

Appropriation Head 177 - Report of the Auditor General of the Ministry of Culture and the Arts and the Department under that Ministry – year 2012

This report comprises of 2 parts

Part 1 - Summary Report of the Accounts of the Ministry and the Department under the Ministry.

Part 2 - Detailed Report relating to each Appropriation Head

Part – 1

Summary Report on the Accounts of the Ministry of Culture and the Arts and the Department under that Ministry.

1. Department under the Ministry.

Head of Expenditure	Name of Department
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206	Department of Cultural Affairs

2. Accounts

2:1 Appropriation Account

Total Provision and Expenditure

The total net provisions made for the Ministry and the Department under the Ministry amounted to Rs.1,559,491,750 and out of that a sum of Rs.1,198,872,696 had been utilized by the end of the year under review. Accordingly, the savings from the net provisions of the Ministry and the Department amounted to Rs.266,827,402 and Rs.93,791,652 or 23.47 per cent and 22.19 per cent of the total net provision. Details appear below.

Appropriation Head	Ministry/ Department	Net Provision as at 31 December 2012		Utilization as at 31 December 2012		Savings as at 31 December 2012	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
177	Ministry of Culture and the Arts	536,730,000	600,100,000	490,789,786	379,212,812	45,940,214	220,887,188
206	Department of Cultural Affairs	286,161,750	136,500,000	270,403,571	58,466,527	15,758,179	78,033,473
	Total	822,891,750	736,600,000	761,193,357	437,679,339	61,698,393	298,920,661

2:2 Advance Accounts

2:2:1 Advances to Public Officers Accounts

Limits authorized by Parliament

The following limits authorized by Parliament for the Advances to Public Officers Accounts of the Ministry and the Department had been complied with.

Head	Item Number	Expenditure		Receipts		Debit Balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
177	17701	35,000,000	13,545,658	14,000,000	14,998,747	111,100,000	64,352,448
206	20601	17,000,000	4,340,948	6,500,000	10,140,283	86,000,000	41,602,118

2:3 General Deposit Accounts

The balances of the General Deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2012 totalled Rs.32,631,404 and the details thereon are given below.

Ministry / Department	Account Number	Balance as at 31 December 2012
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		Rs.
Ministry of Culture and the Arts	6000/0000/00/0015/0054/000	23,263,592
Department of Cultural Affairs	6000/0000/00/0003/0200/000	964,702
	6000/0000/00/0015/0088/000	8,403,110

Total		32,631,404 =====

Part 2

Detailed Report relating to each Appropriation Head

1. Appropriation Head 177 – Ministry of Cultural and the Arts

1:1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Culture and the Arts for the year ended 31 December 2012 was carried out in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 12 August 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1:2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1:3 Audit Observations

According to the Financial Records and Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (e) and other major observations appearing in paragraphs 1:4 to 1:10 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Culture and the Arts had been prepared satisfactorily.

(a) Presentation of Accounts

The Ministry had not presented the following accounts to audit by 31 March 2013..

Item Number	Name of Account
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17701	Advances to Public Officers Account

(b) Unanswered Audit Queries

The reply to an audit query issued to the Ministry in the year under review had not been furnished even by 01 August 2013. The value of the quantifiable transactions relating to that audit query amounted to Rs.32,826,442.

(c) Budgetary Variance

- (i) The entire capital provision of Rs.7,000,000 made under 02 Objects had been saved.
- (ii) Excess provisions had been made for 08 Objects and as such the savings after the utilization of provisions ranged between 63 per cent and 90 per cent of the net provisions relating to those Objects.
- (iii) Out of the total provision of Rs.180,000,000 made for the construction of the SAARC Cultural Centre, 38 per cent had not been utilized for the relevant project.

(d) General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 16 deposits older than 02 years totalling Rs.747,362.

(e) Reconciliation Statement of the Advances to
Public Officers Account – Item No. 17701

- (i) The outstanding recoveries as at the end of the year under review totalled Rs.1,285,396 and out of that the recovery of loan balances amounting to Rs.901,086 had been at a weak level.
- (ii) Loans and advances amounting to Rs.821,889 recoverable from 10 employees who had vacated posts had not been recovered even by 30 June 2013.
- (iii) Action had not been taken for the recovery of Rs.50,300 and Rs.434,061 recoverable from two officers transferred out despite the elapse of more than one year.

