though the value of Publication Stocks existed as at 31 December 2017 was Rs.17,541,033 according to the calculation of the audit, a difference of Rs.15,324,620 was observed due to it had been shown as Rs. 32,865,653 according to Note No.12.

2.2.5 Lack of Evidence for Audit

The evidences indicated against the following items of accounts had not been furnished to audit.

Accounts Item	Value	Evidences not made available
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	Rs.	
(a) Staff Debtors	94,368,893	Detail Schedules
(b) Ticket Stocks	879,350	Stocks Verification Reports

2.3 Accounts Receivable

Housing Loans, Festival Advances and Special Advances loan balances over 05 years were Rs. 18,368,291, Rs. 433,010 and Rs.87,991 respectively as per Age Analysis of debtors furnished to audit, and an effective step had not been taken by the Fund to recover those Loans.

2.4 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	
(i) Section 4 (e)	Actions had not been taken by the Fund from the beginning up to now to arrange formal rules to include all points under provisions in the Act.
(ii) Section 4(f)	Even though an approval of the governing board should be obtained for invest money and withdraw the respective investment of the Fund, approval of governing board had not been obtained for amounts of Rs.1,100,000,000 and 1,460,000 US Dollar (Rs. 220,343,200) invested in fixed deposits and also for withdrawal of investments amounting to Rs. 362,736,222 during the year 2017.

(iii) Section 6 (e)

Although it had been shown that the fees could be charged from tourists and guests who enter to the area which delineated as Cultural Triangle, the tickets income of Rs.36,082,437 had been obtained during the year under review from heritage places such as Galle, Ramba Viharaya, Ape Gama, Kataragama, Yapahuwa and Buduruwagala which are not included in to the Cultural Tringle contrary to that.

(b) Antiquities Ordinance, No 9 of 1940

(i) Section 21(1)

- Even though any works of restoration, repair, alteration or addition to a protected replica not to be started except under the authority and in accordance with the conditions of a permit issued by the Commissioner of Archaeology or except in accordance with an agreement entered into under section 20,donation amounting to Rs.906,996 had been given during the year under review by the Fund without inspecting about permission obtained from Commissioner of Archaeology for carry on the development activities of 04 Temples having archaeological value.
- Although a sum of Rs. 25,053,596 had been disbursed during the year under review for conservation of Welimaluwa in Ruwanvelisaya, the permission obtained from Commissioner of Archaeology had not been furnished to audit for commencement of such activities.

(c) Establishments Code of the Democratic Socialist Republic of Sri Lanka

(i) Section 1:2 of Chapter II

Create new posts such as Director (Religious), Director (Planning), Works Engineer, Project Co-ordination Director, Inspecting Officer and recruitments had been done contrary to the Establishment Code by the Central Cultural Fund. Further 2271 Watchers and 1130 Labourers totalling 3401 Workers were not included in posts of approved cadre of the Fund or Department of Archaeology had recruited for the Department of Archaeology on approval of the Governing Board.

(ii) Section 9:1 of Chapter II

Prior Cabinet approval must be obtained where a person who has retired from the Public Service is to be re-employed in a post in the Public Service or is to be employed in a Public Corporation. However out of 29 personal files were checked, officers relating to 8 files were retired officers and it was not observed that prior Cabinet approval had obtained for those officers.

(iii) Sub section 13:4 of Chapter II

No officer should be appointed to act in any vacant office, unless he is in every way fully qualified to perform the duties of that office. However an unqualified officer had been recruited on contract basis on 02 October 2017 for cover up duties in post of Project Manager in Sigiriya Project according to Section 4.3.4.1 of the Recruitment Scheme.

(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Financial Regulations 381(1)

Whereas a Saving Account from foreign currencies (US Dollars) was opened and transactions are being maintained since 28 March 2017 by the Fund, the approval of the Treasury had not been obtained for it.

(e) Public Administration Circulars

(i) Circular No. 09/2017(i) dated 24 August 2007

- Even though a pensioner over 60 years old should not be reinstated in an approved post in public service, sample test were revealed that 05 officers had recruited by the Central Cultural Fund on contract basis who were over 60 years of age on the date of recruitment.
- No person beyond 67 years of age should be appointed to an approved post in the Public Service for whatever reasons. However it was observed that 03 retired officers beyond 67 years of age are being existed among 09 retired officers' files were checked in posts such as Transport Advisor, Preservative Officer and Museology Consultant.

