

Central Cultural Fund - 2019

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Central Cultural Fund for the year ended 31 December 2019 comprising the statement of the financial position as at 31 December 2019 and statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions of the National Audit Act No.19 of 2018 and the Finance Act No.38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

I do not express an opinion on the financial statements of Fund. Because of the significance of the matters described in paragraph 1.5 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

I expressed disclaimer of opinion on the matters described in paragraph 1.5 of this report.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Section 16(1) of National Audit Act No.19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable annual and periodic financial statements to be prepared of the Fund.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on preparation of the Financial Statements

1.5.1 Non-Compliance with the Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant standard	Comments of the Management	Recommendation
(a) With reference to paragraph 47 of Sri Lanka Public Sector Accounting Standard No.03 in relation to the rectifications in the previous years by an entity, even though it had been indicated from (a) to (d) of paragraph 54 of such standard with regard to the facts to be disclosed, the facts in relation to the financial statements 2018 republished by the Fund had not been revealed.	It had been informed that the action will be taken to disclose the information related to the rectifications pertaining to the previous years since 2020 as per the accounting standard.	The action should be taken in compliance with the regulations of standard.
(b) As per Sri Lanka Public Sector Accounting Standard 19, even though the actuarial method should be used in the calculation of the employee benefits obligation of the entity, no actuarial method had been used in the calculation of provision for the gratuity of Rs.690, 965,817 as at 31 December 2019.	It had been informed that the action will be taken in the future in compliance with Accounting Standard No.19 having examined what factors to be further considered in the computation of the employee benefits by using the actuarial method as per Accounting Standard No.19.	The action should be taken in compliance with the regulations of standard.
(c) Even though the rectification the material errors in previous period found by the entity should be carried out as per paragraph 47 of Sri Lanka Public Sector Accounting Standard No.03, the rectifications related to the under-mentioned errors in previous period pointed out by the Auditor General's Report 2018 had not been performed in compliance with that.	It had been informed that the action will be taken to perform the adjustments required for rectification the shortcomings in the accounts 2020.	The action should be taken in compliance with the regulations of standard.
i. In rectification the error of crediting the receivable interest income account instead of accounting the interest of Rs. 1,702,055 in		

relation to 2018 as the income in the year, it had been debited to interest income from 07 day call deposits and fixed deposits in the year under review and credited to previous year adjustment account instead of debiting to receivable interest account in that year. Accordingly, the interest income in the year under review had been understated from that amount.

ii. In rectification the error of understating the receivable interest for fixed deposits in 2018 by Rs. 916,438, receivable interest account and the cumulative fund had been overstated by Rs. 26,466,363 owing to accounting the value as Rs. 27,382,801.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
a. The gratuity amount of Rs. 4,991,301 paid in cash in 2020 for 09 employees who had been retired in the year under review had not been indicated as payables as at 31 December 2019.	It had been informed that the action will be taken to adjust in the accounts in 2020 having further examined it.	The action should be taken to accurately account the expenditure related to the year.
b. Even though the vehicle insurance expense related to the year under review was Rs. 1,061,919, it had been shown in the financial statements that the overstatement of insurance expense by Rs.738, 210 and understatement of the payments in advance from same amount in the year under review due to accounting as Rs.1, 800,129 including the expenses in advance.	Having further examined on the accounting errors occurred in relation to the life insurance coverage and the vehicle insurance coverage, it had been informed that the necessary action will be taken to make adjustments in the final accounts 2020 for rectifications.	The action should be taken to accurately account the expenditure related to the year.
c. The cumulative surplus had been overstated by Rs. 366,000 and the shortage in the under review had been understated by Rs.138, 450 in the financial statements due to making a under provision of Rs.366, 000 and Rs.138, 450 for the audit fees in 2018 and 2019 respectively by Fund.	Since the final accounts related to 2019 had been completely prepared in 2020, the values related to the invoices for these audit fees couldn't be adjusted in such accounts. In the preparation of the final accounts since the next year, it had been informed that the action will be taken to make relevant adjustments as per Sri Lanka	The action should be taken to accurately account the expenditure related to the year.

