

Central Cultural Fund - 2013

The audit of financial statements of the Central Cultural Fund comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 9(2) of the Central Cultural Fund Act No. 57 of 1980. My comments and observations which I consider should be published with the annual report of the Fund in terms of Section 9(4) of the Central Cultural Fund Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

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

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1:4 Basis for Qualified Audit Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matter described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Central Cultural Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Non-disclosure of transactions with related Parties

The Cultural Conservation and Construction (Pvt) Company established under the ministry of cultural and Arts, carry out construction and conservation activities of the Fund on contract basis and during the year under review, a sum of Rs.114.8 million had been paid to the company on behalf of labourers employed on contract basis. The only income of the company is the payments made by the Fund. Two directors of the Fund are in the company's board of directors and an Accountant of the Fund acts as the Accountant of the company. The details of the nature of relationship and transactions between the Central Cultural Fund and the Cultural conservation and Construction (Pvt) Company had not been disclosed in the financial statements.

2.2.2 Accounting Policies

The accounting policy adopted by the Fund with regard to provision for doubtful debts had not been disclosed in the financial statements. A sum of Rs.1,964,833 had been provided for doubtful debts during the year under review similar to the provision for doubtful debts made for the previous year without reviewing the recoverability of loans.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) Action had not been taken to identify the usable assets of fully depreciated furniture, fittings and equipment costing Rs.106,469,071 and building costing Rs.3,509,828 and to determine their fair value and include them in the accounts.
- (b) The number of units of scraps auctioned and destroyed as unusable during the year under review was 6984. Action had not been taken to identify their costs and the accumulated depreciation and remove them from the accounts.
- (c) Thirty nine out of 98 motor vehicles fully depreciated as at 31 December 2012 had been revalued at R.20,940,000. Five vehicles revalued at Rs.2,055,000 had not been brought to accounts. Action had not been taken to revalue the remaining 59 vehicles costing Rs.14,252,724. Meanwhile, action had not been taken to assess and account

the value of 11 vehicles obtained by the Fund as foreign aids during the period 1984 to 2004 upto the end of the year under review.

- (d) The value of land where the head office of the Fund is situated had been shown as Rs.4,064,443 in the financial statements. However, the ownership of the land does not belong to the Fund. As such, the limitations of ownership had not been disclosed in the financial statements.
- (e) The value of the Galle, Nugagahawatta land purchased for Rs.2,558,000 in the year 2005 for construction of Tsunami Museum had not been assessed and included in the accounts. It had been informed to audit that this land was due to be vested with the Ministry of Cultural and the Arts. However, action had not been taken upto 30 November 2014 to vest it so.
- (f) The depreciation of building amounting to Rs.1,050,000 revalued during the previous year had not been debited to the Assets Revaluation Reserve. Instead, it had been debited to the Foreign Resources Fund. As a result, the balance of the Foreign Resources Fund had been understated and the Assets Revaluation Reserve had been overstated respectively by similar amounts in the financial statements.
- (g) The sum of Rs.3,426,261 spent on the Deyata Kirula exhibition during the year under review had been shown as publicity expenses of the Fund.
- (h) The sum of Rs.4,189,480 spent on printing tourism tickets had been shown as purchase of printing materials in the financial statements.
- (i) The value of assets costing Rs.728,050 that had been removed from usage and sold and the accumulated depreciation had not been removed from the accounts. Instead, the sum of Rs.99,650 obtained from sale by auction had been accounted for as income in the accounts.
- (j) During the year under review, replica productions and production materials costing Rs.4,280,060 and a stock of publications costing Rs.331,049 had been donated and the amount accounted for, as donations was Rs.331,049. But, the amount accounted for, as publicity expenses and other cultural activities were Rs.1,226,680 and Rs.3,053,380 respectively. While computing the profit on replica productions and sale of publications, these donations had been accounted for as sales instead of deducting the cost of sales.
- (k) It was observed at audit test checks that the provision for gratuities had been overstated by Rs.5,680,221 in the accounts due to erroneous computations.
- (l) No adjustments, whatsoever, had been made in the financial statements for replica productions and publications costing Rs.314,365 and Rs.109,720 respectively forwarded for a foreign trade fair and gifts among distinguished persons.