- A suitable successor should be identified by the Head of the Department during the period which pensioner has been reemployed and the re-employed retired officer should be entrusted with the responsibility of training the identified officer. However actions had not been taken accordingly and it was observed that the service of such officer had been extended continuously.

(ii) Circular No. 25/2014 dated 12 November 2014–Paragraph 7

The recruitments had been made by the Fund on approval of the Governing Board without approval of the Department of Management Services.

(iii) Sub section 15.2 of the Circular No. 06/2006 dated 25 April 2006

The salaries of persons appointed on contract basis shall not be revised during the contract period. However the salary of Transport Advisor (Technical) had been revised during contact period from Rs.15,000 to Rs. 30,000 through a Board Paper.

(iv) Paragraphs 03(i) and 03(ii) of the Management Services Circular No. 02/2016 dated 25 April 2016

(i) It had been shown that Interim Allowance of Rs. 10,000 and 20 Per Cent Special Allowance were included in new salary structure according to the Circular. However it was observed in sample test check that include the above Interim Allowance, Special Allowance and pay the salaries for officers who were recruited on contract basis by the Fund. Accordingly a sum totalling Rs.990,344 had been over paid by Rs.403,470 as Special Allowances, Rs.457,689 as Interim Allowance and contribution of Employees Provident Fund and Employee Trust Fund (12%+3%) as Rs. 129,185 for 2016, 2017 and up to July 2018 relevant to 04 files of 04 officers were checked.

(ii) As per Management Services Circular No. 30, the initial salary step of initial grade of specific salary scale should be applied for appointments were given after 01 January 2006 according to the Section 19.2.

However it was observed that the salaries were paid by established in higher steps in respective salary scales to the officers were recruited in contract basis by the Central Cultural Fund. The above salary steps had been given relevant to 04 officers among 05 files were checked accordingly and the amounts over paid for above officers were Rs.450,821 accordingly.

(f) Public Enterprises Circulars

- (i) Sub paragraph 2 of Paragraph 3.1 of Circular No. PED/1/2015 dated 25 May 2015

Even though monthly fuel allowance should be entitled to the Director General was 150 litres, it had been paid 170 litres per month for 20 months period for January 2016 to August 2017. Accordingly, action had not been taken to recover the overpaid amount of Rs. 51,200 had paid on fuel beyond the limit from responsible persons or relevant officer.

- (ii) Sub paragraph 4 of Paragraph 3.1

It had been shown that monthly fuel allowance of 120 litres entitle to be received to an officer bare a post in category HM 1-1 or any other higher post approved from respective Department according to the Management Services Circular No. MSD 30 issued in the year 2006. However, a sum of Rs. 243,930 had been overpaid beyond the approved fuel limit to 08 officers contrary to that and actions had not been taken to recover those money from responsible officers or relevant persons.

(g) Public Finance Circulars

- Circular No. PF/423 dated 22 December 2006

Any expenditure should not be incurred during the relevant financial year without an approved Budget according to Section 4.1(c) of the Circular. However a Capital expenditure of Rs. 391,180 had been incurred during the year 2017 by the Fund for obtain network facilities and computer and accessories for project of issuing electronic tickets through internet, the money was not allocated by the budget estimate.

(h) The Letter No. DMS/E1/54/9/241 dated 21 July 2011 of Department of Management Services.

According to the Paragraph 04 of the Letter, filling the vacancies of approved posts after 30 June 2011 and create new posts in addition to approved cadre should not be done without a formal approval of the Department of Management Services. However the recruitments for posts such as Director (Religious), Director (Planning), Work Engineer, Project Coordination Director, Inspecting Officer had been done by creating various projects by the Fund.

2.5 Transactions not Supported by Adequate Authority

Approval of the Governing Board had not been obtained for donations of printed publications of Rs. 375,093 and replica valued at Rs.5,548,700 produced by the Fund during the year under review according to Sub section 4(c) of the Central Cultural Fund Act, No. 57 of 1980.