1:4 Good Governance and Accountability

1:4:1 Corporate Plan

Even though the Ministry should have prepared a Corporate Plan at least for a period of 03 years from the year 2010 and onwards at the beginning of the year 2010 in terms of the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, that Plan of the Ministry of Culture and the Arts (2012-2016) had been prepared only on 10 September 2012.

1:4:2 Annual Action Plan

As the preparation of the Corporate Plan had been delayed up to September 2012, the Action Plan prepared had not been prepared according to the Corporate Plan.

1:4:3 Annual Performance Reports

Even though the Annual Performance Report that should have been prepared by the ministry in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 referred to in the letter of the Director General of Public Finance referred to in paragraph 1.4.1 above, should have been tabled in Parliament with copy to the Auditor General within 150 days after the close of the financial year, the Performance Report for the year under review had not been tabled in Parliament even by 30 July 2013.

1:4:4 Annual Procurement Plan

The Annual Procurement Plan that should have been prepared at the beginning of the year in terms of the National Budget Circular No. 128 of 24 March 2006, had been prepared only on 04 September 2012.

1:5 Assets Management

(a) Conduct of Annual Boards of Survey

In terms of the Public Finance Circular No. 441 of 09 December 2009 as amended by the letter No. PF/Board of Survey/01 dated 17 December 2010 of the Director General of Public Finance, the Annual Board of Survey for the year 2012 should be conducted before 31 March 2013 and the report thereon should be furnished to the Auditor General. Nevertheless, the Board of Survey for the year 2012 had not been conducted even by 30 June 2013.

(b) Assets given to External Parties

A double cab motor vehicle registered under the Ministry had been taken over by the Ministry of Samurdhi, Parliamentary Affairs and Rural Development in the year 2001 and action for the recovery of the motor vehicle had not been taken even by 31 December 2012. In addition a jeep belonging to the Ministry had been given in the year 2005 for use by the Central Cultural Fund without effecting a proper transfer.

(c) Irregular Use of Assets belonging to other Institutions

The assets belonging to other institutions had been used by the Ministry without formal approval. Details appear below.

- (i) Five motor vehicles registered under the Ministry of National Heritage had been used by the Ministry of Culture and the Arts from the year 2011. A motor vehicle registered under the Ministry of Private Bus Transport Services had also been used by the Ministry. That motor vehicle had been parked in Ministry garage since the year 2008 as it had become unroadworthy.
- (ii) A double cab motor vehicle valued at Rs.7,900,000 belonging to the Central Cultural Fund had been given for use by the Minister of Culture and the Arts.

(d) Irregular Use of Assets not Transferred

The following constructions had been done without effecting the formal transfer of lands.

- (i) The ownership of the land on which the Veyangoda National Cultural Training Centre had been constructed at a cost of Rs.53,686,030 by end of the year 2012 had not been transferred to the Ministry of Culture and the Arts.

- (ii) The Ministry had established 160 Cultural Centres regionally by the end of the year 2012 and the ownership of lands on which 152 Centres had been constructed, had not been transferred to the Ministry.

1:6 Non-compliance

Non-compliance with Laws, Rules, Regulations, etc

Instances of non-compliance with the provisions of laws, rules, and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
	Rs.	
(a) Statutory Provisions		
(i) Provisions in Section 8 A (1) of the Urban Development Authority (Amendment) Act, No. 4 of 1982.	53,686,030	The construction of Veyangoda National Cultural Training Centre had been done without obtaining a permit from the Urban Development Authority.
(ii) Decision of the Cabinet of Ministers dated 11 June 2008 (Cabinet Memorandum No. CA/16/2008 of 27 May 2008)	4,800,000	The Ministry had paid Rs.100,000 monthly from the year 2009 to the year 2012 to the Dambana Aboriginal People's Heritage Centre without forwarding proposed programme and a cost estimate for the promotion and maintenance of the Dambana Aboriginal People's Heritage Centre to the Department of National Planning.