Public Sector Accounting Standard No.06 after paying attention to the incidents subsequent to the date of reporting.

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| d. | As per the statement of financial performance, even though the provision for gratuity made in the year under review was Rs.47, 582,236, that value had been adjusted as Rs.9, 691,482 under non-monetary changes in the calculation of net cash flow generated through the operating activities. | It had been informed that the action will be taken to accurately prepare the statement of cash flows since 2020 by considering the deficiencies observed in the statement of cash flows prepared as per Sri Lanka Public Sector Accounting Standard No.02. | The cash flow statement should be accurately prepared in accordance with the standard. |
| e. | The cumulative surplus is not included into the statement of cash flows. Rs.102,485,286 had been indicated as the cumulative surplus under the cash flow generated through the operating activities and Rs.5,005,053 under the cash flow generated through the financial activities. | It had been informed that the action will be taken to accurately prepare the statement of cash flows since 2020 by considering the deficiencies observed in the statement of cash flows prepared as per Sri Lanka Public Sector Accounting Standard No.02. | The cash flow statement should be accurately prepared. |
| f. | The accounting software (Sage 50) which is used by the Fund and the value was not verified and the value of the salary software worth of Rs.182, 500 purchased in 2018 had not been indicated under the intangible assets in the statement of financial position and even though that matter had been highlighted in the Auditor General's Report in the preceding year, no action had been taken to rectify it. | It had been informed that the action will be taken to make the relevant adjustments in the preparation of the final accounts 2020 again. | The cost of the software should be indicated in the financial statements. |
| g | In accordance with the cash book maintained by the Fund in the accounting software, the differences between the monthly cash receipts and payments balances had been observed as per monthly cash credit and debit balances and monthly bank reconciliation statement of current account No.1630469 and accordingly, a difference of Rs.12, 491,566 in cash credits and Rs.7, 405,490 in cash debits had existed in 12 months in the year under review. | The accounting codes had been used for accounting the receipts and payments in the accounting software Sage 50 related to current account No.1630469 of the Fund. The cash book prepared in accordance with the data obtained from such 02 accounting codes is herewith submitted and the reasons for not matching monthly cash receipts and payments shown in the bank reconciliation statement in certain months with the balances in the cash book and details on such values are | After verification of the accuracy of the data in the accounting software, the journal notes should be put for notifying and changes. |

forwarded herewith. But it had been informed that such changes had not affected to the balance in the cash book.

- h** Owing to the calculation of the gratuity considering the period of service as a complete year in case of not served a complete year of service, the gratuity had been over allocated by Rs.2, 006,050 for 106 officers/workers who served in the head office of Fund and Abhayagiriya Project.
- The calculation of the allocation of gratuity considering it as a complete year when the period of service had not been completed a full year in allocation of the gratuity is the policy used by the institute since the preceding year. Since this is an estimated value, the calculation had been carried out in that manner. It had been informed that the steps will be taken to rectify it since 2024.
- As per the Act, it should be calculated.
- i** The gratuity allocation had not been made as at 31 December 2019 for 23 workers had served in the head office of Fund and Abhayagiriya Project and the facts caused for that had not been submitted to the audit by Fund.
- It had been informed the action will be taken to herewith submit the information document requested to the audit in this regard.
- As per the Act, the provisions should be made.