3. Financial Review

3.1 Financial Result

The financial result for the year under review was a surplus of Rs. 1,471,822,640 and the corresponding surplus of the preceding year was amounted to Rs. 1,696,834,303 thus indicating a deterioration of financial result by Rs.225,011,663 or 13.2 per cent as compared with the preceding year. Above deterioration had been mainly resulted due to increase in salaries, wages and employees benefit expenses by Rs. 303,022,305, other expenses by Rs.544,504,410, contract service expenses by Rs. 22,997,847, supplies and consumable expenses by Rs. 13,309,772 despite the increase in total revenue by Rs.669,493,497 during the year under review compared with the previous year.

The analysis on financial result for the year under review with 04 proceeding years had revealed that the surplus of Rs. 302,069,090 in year 2013 had continuously improved up to year 2016 and had been deteriorated in year 2017. However, considering remuneration and depreciation for non-current assets, the contribution of Rs. 1,065,769,479 in year 2013 had been continuously improved up to Rs.3,034,217,986 at the year ended 2016 but had been reduced up to Rs. 2,974,285,411 in year 2017.

4. Operating Review

4.1 Performance

4.1.1 Planning

Institutions incorporated under Act passed by the parliament should require to prepare an annual action Plan including activities to accomplish the objectives specified in the Act with a long term vision according to the Paragraph 04 of the Public Finance Circular No. 01/2014 dated 14 February 2014. However an Action Plan for the year 2017 had not been prepared by the Fund and only a Works Plan had been prepared about excavation, conservation, research and development activities relating to projects implement by the Fund.

4.1.2 Operation and Review

The following observations are made relating to the progress achieved and the roles should have been fulfilled by the Fund.

- (a) An analysis between the numbers of tourists arrived in Sri Lanka for the year 2013 to 2017 as per the information obtained from the Tourist Board website and the number of Tourist Admission Tickets sold by the Fund as per the books of the Fund is given below.

Year	Number of tourists arrived in Sri Lanka	Number of Tourist Admission Tickets sold by the Fund	Number of tickets sold as a percentage of the number of tourists
2013	1,274,593	504,699*	39*
2014	1,527,153	627,136	41
2015	1,798,380	722,676	40
2016	2,050,832	923,204	45
2017	2,116,407	994,556	46

* calculations had been made based on the assumption that one tourist is visiting one archaeological place)

As per the above information, number of tickets sold had been ranged in between 39 per cent to 47 per cent with compared to the number of tourists arrived in Sri Lanka for the year 2013 to 2017. Accordingly it is observed that there is a possibility to increase income further by implement a market promotion programme to attract tourists for visit the places with historical cultural ruins and to promote religious activities.

- (b) As per the Work Plan prepared by the Fund, the savings remained between 10 and 99 per cent with comparing actual expenses and estimate provision relating to 35 activities commenced and completed during the year.

- (c) According to the Annual Work Plan of the Fund, 34 activities like development of infrastructure facilities, conservation activities were planned to be implemented during the year under review at an estimated cost of Rs. 439,938,818 had not been implemented during the year under review by the Fund.
- (d) 04 activities had implemented during the year under review outside to the Annual Work Plan and the expenditure incurred for that was Rs.6,066,320.
- (e) Expected output/result had been shown in the Work Plan of activities included in the Work Plan.
- (f) The financial donations of Rs.497,741,581 had been made by the Fund for 965 religious places situated in 19 Districts under Stage 1 and Stage 2 for repair works of the cultural and religious places. 316 religious places out of 965 religious places represent 33 per cent were provided to temples in the Kurunegala District and it was only 26 per cent out of total donations value. Further the percentage value of the donations were given for one District relatively to the donations were given out of total religious places were less than 1 per cent in 04 Districts, 1 to 5 per cent in 8 Districts, 6 to 10 per cent in 5 Districts, 10 per cent to 15 per cent in 01 District. It was also observed that any donations had not been given for 05 Districts. Accordingly it was observed in audit that the Fund had failed to make and implement a systematical procedure for distribution of donations by cover the whole island on a reasonable basis when making the donations.

4.2 Management Activities

 The following observations are made.