(b) Financial Regulations

Financial Regulations 71(1) and (2) and 156(7)	841,906	Three posts for the SAARC Cultural Centre Construction Project had been created at the discretion of the Ministry and salaries and allowances had been paid to the officers recruited for those posts.
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(c) Public Administration
Circulars

Paragraph 02 of the Circular No. 30/2008 of 31 December 2008 and Paragraph 02 of the National Budget Circular No. 157(1) of 31 January 2013.	1,420,820	Loans had been granted to 04 officers exceeding the limit of Rs.250,000 per officer in respect of distress loans and as such the balances of distress loans recoverable from them as at the end of the year under review amounted to Rs.1,420,820. Action had not been taken for the recovery of the sum paid in excess of the limit from those officers.
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(d) Government Procurement
Guidelines

(i) Guidelines 2.8.1 and 2.8.3	2,199,113	The evaluation of bids received for the construction of Stage II of the Veyangoda National Cultural Training Centre on an Engineering Estimate of Rs.2,199,113 had been personally awarded to an Engineer of a private company contrary to the provisions in the Procurement Guidelines and the Evaluation Report had been obtained from him.
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| (ii) Guideline 3.8.1 | 3,678,599 | Even though goods valued at Rs.3,678,599 had been purchased for the Cultural Centres as urgent purchases, those purchases had been made deviating from the provisions in the Procurement Guidelines. |
| (iii) Guideline 5.2.1 (a) and (b) | -- | Bid Invitation Documents had been prepared without giving all relevant information relating to offering of bids. |
| (iv) Guidelines 6.2.2 and 5.6 | -- | The minimum period of bidding time and the specifications had not been stated. |
| (v) Guidelines 3.4.3(c) and 8.1.1 | 1,987,402 | Bids for the purchase of steel furniture had been invited from suppliers not registered with the Ministry and an evaluation report had not been obtained by referring the bids received to a Technical Evaluation Committee. |

1:7 Performance

The observations on the progress of the Ministry according to the Annual Budget Estimates for the year 2012 are given below.

Key Functions not Executed Adequately

The functions which had not been adequately executed by the Ministry are given below.

- (a) Even though sums of Rs.1,911,218 and Rs.1,165,864 had been spent as the recurrent expenditure of the Veyangoda National Cultural Training Centre in the years 2011 and 2012 respectively, the number of Training Workshops conducted in the respective years had been as follows.

	Year 2011 -----	Upto August 2012 -----
Foreign Reserve Training Workshops	02	03
Staff Promotion Programmes	04	01
Resource Persons Training Workshops	--	01

- (b) A Plan embodying the Vision, Mission, Objectives and Procedures had not been prepared for the Cultural Training Centre in operation since the year 2008. An Action Plan based on such Plan had not been prepared for implementation.

1:8 Transactions of Contentious Nature

Certain transactions entered into by the Ministry had been of contentious nature. The details of several such transactions observed at test checks are given below.

- (a) The entire sum of Rs.816,800 had been paid without making deductions in respect of work done without complying with certain items in the Bill of Quantities of Stage I of the construction of the Veyangoda National Cultural Training Centre.
- (b) A sum of Rs.18,500 had been paid for the work not done under A-1 to A-5 of Item A of the Bill of Quantities.
- (c) An agreement had been entered into with a private company for the payment of a sum of Rs.324,096 representing 6 per cent of the contract value as consultancy fees. Even though the consultancy work had not been done properly, 89 per cent of the consultancy fee amounting to Rs.289,371 had been paid to the company overlooking such situations.

1:9 Irregular Transactions

Even though a sum of Rs.100,000 had been remitted monthly to the Divisional Secretary, Mahiyangana in connection with the promotion and maintenance of the Dambana Aboriginal People's Heritage Centre and the money had been released regularly without ensuring whether the work assigned such as the maintenance of the staff and their duties, the registers to be maintained for the achievement of the objectives for which the Heritage Centre had been established as expected.

1:10 Human Resource Management
-----(a) Approval Cadre and Actual Cadre

The position of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	14	13	01
(ii) Tertiary Level	04	02	02
(iii) Secondary Level	450	410	40
(iv) Primary Level	401	333	68
Total	<u>869</u>	<u>758</u>	<u>111</u>

(b) Human Resources Irregularly obtained from Other Parties

The matters revealed in connection with the human resources obtained irregularly by the Ministry are given below.

