

## Head 206–Department of Cultural Affairs

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### 1. Financial Statements

#### 1.1 Qualified Opinion

Head 206 - The audit of the financial statement of the Department of Cultural Affairs for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance and cash flow statement for the year then ended, 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 provisions of the National Audit Act, No. 19 of 2018. The summary report including my comments and observations on the financial statements of the Department was issued to the Accounting Officer on 30 May 2023 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the Department in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 30 May 2023. This report will be presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department as at 31 December 2022, and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### 1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 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.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Department 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists, and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### **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 judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### **1.5 Report on Other Legal and Regulatory Requirements**

I express the following matters in accordance with Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The following recommendations made by me on the financial statements for the preceding year had not been implemented.

Reference to the Paragraph of the Report relating to the Preceding Year	Recommendation not Implemented	Reference to the Paragraph in this Report
1.2.1	All non-financial assets of the Department should be identified and brought to accounts based on cost or assessment value.	1.6.1 (b) (i)
1.2.2 (a) (i)	In case of a difference in the balance between the computer print outs and advance control account, such a difference should be identified and adjusted to the accounts.	1.6.1 (a)
3.2.4 iv	Action should be taken to recover the penalties for delay released to the contractor.	2.5 i

## 1.6 Comments on Financial Statements

### 1.6.1 Accounting Deficiencies

#### a) Reconciliation Statement on the Advances to Public Officers Account

Audit Observation	Comment of the Accounting Officer	Recommendation
There existed a difference of Rs. 444,761 between the debit balance of the Advances to Public Officers Account "B" and the computer print outs of the Treasury as at 31 December 2022. Action had not been taken to identify that difference continued since the years prior to 2004 and make adjustments in the accounts accordingly.	This difference has been continuing to exist over a period of 20 years, and finding the relevant documents is difficult. Action is being taken to find the old documents, and as soon as the difference is identified, the Audit will be informed.	In case of a difference in the balance between the computer print outs and advance control account, such a difference should be identified and adjusted to the accounts.

#### b) Property, Plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
(i.) In case of non-financial assets that need to be further reported in terms of Paragraph 8.2 of the State Accounts Circular No.	All the vehicles belonging to the Department have been assessed. However, requests had been made that the two motor vehicle Nos. KD 1857 and KD 1874 belonging to the Ministry of Justice, be	All the non-financial assets of the Department should be accounted for under cost or value of assessment.

267/2018 of the Director General of State Accounts dated 21 November 2018, such assets should be identified and accounted for under the cost or the value of assessment if cost can not be identified.

transferred to the Department, and once the consent is given, it would be brought to accounts. The Divisional Secretary, Mihintale was requested to vest the rights to the land where the cultural center, "UthuruDakunuMithuruSevana" had been established, in the Department. As soon as the other lands have been acquired by the Department, the assets will be accounted for.

Nevertheless, 05 buildings of the Department, 02 vehicles with assessment value of Rs. 5,000,000, and 04 lands in extent of 1.4157 hectares had not been brought to the accounts even by 31 December 2022.

- (ii.) The value of 02 vehicles the assessment value of which amounted to Rs. 1,210,000, was understated by Rs. 210,000 thus showing a sum of Rs. 1,000,000 in the accounts.
- As the lifetime of those 02 vehicles had not exceeded 05 years, the value of assessment had not been included.
- Action should be taken to accurately account for.

## 2. Financial Review

### 2.1 Management of Expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
Although there was a troupe of 47 dancers in the Department, a sum of Rs. 285,000 had been paid for 28 external dancers.	Taking into account the skills of those dancers, some of them are skilled at one tradition of dancing. As such, a large number of dancers are needed to maintain the beauty when creating the choreography. Hence, the service of artists external to the state troupe, should be obtained.	Skills of the internal dancers of the Department should be improved, and their service should be obtained.

### 2.2 Over Expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
An over expenditure of Rs. 381,241 had been incurred on 05 items in excess of the expenditure estimated for the short film festival.	Expenses had increased due to increase in prices existed at the time of preparing the estimates.	Expenses should be incurred within the limit of allocated provision.