- (a) Action had not been taken to transfer the legal ownership of the land of the Head Office until 30 September 2018.
- (b) Memorandum of Understanding No. ED/10/NH/03/02/01/07 dated 16 June 2016 had been signed by the both parties for handing over the supervising activities of Ape Gama Institute to the Central Cultural Fund which was under the supervision of Ministry of Education. As per the Paragraph 08 of the agreement, even though actions should be taken to take over all the building and goods formally from the Ministry of Education as immediate effect, the Fund had not been acted accordingly until 28 September 2018.
- (c) Commencement of issuing tickets through internet had failed even as at 30 August 2018 due to proper identification or feasibility study about it had not been done by the Fund about the objectives, functions, relevant time frame, responsible parties, requirement of human and physical resources and cost to be incurred of the project of issuing tickets through internet and it was observed that only payments are made through internet.

- (d) According to the 2.2 of the Public Finance Circular No. PF/4/CM/1(Cir) dated 20 November 2010, render the required authority and responsibility to obtain payment through electronic media to its co-employees and create appropriate internal control systems and security systems for such payments should be made by the Head of the Government Institutions. Accordingly, although it is compulsory to employ a staff with knowledge in information technology in the Fund to duly activate the tickets issuing system through internet, actions had not been taken to recruit such a staff by the Fund up to now.
- (e) Whereas knowledge staff were not in the Fund to activate the currently operated payment system through internet, the controlling activities of the system were being done by the Information and Communication Technology Agency of Sri Lanka and it is observed that it is effected to the secrecy of the information of the Fund.
- (f) Although 11 officers alleged from Preliminary Investigations were conducted in year 2016 relating to purchase of cabs for Central Cultural Fund, formal disciplinary actions had been commenced only for selected three officers out of that and the Fund failed to complete such formal disciplinary inquiries even as at 06 November 2018. It was observed that non-commencement of formal disciplinary actions is a controversial fact relating to 08 other officers.
- (g) A sum of Rs. 30,423 had to be incurred by the Fund as surcharges due to under payment of Gratuity to be paid to the employee who was served at Trinco project of the Central Cultural Fund.

4.3 Operating Activities

The following observations are made.

- (a) Direct cost for the year under review only had been considered when calculating the production cost of sectors such as Replica products, publications and printing and attention had not been made about indirect cost. Accordingly, action had not been taken to decide the selling price after accurately identifying the production cost of Replica products.
- (b) The estimated man days were 13914 on behalf of conserve the Welimaluva in Ruwanweli Seya and building maintenances, scientific maintenances and daily maintenances of Mahavihara Project in Anuradhapura according to progress reports for the year 2017 and the number of man days worked were 20358. Thus a sum of Rs.11,920,937 for 6444 man days over the estimate had been disbursed and the accuracy of the estimate was problematic in the audit.

- (c) The tickets issue by the Fund for tourists who are coming for visit the heritage places were printed in printing section at Colombo 07. A 285 millimeters length and 88 millimeters wide ticket is printed by using thickness with 300 GSM paper length of 900 millimeters and wide of 600 millimeters. A shortage of 319,794 tickets were observed for the years 2015 to 2017 when testing of the tickets should be printed and actual quantity had printed from a paper as per physical size of a ticket issue for heritage places such as Anuradhapura, Polonnaruwa and Sigiriya.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) According to the Cabinet paper No.11/0169/555/004 dated 10 February 2011, 25 per cent of revenue earn from tickets income by the Fund should be given to the Archaeological Management Trust. Accordingly, even though a sum of Rs.957,315,728 should be given to that trust as 25 per cent out of Rs.3,829,262,911 of income of the Fund for the year 2017, it had been given only Rs.193,060,865.
- (b) An interest income of Rs.13,150,343 had lost to the Fund during the year 2017 due to early withdrawal of 02 fixed deposits totalling Rs.125,000,000 maturing in 12 months by the Fund despite of a fixed deposit amounting to Rs.50,960,882 maturing in one month and 06 fixed deposits amounting to Rs.582,489,594 maturing in 03 months.

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

The following observations are made.

- (a) Whereas the land of Preem Rose locate in Kandy is the property of the Fund estimated at Rs.4.2 million in the year 2012 is being maintained as Monk Training Centre by built the buildings as Kandy Society of the Maharagama Sasana Workers Society since year 2013, action had not been taken to take over that property to the Fund.
- (b) Although 02 buildings valued at Rs. 4 million locate in Hanthana belonging to the Fund are being used by the Building Department since year 2012, actions had not been taken to take over that buildings to the Fund.

