

## **Head 206 – Report of the Auditor General of the Department of Cultural Affairs Year 2017**

---

The Appropriation Account and the Reconciliation Statement under the Head and Item Number stated in the First Schedule and the Third Schedule of the Appropriation Act No.24 of 2016 amended by the Appropriation (Amendment) Act No.32 of 2017 were presented to the audit by the Department of Cultural Affairs. The financial and physical performance reflected from those accounts and the reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

### **1.2 Responsibility on the Financial Management and the Accountability of the Chief Accounting Officer and the Accounting Officer**

---

The Minister of Finance is charged with the raising of Government Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of the Government in terms of Financial Regulation 124 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers has been appointed by the Minister of Finance to discharge that responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of the Accounts and the Reconciliation Statements presented by performing own duties within the limitations imposed by the Parliament in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions, Government Financial Regulation and Administrative Regulations.

### **1.3 Scope of Audit**

---

The audit of the Department of Cultural Affairs-Head 206 for the year ended 31 December 2017 was carried out in pursuance of provision in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of planning of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, application of internal control provisions, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The audit observations, comments and findings on the accounts and the reconciliation statements were based on the review of the plans,

accounts, reconciliation statements and performance reports presented to audit and test of samples of transactions. The scope and extent of such review and tests were prepared such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

**1.4 Audit Observation**  
 -----

The material and significant audit observations out of the audit observations revealed in audit of the Department of Cultural Affairs for the year ended 31 December 2017 are included in paragraph 2.1 to paragraphs 2.13 of this report. It was observed that accountability as the Accounting Officer has been executed satisfactorily, as it ensure the adequacy of the financial control subjected to the audit observations summarized in the following chart revealed in the execution of the provisions of the Financial Regulation 128 of the Democratic Socialist Republic of Sri Lanka.

<b>Accountability of the Accounting Officer in terms of Financial Regulation 128(1)</b> -----	<b>Non-compliance with that provision by the Accounting Officer</b> -----	<b>Reference to the Paragraph included Observation</b> -----
Financial Regulation -----		
128 (1) (a) The work of his Department is planned and carried out with due dispatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for activities authorized , and that an endeavour is made to complete the programme of work laid down for the year or to attain the targets specified.	(i) Deficiencies in preparing the Action Plan.  (ii) Failure to maintain registers and books.  (iii) Management Weaknesses	2.1.1  2.11  2.6

128 (1)(b)	The organization for financial control and accounting in his department is effective, and provides adequately for the correct ascertainment, where necessary, of dues to Government, the systematic, complete and prompt collection of dues and bringing to account of monies received, the authorization of commitments on behalf of the Government, the supervision and examination of services and supplies rendered, and the prompt and correct payment therefore from public funds.	Deficiencies in implementing the procurement process.	2.2.1
128(1) (d)	An adequate system of internal check for receipts, payments and issues is maintained and tested from time to time.	<ul style="list-style-type: none"> <li>(i) Deficiencies in Advances to Public Officers Account</li> <li>(ii) Commitments and liabilities</li> </ul>	2.8 (a) (b) (c)
128(1)(e)	Adequate and proper arrangements are made for the safe custody and preservation of money, stores and equipment and other assets belonging to the Government, or are in its custody, and that these are verified from time to time and where they are disposed of, such disposal is according to prescribed Regulations and instructions.	Deficiencies in assets management	2.4 2.3(a) (b)

128(1)(f)	Information, statements and returns as are called for by the Chief Accounting Officer or the Treasury, are rendered correctly and promptly.	Presentation of annual performance report with delay	2.1.2
128(1)(h)	Special arrangements are made to recover outstanding dues and the officers assigned that task report to him at least once in three months or as otherwise directed regarding arrears and action pursued to expedite their recovery.	Outstanding loan balances	2.8
128(1)(i)	The activities of his department are undertaken with due regard to economy, efficiency, propriety and integrity expected in the transaction of public business.	Irregular Transactions	2.5
128(1)(m)	An Appropriation Account is rendered to the Chief Accounting Officer at the end of the financial year in respect of each Programme of a Head of Expenditure for which he is responsible as Accounting Officer.	Deficiencies stated in the Appropriation Account	2.7 (a)

## **2. Material and Significant Audit Observations**

---

### **2.1 Performance**

---

#### **2.1.1 Planning**

---

It was observed that the details stated below had not been submitted with the Action Plan prepared for obtaining expected results of 11 other institutions established under the Department.