- (m) Interest income receivable Rs.9,269,772 on 7 fixed deposits for the year under review had not been accounted for.

2.2.4 Lack of Evidence for Audit

The following evidence indicated against each item of accounts had not been furnished to audit.

Item	Value Rs.	Evidence not Furnished
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(a) Current Assets-Sundry Debtors	420,817	Schedule of debtors
(b) Outstanding Employees Loans	1,656,741	Detailed information relating to balances of festival and special advances and distress loans exceeding 5 years.
(c) Development of Internal Road at Polonnaruwa Sacred City	29,235,510	Cost estimates, certificate of engineers, work done reports, bills of payments, recommendations for additional work done and approval.
(d) Ten Special Fund Projects	8,803,143	Detailed files and subsidiary documents relating to each Fund.
(e) Three foreign Fund Projects	1,969,612	- do -

2.3 Accounts Receivable

The following observations are made.

- (a) Distress loans of Rs.316,171 due from 21 permanent employees for over 5 years, distress loans of Rs.366,721 due from non permanent labourers for over 6 years and festival and special advances of Rs.1,290,020 remaining unrecovered for over 5 years had not been recovered even by the end of the year under review.
- (b) Action had not been taken to recover balances of 15 debtors aggregating Rs.914,785 remaining unrecovered for over 5 years.
- (c) Unsettled imprests balance of 2008 amounting to Rs.264,670, advances of Rs.333,373 granted to various institutions by the office of the Sigiriya Project during 1993-2000 and court deposits of Rs.44,534 of over 7 years had not been recovered upto the end of the year under review.

2.4 Noncompliance with Laws, Rules, Regulations and Management Decisions

Instances of non compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations

Non Compliance

(a) Establishments Code of the Democratic Socialist Republic of Sri Lank

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| (i) Section 12.2.6 of Chapter vii | Prior approval of the Secretary to the Ministry should be obtained for the payment of acting salaries. However, during the year under review a sum of Rs.2,187,644 had been paid to 74 officers without approval. |
| (ii) Sections 5 and 6 of Chapter XXXIII | A case had been filed against the Central cultural fund by making the officers of the fund as respondents and the Attorney General had agreed to appear on behalf of the Fund. However, deviating this, a sum of Rs.440,000 had been paid to lawyers to obtain services during the year under review without the approval of the Attorney General. |
| (iii) Amendments to sub section 22.1 of Chapter XLVIII paragraph 11 of the Public Administration Circular No. 6/2004 of 15 December 2004. | The disciplinary action against an officer interdicted from service in 2009 had not been intensified and as such the property loan of Rs.407,719 remaining recoverable from him could not be recovered till the end of the year under review. |
| (b) Gratuities Act No. 12 of 1983 | A sum of Rs.1,952,529 had been provided for gratuities to 158 practical trainees for 6 months contravening the provisions of this Act. |
| (c) Paragraphs 6.1 and 9(11) of the Circular issued by the Ministry of Finance and Planning No.ඉ/ක/අ.01/2010/01 dated 11 October 2010 | Details of air travel (a copy of the air ticket) ambling to confirm the completion of 24 hours of a day to ensure the entitlement of subsistence allowance had not been furnished and a sum of Rs.2,482,107 had been paid for foreign travel during the year under review. |