4.6 Staff Administration

The staff administration of the Central Cultural Fund is in a poor state and it was observed according to the following information that recruitments, appointments and promotions are being made contrary to Regulations, Acts and specific mythologies from several years.

- (a) An officer had been appointed for the post of Legal Officer which was not mentioned in Scheme of Recruitment of the Fund for a 06 months period from 26 August 2016 and 06 months period had been extended again from 27 February 2017. The same officer had been appointed on contract basis to the post of Assistant Director (Legal) was mentioned in Scheme of Recruitment of the Fund for the period of one year since 27 August 2017. Further a sum of Rs. 1,164,229 had been paid by the Fund to this officer from 26 August 2016 to month of February 2018 as monthly allowance including Rs. 45,930 and other allowances approved by the Government. Similarly an actions had not been taken by the Fund to recruit an officer on permanent basis for the post of “Assistant Director/Deputy Director (Legal)” until the date of 28 September 2018.
- (b) In terms of Sub Section 5.4 of the Scheme of Recruitment, even though the external applicants who were not less than 22 years and not more than 45 years are recruited to the post of Assistant Director (Legal), this officer had exceeded that maximum age limit at the time of appoint to the post of Assistant Director (Legal) on contract basis. Accordingly it was observed that this appointment had been made contrary to the approved Scheme of Recruitment.
- (c) According to the relevant duty list of the post of Legal Officer/Assistant Director (Legal), the Legal Officer’s/Assistant Director’s (Legal) role was to appear to the investigations and cases in the Courts and contribute to the arbitration procedures, appear in Human Rights Labour Tribunal and other investigations, prepare documents for resolute protests and other judicial affairs on behalf of the Central Cultural Fund. Accordingly, even though no need to obtaining service of external lawyers when an officer was being appointed to act on behalf of legal functions of the Fund, a sum of Rs.1,070,100 had been disbursed by the Fund during the year under review for that by do such tasks through external lawyer.
- (d) Although the audit has pointed out from time to time, the recruitments had been made on various post not mention in Scheme of Recruitment and post in the approved cadre. Accordingly 273 recruitments had been made as 10 recruitments on contract basis relating to 08 posts in the Scheme of Recruitment, 184 recruitments on contract basis over the approved cadre relating to 05 posts approved in Scheme of Recruitment, 79 recruitments relating to 21 posts not included in Scheme of Recruitment.
- (e) According to the details presented to the audit by the Fund, an aggregated salaries and allowances amounting to Rs. 500,589,684 was paid for 934 workers/ officers recruited for Department of Archaeology, 632 labours for District Rates, 251 officers/ workers on contract basis and 403 officers/ workers on casual and skill basis as at 31 December 2017 without an approval of the Department of Management Services.
- (f) In addition to recruitments mention in observation (e) above, Archeological Assistants and Watchers had been recruited during the year under review on approval of the Board of Governors of the Fund on behalf of Department of Archology without an approval of the Department of Management Services. An amount paid to Employees Trust Fund, contributions for Employees Provident Fund and salaries for such Archeological Assistants and workers in the months of November and December 2017 was Rs. 37,228,036.

- (g) An unqualified and over age limit officer was recruited contrary to Sub Section 4.2.1.1 and Sub Section 4.3 respectively of the Scheme of Recruitment of the Fund for the post of Director (Administration and Human Resources Development) on 07 April 2017 in contract basis and salaries amounting to Rs.1,253,343 had been paid up to date of 31 May 2018.
- (h) An unqualified officer was recruited for the post of Director (Finance) in contract basis on 19 April 2017 contrary to the Sub Section 4.2.3.1(b) of the Scheme of Recruitment of the Fund and Rs. 1,253,343 salaries had been paid up to 31 May 2018.
- (i) An amount of Rs. 1,060,521 had been paid as Salaries for an officer was recruited in contract basis on 21 June 2017 for the post of Director (Religious) which was not included in the Scheme of Recruitment of the Fund.
- (j) A report including new Scheme of Recruitments and Promotions, cadre schedule preparing for offices and projects and new Organization Structure had been presented to Director General of the Fund through letter dated 14 February 2018 by the Committee of Preparation of Recruitment Scheme and that Scheme had not been presented by the Fund until 28 September 2018 to obtain approval of the Management Services Department.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals

According to the United Nations year 2030 on Sustainable Development, every public entity should act in accordance with that “agenda”. The Central Cultural Fund had not made aware how it would perform its functions relevant to the year under review within the own scope. Nevertheless, actions had not been taken to recognize Sustainable Development goals related to its functions, targets and turning point to be reached to that targets and indexes for measure to reach on targets.

