

Tower Hall Theater Foundation - 2011

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects on the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Tower Hall Theatre Foundation as at 31 December 2012 and its financial performance and the cash flows for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.2.1 Best Accounting Practices

In accounting the capital grants amounting to Rs. 24,250,000 received from the government during the year under review, had not been written off annually by amortization.

1.2.2 Accounting Deficiencies

The following observations are made.

- (a) Action had not been taken to value the inventory items auctioned and donated to the external parties when the Tower Hall Theatre and the Elphinstion Theatre were reconstructed and the value of those items had not been removed from the accounts.
- (b) The interest income of Rs. 176,542 for the year on the investment of Rs. 23 million in seven day call deposits should be brought to accounts instead only the

interest income of Rs. 74,363 received during the year had been brought to account as income.

1.2.3 Accounts Receivable

The following observations are made.

- (a) A sum of Rs 212,038 recoverable for over 03 years in respect of providing accommodation by the Foundation for conducting drama training classes had not been recovered.

- (b) Accommodation had been provided at the Rukmani Devi Memorial Centre to two outside persons for conducting drama training classes during the year 2007 and the rent charges amounting to Rs. 141,240 were due from them. But, without recovering the dues, they have been allowed to conduct class during the year 2011 too, and the relevant rent charges amounting to Rs. 30,800 also had not been recovered from them.

1.2.4 Lack of Evidence for Audit

Inventory registers, goods verification reports, confirmation of balances, detailed schedules and the particulars relating to the donations made to other institutions in respect of transactions of 07 instances of which the aggregated value was Rs. 88,697,761 as at 31 December 2011 had not been made available for audit.

1.2.5 Non- compliance with Laws, Rules, Regulations and Management Decisions

The following non – compliances were observed.

Reference to Laws, Rules, Regulations
etc.

Non – compliance

- (a) Section 11 of the Finance Act No. 38 of 1971 and paragraphs 8.8.2 and 8.2.3 of Public Enterprises Circular No. PED/12 dated 02 June 2003
- Although the approval of the Treasury should be obtained for investment of surplus money of the public enterprises, the approved of the treasury had not been obtained by the Foundation for the investment of Rs. 06

million in a fixed deposit and Rs. 23 million in short-term call deposits during the year 2011.

(b) Financial Regulation

F.R. 371 (2)(b)

The maximum amount that can be given as an on account sub-impresit is Rs. 20,000. Nevertheless, advances amounting to Rs. 497,000 had been given to 03 officers at 5 instances exceeding the above limit during the year.

F.R. 102, 507(2) and 757 (2)

Action had not been taken in respect of shortages of 83 categories of goods detected at the annual verification of goods for the year 2009.

F.R. 756 and 757

Every year, a Board of Survey should be appointed on 15 December or nearly that day and a verification of goods should be carried out. But every year the Foundation had appointed the Board of Survey in the latter part of the following year. The verification of goods for the year 2011 had not been carried out even by June 2012.

(c) Paragraph 9.3.1 (vii) of Chapter 9 of the Public Enterprises Circular No. PED/12 of 02 June 2003

An acting appointment should be given as a temporary measure until a permanent appointment is made and the permanent appointment for the respective post should be made without delay and the acting appointment should be limited to 03 months. But, contrary to these instructions acting appointments had

been given for two posts and allowances totalling Rs. 252,814 had been paid to two officers for a periods of 38 months and 22 months.

- (d) Paragraph 8.3.5 of the above Circular and paragraph 9 of the Public Administration Circular No. 13/2008 dated 26 June 2008 Official vehicles had been assigned to two officers over looking the circular instructions and a monthly fuel allowance of Rs. 17,000 had been paid to them.
- (e) Paragraph 02(1) of the Public Administration Circular No. 09/2009 dated 16 April 2009 Although the heads of the institution also should record the arrival to and departure from the office by using the finger prints machine, the Director General of the Foundation had not acted accordingly.

02. Financial Review

2.1 Financial Results

The financial results of the Tower Hall Foundation for the year under review was a deficit of Rs. 11,657,128 and the corresponding deficit for the preceding year was Rs. 8,455,736. The financial results had decreased by Rs. 3,201,392 as compared with the preceding year and the main reason for this deterioration had been the decrease of interest income on fixed deposits by Rs. 3,138,069.

3. Operating Review

3.1 Performance

It was observed that the following activities included in the Action Plan for the year 2011 had not been carried out during the year.

| <u>Code No. of the</u> | <u>Target</u> | <u>Performance</u> |
|------------------------|--|--|
| <u>Action Plan</u> | | |
| 1405,4.6 | Conducting 50 workshops under UNESCO Funds | No workshops had been conducted |
| 1405,5.5 | Holding a Short Drama Competition with the participation of 70 short dramas for the Sambuddhathwa Jayanthiya | No short- drama competition had been held. |
| 2001 | Repair and painting the Elphinston Theatre | Had not been repaired and painted. |

3.2 Management Inefficiencies

The following observations are made.

- (a) Salaries amounting to Rs. 367,525 and Rs. 535,092 respectively had been paid by the Foundation to the former Accountant of the Foundation who had been interdicted from November 2009 and the former Director, Finance who had been sent on compulsory leave from March 2011 due to delay in taking disciplinary action against them deviating from the provision of Section 22.1 of Chapter XLVIII of Part II of the Establishments Code as amended by the Public Administration Circular No. 06/2004 dated 15 December 2004.

- (b) A Drama Week had been organized for the occasion of completion of 100 years of the Tower Hall and 5 dramas had been staged during that Drama Week. Although the income received from the dramas was Rs. 122,800, a sum of Rs. 422,504 had been spent on staging the dramas. More than 40% of the tickets had remained unsold in respect of every drama and it was more than 75% in respect of 02 dramas.

3.3 Matters of Contentious Nature

The following observations are made.

- (a) It had been decided as a policy of the institution to provide the bus owned by the Tower Hall Theatre Foundation for the promotion of Drama. But, 60% of the kilometers travelled by the bus during the year under review had been done by external, institutions.
- (b) The Director General of the Foundation had not recorded his arrival and departure and as such, it was not possible to correctly identify the information on the dates he had not reported for service. Nevertheless, a sum of Rs. 55,030 had been paid to him as holiday allowances of year 2011, considering the cost of living allowance stating that all the medical leave entitlement had been saved.

3.4 Identified Losses

Surcharges amounting to Rs. 270,632 had to be paid to the Employees' Trust Fund during the year under review due to not computing the contributions to the Fund by including the cost of living allowance relating to the period from 2000 to 2008.

4. Accountability and good governance

4.1 Presentation of Accounts

Although the financial statements for the year ended 31 December 2011 should be rendered for audit on or before 28 February 2012, the financial statements had been rendered only on 25 April 2012.

4.2 Corporate Plan

According to Paragraph 5.1.1 of Chapter 5 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, a Corporate Plan should be prepared at least for a period of 03 years so as to achieve the objectives and targets of the Foundation. But action had not been taken accordingly.

4.3 Budgetary Control

There were variances ranging 21% to 274% between the figures stated in the budget prepared for the year 2011 and the actual data. Therefore, it was observed that the budget had not been made use of as an effective instrument of financial control.

5. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Director General of the Foundation from time to time. Further attention is needed in respect of the following areas of control.

- (i) Implementation of the Action Plan
- (ii) Recruitment of staff
- (iii) Maintenance of the Inventory Registers and Verification of goods.
- (iv) Control over Advances
- (v) Vehicle Utilization