### 2.3 Incurring Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
According to the register of liabilities and commitments for the year under review, a balance totaling Rs. 2,275,864 had been indicated with respect to 05 items of expenditure. However, in addition to those liabilities, a sum of Rs. 8,841,820 had been paid under 10 items of	When preparing the register of liabilities and commitments for the year 2022, the relevant information had been collected from all the internal sections. It had been prepared based on bills that had already been received by the Department.	All the liabilities should be shown in the financial statements.

expenditure in the months of January and February with respect to the year 2022. Accordingly, commitments and liabilities had been understated by Rs.6,565,956 in the financial statements.

#### 2.4 Non-compliances with Laws, Rules, and Regulations

<b>Reference to the Laws, Rules and Regulations</b>	<b>Observation Non-compliance</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Sub-sections 4.5 & 4.6 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, and Paragraph 3 (e) and 04 of the Public Finance Circular, No. 5/2019 dated 27 June 2019.	Action had not been taken to recover the loan balance totaling Rs. 204,039 that had remained due for over 05 years from 13 officers who had vacated their posts and the loan balance of Rs. 23,923 receivable from 06 unidentified officers.	The Divisional Secretariat had been queried as to the residence of 04 of the officers who had vacated their posts, and information on three of them had been received. Further action is being taken. Information is further sought on the unidentified officers.	Action should be taken in terms of provisions of the Establishments Code and the relevant Circular.

## 2.5 Irregular Transactions

### (i) Payments without Authority

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Construction of Stage -1 of the John De Silva Memorial Theater had been done after a delay of 03 years, and the building had been handed over. The penalty for delay amounting to Rs. 38,658,734 recovered from the contractor had been refunded to the contractor without proper approval and formal verification of facts. Without proper authority and approval, a sum of Rs. 8,512,971 had also been granted for making that payment from the provision made for the second stage as well.</p>	<p>After Sri Pali Constructions presenting an interim bill valued at Rs.38,658,733.68, a requisition paper had been issued with respect to the total amount. However, the balance amount of Rs.8,512,970.67 after deducting the sum of Rs.30,145,763.01 in the General Deposits Account, had been settled using the sum of Rs. 700 million allocated through the budget for the year 2019.</p>	<p>The penalty for delay refunded to the contractor should be recovered.</p>

## 3. Operating Review

### 3.1 Planning

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Although an Action Plan had been prepared for the year 2022, the activities expected to be executed under each Object had been shown without mentioning the relevant physical targets.</p>	<p>The Public Finance Circular, No. 02/220 does not indicate that physical targets should be indicated in the Format . As such, the targets had not been included. However, action will be taken to include them from the ensuing year.</p>	<p>Necessary information should be given in the Action Plan.</p>

### 3.2 Failure to Achieve the Expected Output

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>A sum of Rs. 4,300,000 had been spent in the year 2022 to purchase the selected books under the project providing assistance for writers. Although 10,313 books written in three languages had been purchased, 8,949 of those books had not been distributed within the year. In addition to that, 6914 books purchased prior to the year 2018 up to the year 2021 had remained in stores without being distributed as at 31 December 2022.</p>	<p>As a proper methodology had not been put in place prior to the year 2022 for distributing books, distribution of books is done at present in accordance with the said methodology . Location of the bookstore had been changed in the year 2022, and the distribution was suspended until the books were sorted again. As the requests made by the libraries are varying, a large number of books of the same kind are not distributed. Books purchased under the project providing assistance for writers, are not issued for sale.</p>	<p>Books should be distributed as scheduled.</p>

### 3.3 Annual Performance Report

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Although a sum of Rs. 1,382,824,759 had been shown in the financial statements as non-financial assets, a sum of Rs. 424,236,091 had been understated thus showing the sum of Rs. 958,588,668 under performance in reporting on non-financial assets in the performance report.</p>	<p>Total value of the non-financial assets shown in the financial statements was correct; and by mistake, the non-financial assets valued at Rs.343,105,266.24, Rs.80,875,034.90 and Rs.255,790 had not been shown under performance in reporting on non-financial assets in the performance report. Corrective measures will be taken on the draft performance report.</p>	<p>Information should be correctly mentioned in the performance report.</p>