- (a) Updated organization structure, approved cadre and actual cadre of the Institute for the year under review.
- (b) Imprest requirement plan for annual activities

#### **2.1.2 Annual Performance Report**

---

In terms of Public Finance Circular No.402 of 12 September 2002, even though the performance report relating to the year under review should be tabled in the Parliament within 150 days after the closure of the financial year, it had not been table even by the date of 03 June 2018.

#### **2.1.3 Achieving Sustainable Development Goals**

---

It is required to take actions by all the public institutions as per United Nations Year 2030 “Agenda” on Sustainable Development and Department had been aware on how should be implemented regarding the activities which comes under own scope relating to the year under review. Following observation is made in this regard.

Even though it is necessary to have an accurate data base for measuring the accurate performance of a certain activity, Department had failed to create an accurate data base for measuring the achievement of Sustainable Development Goals.

## **2.2 Obtaining of Supplies and Services through the Procurement Process**

---

A sum of Rs.271.08 million provisions had been made for the supplies and services to be obtained by the Department by taking actions in accordance with Government Procurement Guidelines and out of that Rs.169.87 million provisions had been utilized.

### **2.2.1 Implementation of Procurement Process**

---

The following observations are made.

- (a) An agreement had been signed at Rs.386.5 million between the contractor and the Department on 14 November 2014 for the completion of work within 365 days for modifications and development of the building premises of John De Silva Memorial Theatre and National Art Gallery. A sum of Rs.415.98 million had been paid as at 31 December 2017. The following observation is made in this regard.

A supplier had been selected by calling bid from five limited contractors selected by the Cabinet. The Cabinet had approved to offer the contract to that supplier subject to the payment after the deduction of 10 per cent service charge from the contract value. Payments had been made without deducting the 10 per cent service charge of Rs.36.8 million from Rs.368.3 million, the amount paid to the contractor as at 31 December 2017. Accordingly, Department of Cultural Affairs and the University of Moratuwa who is providing the consultancy service had taken actions non considering of the Cabinet decision.

- (b) The following observations are made in relation to printing of 1000 copies each of 13 literature books such as “Hela Gee Maga” and Abinaya by spending Rs.2,128,410 through government and private printing institutions.
- (i) Even though there had been printing errors such as certain words had not been printed in 05 books printed, ink had been smudged, difficulty in identifying the photos, they had been accepted and a sum of Rs.783,500 had been paid for that.
- (ii) In terms of guideline 8.7.1 of the Government Procurement Guideline, even though the procurement entity should confirm that there are financial provisions to fulfill the expense before offering the bid to the supplier, due to not having provisions in the year 2016, a sum of Rs.796,410 printing charges for 05 literature books had been paid in two occasions in the year 2017.

## **2.3 Asset Management**

-----

Following deficiencies were revealed in sample audit test check made on the assets of the Department.

### **(a) Documentation of Assets**

-----

Assets with total value of Rs.156,765,803 been furniture and office equipment of Rs.7,235, 638, machine and machinery of Rs.8,800,000, building and constructions of Rs.140,730,165 had been understated in the Appropriation Account of the year under review.

### **(b) Idle and Underutilized Assets**

-----

In the physical examination made on 04 January 2018, 9668 old literature books valued at Rs.1,572,305 consist with “Hela Gee Maga”, “Abhinaya”1,2,3,4,6 volume and “Chithrapatiya” books from 54 per cent to 75 per cent, Abhinaya 5,7,8,and 10 stocks over a range of 80 per cent received to the stores in the year 2016, had been remained in the stores without taking actions to sell or to offer to the libraries free of charges from a period of nearly one year by the date of 04 January 2018.