Category of Employees	Number	Other Party	Period
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Secondary Level	07	Central Cultural Fund	From 02 to 23 years
Secondary Level	01	Department of Cultural Affairs	From 11 May 2009
Primary Level	06	Central Cultural Fund	From 02 to 12 years

2. Appropriation Head 206 – Department of Cultural Affairs

2:1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Department of Cultural Affairs for the year ended 31 December 2012 was carried out in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of Department on 22 August 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2:2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2:3 Audit Observations

According to the Financial Records and Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (e) and other major observations appearing in paragraphs 2:4 to 2:10 herein, the Appropriation Account and the Reconciliation Statements of the Department of Cultural Affairs had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

- (i) The Department had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Category of Registers	Relevant Regulation
Appropriation (Votes) Ledger	Financial Regulation 447(3) and (6)
Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978

- (ii) Documents such as receipts, Goods Received Notes, agreements, specifications, relating to 12 transactions totalling Rs.2,166,942 had not been maintained.

(b) Budgetary Variance

Excess provisions had been made for 06 Objects and as such the savings after the utilization of provisions ranged between 44 per cent and 91 per cent of the net provisions relating to those Objects.

(c) Provisions obtained from the Budgetary Support Services Contingent Liabilities Project

Out of the supplementary provision amounting to Rs.25,391,750 obtained for 2 Objects from the “ Budgetary Support Services Contingent Liabilities Project” only 67 per cent had been utilized by the end of the year under review.

(d) General Deposit Account

- (i) Action in terms of Financial Regulation 571 had not been taken in connection with the deposit balances in 2 General Deposit Accounts older than 2 years totalling Rs.1,961,070.
- (ii) According to the State Accounts Circular No. 200/2009 of 29 January 2009, depositing money in the General Deposit Accounts Group 6000/0/0/3 should be stopped and in accordance with the State Accounts Circular No. 218/2011 of 03 June 2011 issued in addition to the above circular, any balances in the General Deposit Accounts Group 6000/0/0/3 should be considered as lapsed deposits and action should be taken to credit those balances to the State Revenue in terms of Financial Regulation 571(2). Nevertheless, action in terms of those instructions had not been taken in connection with the balance sum of Rs.964,702 remaining in the Deposit Account No. 6000/0/0/3/200 of the Department of Cultural Affairs.

(e) Reconciliation Statement of the Advances to Public Officers Account

- (i) According to the reconciliation statement as at 31 December 2012 of the Advances to Public Officers Account Item No. 20601, the balances that remained outstanding as at that date totalled Rs.1,224,250 and the follow up on the recovery of those outstanding balances had been at a weak level.
- (ii) The lists of Individual Balances that should be maintained for grant of loans in terms of paragraph 5 of the Public Enterprises Circular No. 96 of 18 August 1994 had not been maintained with complete information and in the updated manner.
- (iii) Action had not been taken even by 30 June 2013 for the recovery of 26 non-moving outstanding loan balances amounting to Rs.178,757 existing over a period exceeding 03 years.

- (iv) The Departmental books had not been reconciled with the Treasury books in terms of Financial Regulation 427. The total of the Register of Individual Balances showing the loans and advances had not been reconciled with the balance of the Control Account. A difference of Rs.84,271 existed between the balance of the Control Account and the total of the Register of Individual Balances.

2:4 Good Governance and Accountability

2:4:1 Corporate Plan

Even though the Department should have prepared a Corporate Plan at least for a period of 03 years from the year 2010 and onwards at the beginning of the year in terms of the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities, that Plan had not been prepared even by 31 December 2012.

2:4:2 Annual Action Plan

Even though the Department had prepared an Annual Action Plan at the beginning of the year, the Action Plan had not been prepared in accordance with the Corporate Plan as the Corporate Plan had not been prepared in terms of the letter of the Director General of Public Finance referred to in paragraph 2.4.1 above.

2:4:3 Annual Performance Reports

Even though the Annual Performance Report that should have been prepared by the Department in terms of the Public Finance Circulars No. 402 of 12 September 2002 and No. 402(1) of 20 February 2004 referred to in the letter of the Director General of Public Finance referred to in paragraph 2.4.1 above should have been tabled in Parliament with copy to the Auditor General within 150 days after the close of the financial year, the Performance Report for the year under review had not been tabled in Parliament even by 30 July 2013.

2:4:4 Internal Audit

An Internal Audit Unit had not been established.