1.5.3 Lack of Documentary Evidences for the Audit

Subject	Amount (Rs.)	Audit Evidences not provided	Comments of the Management	Recommendation
a. Special Funds Projects II Special Funds Projects 5 Special Funds Projects 01	8,960,632 4,757,900 676,432	Books, Files, Schedules.	It had been informed that the efforts would be made to disclose information regarding these projects in the financial statements 2020 as much as possible.	The relevant books, files and schedules should be submitted to the audit to verify the accuracy of the balances.
b. American Dollars Saving Account	15,578,717	Cash Book, Additional Documents, and Details of the respective project.	It had been informed that the necessary steps were taken to maintain a written cash book for this matter from December 2024.	An additional register or a cash book should be maintained to record daily dollar receipts and payments.
c. Festival Advances, Housing Loan, Vehicle Loans, Distress Loan Balances	269,564,775	Loan Registers, Loan Reports, Recovery Details, Schedules, Age Analysis.	In respect of the loans given as at 31.12.2019, a detailed schedule including the loans given for the permanent staff has already been provided to the audit. The detailed document	The Loan Register, Loan Reports, Recovery Details, Schedules, Age Analysis should be presented to the Audit.

regarding the loans given to the labor staff has not been prepared and this document is also being prepared at present. It had been informed that both these documents will be provided together with the financial statements when those are properly submitted to the audit from the year 2020.

d.	Allocation of Doubtful Debts	1,430,741	The details about how the calculation was done.	The actions have been taken to allocate the doubtful debts for the outstanding debtor balances that have not been recovered for 05 years. Herein, it has been difficult to find the files containing debtor information since before 2010. It had been informed that the steps would be taken to prepare a debtor analysis report immediately after verifying information on these debtor balances.	The details related to the calculation of doubtful debts should be presented to the audit.
e.	Refundable Deposits	9,776,783	Descriptive Schedules	There is no schedule prepared at present for the tender deposits amounting to Rs. 9,776,783.00 and it had been informed that it is to be prepared.	The schedules should be presented to the audit.
f.	Fixed Deposits Investments	6,033,058,973	Fixed Deposit Documents, Fixed Deposit Certificates, Renewal Notices, Bank Balance Confirmations.	The file and bank balance confirmations maintained in relation to the fixed deposits for the year 2019 have already been submitted to the audit. Further, a file included with the copies of the certified fixed deposits had not been maintained properly at that time, and the file that was maintained containing copies (not certified) was submitted to the audit. It was informed that these fixed deposit files will be maintained properly from the year 2023.	Fixed Deposit Documents, Fixed Deposit Certificates, Renewal Notices, and Bank Balance Confirmations should be presented to the audit.

g.	Fixed Assets, Allocation of Accumulated Depreciation, Annual Depreciation.	1,772,690,344 912,564,770 90,678,860	Fixed Assets Register and Descriptive Schedule	It had been informed that the steps have been taken to submit the fixed asset register and detailed schedules on the calculation of depreciation as of 31.12.2019 to the audit by the letter CCF/DF/01/143 dated 02.12.2024.	As the schedules that confirm the total value were not submitted for the audit, the schedules that confirm the total value should be submitted.
h.	Investment Income Rupee Fixed Deposit Interest receivable American Dollar Fixed Deposit Interest receivable	615,255,845 428,353,909 25,320,591	Fixed Deposit Certificates, Renewal Notices and Bank Balance Confirmations.	A schedule containing the investment details for the year 2019 with calculation of the interest investment income receivable for the Rupee fixed deposits and the US Dollar fixed deposits has been presented to the audit.	The written evidences related to confirm the accuracy of calculating the income should be presented to the audit.
i.	Deferred revenue expenditure	21,486,076	Expenditure Schedule	It had been informed that the actions would be taken to examine on this matter and provide an answer in future.	The schedules related to the expenditures should be presented.
j.	Miscellaneous Debtors	2,075,317	Debtor registers and descriptive schedules	A schedule related to miscellaneous debtor balances had been presented as an answer to the draft report.	As the values shown as opening balances and the values shown as unidentified balances had been included in this balance, the schedule should be presented analyzing the balance shown in the financial statements.
k.	Ongoing works	212,280,442	The details of the estimated amount and ongoing works.	A schedule for the ongoing capital of Rs. 212,280,442 as at 31.12.2019 has been presented to the audit for the time being, and it had been informed that the Development Division of the Institute has been notified to provide further descriptive information.	A descriptive schedule should be presented.