6. Accountability and Good Governance

6.1 Presentation of Financial Statements

According to Sub Section 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, even though the financial statements for the year ended 31 December 2017 should be rendered to the Auditor General within 60 days after the close of the financial year, those Financial Statements had been rendered on 23 August 2018 after a delay of 05 months and 23 days.

6.2 Procurement and Contract Process

6.2.1 Procurements

The following observations are made.

- (a) A Terms of Reference (TOR) had not been arranged by the Fund relating to preparation process of Scheme of Recruitments according to Section 4.2 of the Guideline for Selection and Employment of Consultants in 2007.
- (b) According to the Section 4.4 of the Guideline, the name of 03 officers were proposed and those three had been appointed to the Committee of Processing of Scheme of Recruitments of the Fund by Board paper No. 202.17.01 dated 30 May 2017. However the evidences had not been furnished to audit for confirm whether they were appointed after checking such as experiences of these officers' and the qualifications of those officers to prepare the Scheme of Recruitments.
- (c) According to the Section 4.6 of the Guideline for Consultancy Services, it should be signed a formal contract agreement where possible by including service conditions cover such as remuneration, direct expenses, leaves, insurance, daily allowances and Terms of Reference. However, although possibility were existed with the Fund to sign an agreement with the Committee of Preparation of Scheme of Recruitment, such an agreement had not been entered by the Fund.
- (d) According to the Section 6.6.4 of the Guideline for Consultancy Services, even though a maximum of twenty per cent (20%) of the contract sum may be paid as advance against on submission of an acceptable Advance Payment Guarantee, it was observed that a payment of Rs. 360,000 had been made by the Fund representing 40 per cent of the contract sum without an advance payment guarantee contrary to that.
- (e) Procurement procedures had not been followed by the Fund when selecting of a place to continuing the office of the Fund until the repair works is completed in the Head Office of the Fund situated in Colombo 07 and "D" terminal in 4th floor at Sethsiripaya stage II belonging to the Urban Investment and Development Company (PVT) Limited had been selected for continuing the office of the Fund on rent basis. Due to non-following of the procurement procedure, the opportunity to select a place with lowest cost through evaluating alternative opportunities had been deprived by the Fund. Accordingly Rs. 18,308,924 ,Rs. 325,283 and Rs.1,040,076 had been paid by the Fund as building rent, charges for sanitary works and electricity charges respectively from the month of March 2017 to the month of April 2018. But the commencement of repair works of the Head Office had been failed by the Fund even as at 28 September 2018.
- (f) The goods, works and services procure for Regional Offices had not been included in the Procurement Plan prepared on behalf of the Fund for the year under review.

6.3 Budgetary Control

Although a sum of Rs. 3,000,000 had allocated as donations through Revised Budget for the year 2017, a sum of Rs. 19,373,794 had been provided.

6.4 Tabling of Annual Reports

The Annual Report in respect from the years 2013 to year 2016 had not been tabled in Parliament even as at 28 September 2018, in terms of Section 6.5.3 of Public Enterprises Circular No. PED/12 dated 02 June 2003.

07. System and Controls

Weaknesses 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.

Arears of Systems & Controls	Observations
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(a) Accounting	(i) Failure to identify production cost of the Replicas and Publications. (ii) Failure to furnish Journal Entries relating to adjustment in some loan balances.
(b) Staff administration	(i) Failure to fill vacancies and employing officers on contract basis for some posts since long period. (ii) Failure to revise the Recruitment Scheme. (iii) Failure to proper maintain of Personal Files. (iv) Failure to act according to Circulars and Financial Regulations when recruitment of officers.
(c) Procurement	(i) Failure to follow Procurement Guideline. (ii) Weakness are prevailed in processing of Procurement Plan.
(d) Budget Control	Weakness in preparation of estimates.
(e) Debtors Control	Failure to take actions to recover loan balances are being existed since long period.