2:5 Assets Management

The Annual Board of Survey for the year 2012 had not been conducted by the department even by 30 July 2013.

2:6 Performance

The observations on the progress of the Department according to the Annual Budget Estimates for the year 2012 are given below.

(a) Key Functions not Executed Adequately

The key functions of the Department had not been executed adequately and several such instances observed are given below.

- (i) Even though periods ranging from 01 year to 05 years had elapsed after placing orders in the year under review and the prior years for the printing of 2000 copies each of 03 Dictionaries with the stipulation that printing should be completed between 180 days to 365 days, printing had not been completed even by 31 December 2012.
- (ii) Even though the orders for printing of 01 Dictionary, 02 Encyclopedias and 04 Extracts placed in the year 2010 and the preceding years with the stipulation that printing should be completed between 60 days to 180 days had been completed in the year under review and the preceding years, periods ranging from 01 year to 06 years had been taken for printing.

(iii) According to the Action Plans of the Department of Cultural Affairs for the years 2011 and 2012, the printing of Volume 13 of the Sinhala Encyclopedia should have been completed. Nevertheless, the compilation of that volume had not been completed even by 31 December 2012.

(b) Planning

Action not taken according to the Annual Action Plan

The compilation of the “Directory of National Artists” had not been included in the Action Plans for the years 2010, 2011 and 2012 while the progress thereon had not been shown in the Progress Reports for those years. Nevertheless, a sum of Rs.699,071 had been spent in that connection up to 31 December 2012.

2:7 Irregular Transactions

Certain transactions entered into by the Department had been devoid of regularity. Several such instances observed are given below.

Deviation from the Procurement Guideline Procedures

- (i) In terms of Guideline 6.2.2 of the Procurement Guidelines 2006 the minimum bidding time for invitation of bids under the Shopping Procedure is 07 days. Nevertheless, the bidding time allowed for the bids invited for the printing of commemorative volumes, different books, invitation cards and magazines ranged between one day and 4 days.
- (ii) The bids received in response to the bids invited for the printing of commemorative volumes, invitation cards and books had not been referred to a Technical Evaluation Committee for recommendation in terms of Guideline 7 of the Procurement Guidelines. In addition, a certificate in terms of the Guideline 8.12.3 of the Procurement Guidelines that the books printed and supplied are in accordance with the specifications had not been issued.

2:8 Uneconomic Transactions

The particulars of transactions entered into without economy revealed during the course of test checks are given below.

- (a) Additional printing expenditure amounting to Rs.396,780 had been incurred due to the delay in handing over the manuscripts of Dictionaries and Encyclopedias for printing. Such delay had resulted from the fault of the Departmental Officers.
- (b) Even though a sum of Rs.1,404,631 to 24 External Editors of the Dictionary Office and Rs.47,402 to 11 External Editors of the Encyclopedia Office had been paid in respect of the year 2012 up to 30 October 2012, it had not been possible to achieve the printing of the Dictionaries and the Encyclopedias as planned.
- (c) According to the details of stock books of the Veyangoda Book Store as at 30 October 2012, the date of audit, a stock of 2,761 copies of volumes 3 to 12 of the Sinhala Encyclopedia valued at Rs.2,033,813 and 9,852 copies of different volumes of the Sinhala Dictionary valued at Rs.3,175,300 existing over periods exceeding 10 years were observed. As these books had not been sold or distributed, books had discoloured and subjected to other natural spoilage.

2:9 Management Weaknesses

At the time of issue of stock certificate for making payment for the printing of 200 copies of Volume 12 of the Sinhala Encyclopedia, half of the stock had been issued while 100 copies each from the Extracts 12 and 13 of Volume 12 of Sinhala Encyclopedia had been obtained from the press before handing over to the stores. As such a sound stock control process for the receipt and issue of books to and from the stores had not been maintained.

2:10 Human Resource Management

Approval Cadre and Actual Cadre

The position of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
-----	-----	-----	-----
(i) Senior Level	27	16	11
(ii) Tertiary Level	03	--	03
(iii) Secondary Level	388	357	31
(iv) Primary Level	89	62	27
(v) Others (Casual/ Temporary/ Contract Basis)	82	61	21
	-----	-----	-----
Total	589	496	93
	=====	=====	=====