## **2.4 Commitments and Liabilities**

-----

It was observed that a sum of Rs.34,000,000 liabilities under the object No.206-01-01-1409 had been overstated in the Appropriation Account in comparing the register of liabilities with the statement of liabilities of the Appropriation Account.

## **2.5 Irregular Transactions**

-----

The following observation is made.

1000 copies of 11 volume of Abinaya had been printed from the Department of Government printing for State Drama Festival 2017 by spending Rs.210,000. Even though it had been stated that its printing should be done before 24 February 2017, only 690 books had been received to the store until 09 May 2017 after a delay. Good receiving note was not presented to the Audit to confirm whether remaining 310 copies had been received to the Department.

## 2.6 Management Weakness

---

The following weaknesses were observed.

- (a) Book store of the Department had been established in a building at katuwawala which belongs to the Urban Development Authority. A range of deficiencies such as Damaging books from insects due to not covering blowouts, not having a ceiling to the building, damaging books as it is unable to use due to shrinking pages of the printed books due to heavy warm, not having adequate racks to store books, damaging books from insects due to piling up on a wooden deck, not making required facilities for the safety of books in a situation of emergency fire, not paying attention towards toilet with facilities and facilities for employees were observed in audit. It was also revealed that this building is not a suitable place to conserve the books and to store until they are distributed as well as there is a risk on the safety of the books. There is also no ability to repair this building as this building is belong to the Urban Development Authority and it was observed that not taking necessary actions on providing suitable store facilities as a weakness of the Management.

## 2.7 Utilization of Provisioned made by the Parliament for Execution of Activities

---

Information on the provisioned made, utilization and savings during the period of 05 years ended by 31 December 2017 and the audit observations on that are stated below.

Year	Type of Expenditure	Net provision	Utilization	Savings	Savings as a percentage of net provision
-----	-----	-----	-----	-----	-----
		Rs.Million	Rs.Million	Rs.Million	
2013	Recurrent	324.44	300.11	24.33	7.49
	Capital	152.30	41.19	111.11	72.95
	<b>Total</b>	<b>476.74</b>	<b>341.30</b>	<b>135.44</b>	<b>28.40</b>
2014	Recurrent	404.80	389.39	15.41	3.8
	Capital	186.55	139.03	47.52	25.47
	<b>Total</b>	<b>591.35</b>	<b>528.42</b>	<b>62.93</b>	<b>10.64</b>



2015	Recurrent	500.36	495.53	4.83	0.97
	Capital	296.74	256.98	39.76	13.40
	<b>Total</b>	<b>797.10</b>	<b>752.51</b>	<b>44.59</b>	<b>5.59</b>
2016	Recurrent	522.19	512.29	9.90	1.90
	Capital	334.95	238.68	96.27	28.74
	<b>Total</b>	<b>857.14</b>	<b>750.97</b>	<b>106.17</b>	<b>12.39</b>
2017	Recurrent	598.07	586.11	11.96	1.99
	Capital	275.86	173.07	102.79	37.26
	<b>Total</b>	<b>873.93</b>	<b>759.18</b>	<b>114.75</b>	<b>13.13</b>

The following observations are made in relation to the year under review.

**(a) Appropriation Account**

-----

**Over provisioned**

-----

Due to over provision totalling Rs.185.28 million had been made for 08 recurrent and capital objects, after utilizing of totalling Rs.82.52 million from those provisions, it had been amounted in a range of 26 per cent to 83 per cent from the net provision relating to those objects.

**2.8 Advances to Public Officers Account**

-----

**Limits Authorized by Parliament**

-----

Limitations imposed by the Parliament and actual figures of the Advances to Public Officers Account under object code 20601 relating to the Department are stated below.

<b>Expenditure</b>		<b>Receipts</b>		<b>Debit Balance</b>	
<b>Maximum Limit</b>	<b>Actual</b>	<b>Minimum Limit</b>	<b>Actual</b>	<b>Maximum Limit</b>	<b>Actual</b>
-----	-----	-----	-----	-----	-----
Rs.Million	Rs.Million	Rs.Million	Rs.Million	Rs.Million	Rs.Million
27.00	21.41	13.00	18.38	70.00	61.19

Following observations are made in this regard.