1.6 Receivable and Payable Accounts

1.6.1 Advances

Out of the advances that had been given to the officers of the Fund, external parties and contractors to implement the works done by the projects under the Fund, the unsettled advance balance as at 31 December 2019 was Rs. 550,101,173. Out of that amount, a sum of Rs. 10,861,799 had been outstanding for more than 05 years and the Fund had not taken steps to settle these balances and the details on the current status of these balances was not submitted to the audit.

Out of these advances, the balance amounting to Rs. 1,382,054.60 given to Challenger Lanka Institute is an advance paid on 28.03.2001 to the contractor company that was assigned to develop the internal access road within the Polonnaruwa Archaeological Complex by laying gravel. A case bearing No. HC/ARB/189/2012 is pending in the Colombo High Commercial Court in this connection.

The advance amount of Rs. 8,261,536.18 has been paid to Isuru Engineering and Rs. 1,140,000.00 to M.S.P.N.Kumara for the construction of a building in the year 2014 under Advance Replica. However, as the works of this building has not yet been completed, these advances have not been able to be collected. It had been informed that as it is proposed to re-include the construction of this building in the work plan 2025 and to accomplish the works of the said building; this advance payment can be recovered thereafter.

The actions should be taken to settle the advance balances.

2. Financial Review

2.1 Financial Results

The operation result of the year under review was a deficit of Rs. 126,746,674, and the corresponding surplus of the previous year was Rs. 1,917,029,717. Accordingly, a depreciation of Rs. 2,043,776,391 was observed in the financial result. This depreciation had mainly been caused by the decrease in the tickets and printings income and other income by Rs. 930,230,198 and an increase in salaries and wages, supplies and consumables and other expenses by Rs. 1,047,345,535.

3. Accountability and Good Governance

3.1 Submitting Financial Statements

Audit Observations	Comments of the Management	Recommendation
Even though the draft annual report and annual financial statements should be submitted to the Auditor General within a period of 60 days upon the end of the accounting year in terms of paragraph 4.3 of the Public Finance Circular No. PF/423 dated 22 December 2006 (Financial Regulation 877(2) (d) amended by Paragraph 15 of the new Public Finance Circular No. 01/2020 dated 28 August 2020), the Financial Statements for the year	When the financial statements for the year 2019 were submitted for the approval of the Board of the Governors, the instructions have been given to conduct a full audit for the period from 2015 to 2019 in accordance with Decision No. 212.02.01. Accordingly, the Auditor General conducted a special audit for that period and submitted a report on 14.03.2022. The submission of financial statements for audit from the year 2018	The draft annual report and financial statements should be submitted to the Auditor General within 60 days upon the end of the accounting year.

2019 had been presented on 09 August 2024 and the Draft Annual Performance Report had been presented on 27 August 2024 which was after a delay of almost 04 years and 06 months. was delayed due to these reasons. However, it was informed that the financial statements for the years 2019, 2020, 2021, 2022, 2023 have been prepared and accomplished as of the due date.

3.2 **Tabling the Annual Performance Report in the Parliament**

Audit Observations	Comments of the Management	Recommendation
Even though the Auditor General’s Report and Annual Financial Statements of the Fund should be tabled in the Parliament within a period of 05 months upon the end of the accounting year in terms of paragraph 4.4 of the Public Finance Circular No. PF/423 dated 22 December 2006 (Financial Regulation 877(2) (e) amended by Paragraph 15 of the new Public Finance Circular No. 01/2020 dated 28 August 2020), the reports related to the years 2016, 2017 and 2018 had not been tabled in the Parliament even as at 31 December 2024.	It had been informed that the reports up to the year 2015 had been tabled.	It is required to proceed as per the Circular.