### 3.4 Procurements

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Repairing John De Silva Memorial Theater (Object 206-2-3-15-2104)</p>		
<p>(a) A sum of Rs. 311 million equivalent to 20 per cent of the total contract value had been paid as advance though, it was revealed in examining files that worth of the constructions completed thus far was only Rs. 86 million.</p>	<p>The contractor had been informed in that connection at the progress review meetings held on construction works.</p>	<p>Constructions should be done properly in accordance with agreements.</p>
<p>(b) The project should have been completed and handed over by 09 December 2022. However, the contractor had not taken action to complete the repairs even by April 2023.</p>	<p>The project should have been completed and handed over by 09 December 2022, but considering the request made by the contractor, the project period had been extended up to 2023.04.30 by the consultancy firm. The consultancy firm will take action in due course in this connection as per the contract agreement.</p>	<p>Repairs should be done on time as per the agreement.</p>
<p>(c) As the renovation works had not been completed within the period of agreement, a large number of artists could not proceed with their rehearsals. Due to failure in staging dramas, generating</p>	<p>Due to unfavorable situation prevailed in the country, the project could not be completed as expected. Action will be taken to expeditiously complete those construction works.</p>	<p>Constructions should be completed, and the Theater should be made use of.</p>

income had been hindered. As such, it was observed in Audit that the Government being deprived of revenue, was a considerable loss.

### 3.5 Management of Assets

Audit Observation	Comment of the Accounting Officer	Recommendation
The Department did not possess documents to verify rights to 04 lands of the Department in extent of 1.4157 hectares. No action had also been taken to take over those lands.	The Divisional Secretary, Mihintale was requested on 2023.04.27 to vest the rights to the land where the cultural center, " <i>Uthuru Dakunu Mithuru Sevana</i> " had been established, in the Department. As soon as the activities relating to taking over the other lands are completed, the assets will be accounted for, and the Audit will be informed.	Action should be taken to take over the rights to the lands used by the Department.

### 3.6 Securities of the Government Officers

Audit Observation	Comment of the Accounting Officer	Recommendation
Fifty two officers who should give securities had been identified in the preceding year in terms of Financial Regulations 880-893 and Cap. 612 of the Government Officers Security Ordinance. However, action had not been taken to obtain securities from them.	Approval on the limits for obtaining securities and methodologies had been given through the Letter, No. CA/1/1/12/27/4 (i) of the Secretary to the Ministry of Buddha Sasana, Religious and Cultural Affairs dated 2023.04.11. At present action is taken to open savings accounts relating to obtaining securities.	Action should be taken in terms of Financial Regulations and Securities Ordinance.

#### 4. Good Governance

##### 4.1 Internal Audit

Audit Observation	Comment of the Accounting Officer	Recommendation
An internal audit had not been conducted in terms of Section 40 of the National Audit Act, No. 19 of 2018. Action had not been taken even up to 30 May 2023 to fill the vacancy in the post of Internal Auditor approved in the year 2011.	Requests had been made several times that an Internal Auditor be appointed. A request had again been made to the Ministry of Public Administration under the No. DCA/02/02 dated 2023.04.06, and the Audit had also been informed in that connection.	Action should be taken in accordance with the National Audit Act.

#### 5. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
There existed 54 vacancies equivalent to 15 per cent of the 28 approved staff of senior management, and the post of Accountant remaining vacant over several years, had also included therein.	Requests relating to vacancies of the staff had been made to the Department of Management Services through the No. DCA/02/01/02-02 dated 2023.03.11 and Ministry of Public Administration through the No. DCA/02/02 dated 2023.04.06. The Audit had been informed in this connection as well.	Necessary measures should be taken to fill vacancies in essential posts of the senior management.