- (a) As per the reconciliation statement presented to the audit, total of outstanding in recoveries as at 31 December 2017 amounted to Rs.766,334 excluding the loan balances of the officers who transferred out and those outstanding balances had been coming over a period of 01 year to 05 years, post reviews for recovering those outstanding loan balances had been at weak level.
- (b) There had been a difference of Rs.444,761 between the debit balance of Advances to Public Officers Account and the debit balance of the treasury computer prints as at 31 December 2017. Department had failed to find the reasons for this difference which is coming before the year 2004 and to settle it.
- (c) There had been an unsettled balance of Rs.220,990 between the summarised Individual Balances Classification Summary as at 31 December 2017 and the year-end debit balance of the Advance Control Account of the Department. Reasons had been clarified only for Rs.211,738 thereof. However, an unsettled further difference of Rs.9,252 was observed after adjusting that difference.

## **2.9 General Deposit Accounts**

-----  
The balances of 04 General Deposit Accounts under the Department as at 31 December 2017 totalled Rs.51.67 million. The following observations are made in this regard.

- (a) Actions had not been taken regarding 62 deposits lapsed of 2 years and totalled Rs.6,463,476 in terms of Financial Regulation 571.
- (b) In terms of Financial Regulation 565(5) Even though the monthly abstract statement of deposits prepared in Form General 71 must be submitted to Auditor General before the end of the following month, monthly abstract statement of deposits had not been submitted in relation to 04 deposit accounts of the Department in the year under review.

## **2.10 Operating Bank Accounts**

### **Balances to be adjusted**

-----  
The following deficiencies were observed in examining the bank reconciliation statements presented in relation to the bank account of the Department operated in the year 2017.

- (i) In terms of Financial Regulation 396 (d), actions had not been taken on the cheque valued at Rs.3,364,459, issued but remained uncashed within 06 months.

- (ii) In relation to 08 balances totaling valued at Rs.0.02 million shown as direct payments as per the bank reconciliation statement by the bank, actions had not been taken to make required adjustments by examining its accuracy even by the month of July 2018.
- (iii) As per the bank reconciliation statement, a sum of Rs.0.05 million had been stated as direct receipts to the bank. Actions had not been taken to identify and account those receipts appropriately even by the month of July 2018.

## **2.11 Non maintenance of Registers and Books**

-----

It was observed in sample audit test check that a Security Register had not been maintained in terms of Financial Regulation 891(1) and an Inventory book (book store) also had not been updated in terms of Financial Regulation 237(b) by the Department.

## **2.12 Internal Audit**

-----

Even though the Post of Internal Auditor had been approved from 28 July 2011, that post remained vacant so much. Audit activities are carried out by the Internal Audit Unit of the Ministry of Internal Affairs, Wayamba Development and Cultural Affairs and 06 audit queries had been issued during the year 2017.

## **2.13 Human Resources Management**

-----

### **2.13.1 Approved Cadre and Actual Cadre and Expenses for Personnel Emoluments**

-----

Details on the approved, actual, vacant and excess cadre as at 31 December 2017 for the fulfillment of the activities of the Department are stated below. Department had expensed Rs.310.91 million for the expenditure item of personal emolument for the year under review. Accordingly, expense per person had been Rs.441,629.

<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
(i) Senior Level	26	14	12
(ii) Tertiary Level	04	02	02
(iii) Secondary Level	624	549	75
(iv) Primary Level	155	114	41
(v) Casual/Contract	47	25	22
<b>Total</b>	<b>856</b>	<b>704</b>	<b>152</b>

The following observations are made in this regard.

- (a) Even though Department had been taking actions on filling the vacancies of Deputy/Assistant Director and Internal Auditor, it had not been filled until the end of the year under review itself.
- (b) Two officers of videographer and photographer who are not within the approved cadre of the Department of Cultural Affairs and belongs to the Central Cultural Fund had been employed in the Department from 2016 to the Audited date of 31 July 2018.
- (c) Monthly allowances totaling Rs.490,378 had been paid to a person recruited for a position called "Training Consultant" which is not included within the approved cadre, from the year 2014 to the Month of February 2017.