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| (d) Paragraph 04 of the Public Administration Circular NO.13/2008 dated 26 June 2008. | The approved rate of fuel per month for the Director General was 170 litres. In addition, fuel valued at Rs.1,112,130 had been obtained on orders without approval during the year under review. Further, 3 officers who are not entitled for allocated vehicles had been allocated vehicles and monthly allowances for 120 litres of fuel had been granted without approval. In addition to payment of fuel allowances to 2 of those officers, additional fuel valued at Rs.263,784 and Rs.484,484 had also been granted during the year under review. |
| (e) Paragraph 2 of Public Finance Circular No. 353(5) dated 31 August 2004. | Monthly rental of Rs.50,000, 45,000 and 45,000 respectively had been paid for 3 vans obtained on hire basis contravening the circular instructions. No written agreements, whatsoever, had been entered into with the suppliers of vehicles. |
| (f) Treasury Circular No.842 of 19 December 1978 | While entering the buildings and the road infrastructures valued at Rs.540,536,673 in the register of fixed assets, the register had not been prepared in such a manner so as to facilitate adoption of a standard classification, identification of assets, accounting and their control. |
| (g) Sections 6.2.2 and 3.4 of Procurement Guidelines of 2006 and Section 2.14.1 of the Procurement manual. | The minimum days allowed for calling for quotations as per shopping procedure is 7 days. However, while purchasing 1200 tea shirts for employees of the Fund, quotations had been obtained on the first day itself. Further, quotations should be called for, from not less than 5 bidders, but, quotations had been called for, from 3 institutions only. |

2.5 Transaction without Adequate Authority

The following observations are made

- (a) Powers had not been vested vide the Central Cultural Fund Act for excavating and conservation activities as well as to keep in possession the archaeological items excavated during mining. But, during the year under review, the Central Cultural

Fund had spent Rs.434,518,000 on direct materials and direct labour used for archaeological excavating and conservation activities.

- (b) In terms of to Section 7 of the Central Cultural Fund Act, the Secretary to the Ministry of the Minister in charge of the subject of cultural affairs becomes the Chief Administrative Officer of the Fund by virtue of his office. Provision had not been made for the payment of allowances for this post, but, the Fund had paid $33\frac{1}{3}$ of the monthly salary of the Secretary as monthly allowance and the total amount paid during the year under review amounted to Rs.241,356. The approval of the Director of Establishments and the Treasury had not been obtained in terms of the Establishments Code and the Public Finance Circulars.

03. Financial Review

3.1 Financial Results

According to the financial statements, the operation of the Fund for the year under review had resulted in a surplus of Rs.302,069,092 as compared with the surplus of Rs.227,294,733 of the previous year thus showing an improvement in financial results by Rs.74,774,359. The operating expenses of the Fund had increased by Rs.314,812,779 as compared with the previous year whereas the increase in income from sale of tourist tickets by Rs.399,664,799 had mainly attributed to this increase.

3.2 Analytical Financial Review

The following observations are made.

- (a) During the year 2012, the expenditure incurred on printing tourism tickets for sale amounted to Rs.56,299,899 and it was Rs.4,189,480 during the year under review. As such, the expenditure had decreased by 92.56 percent compared to the previous year. The expenditure concerned for the year 2012 had increased by 2291 percent as compared with the previous year. A proper specific methodology had not been introduced for printing of tourist tickets and as a result the expenditure had extensively fluctuated annually.
- (b) According to the Financial Performance statement, the expenditure incurred on other cultural activities during the year under review was Rs.62,345,256. The increase in the expenditure concerned was Rs.29,429,621 representing 89 per cent as compared to the previous year. The increase of expenditure could be attributed to reasons such as non preparation of a list of criteria, priority etc., while modernizing temples, granting concessionary aid for pereheras and lack of budgetary control.
- (c) The increase in provision for gratuities was Rs.35,313,462 during the year under review, which was 112 per cent as compared with that of the previous year. The main cause of this increase was erroneous computations.

3.3 Legal Cases against the Institution

An external company had filed a case against the Fund in the year 2010 for the recovery of Rs.379,137 due to it though the activities performed by them as per Orders. Further, an external party had filed a case against the Fund in the year 2004 claiming compensation of Rs.500,000 for loss caused by a vehicle belonging to the Fund.

4. Operating Review

4.1 Performance

The following observations are made.

(a) Functions not carried out although estimated in the Action Plan

- (i) During the year under review, 2305 units of work of 11 excavating worksites at an estimated cost of Rs.6,973,555 and 6175 units of work of 18 conservation worksites at an estimated cost of Rs.34,502,306 included in the Action plan expected to be completed during the year under review had not been commenced.
- (ii) Three conservation activities the total cost estimate of which was Rs.28,372,315 planned to be completed during the year under review could not be completed.

(b) Inadequacy of Physical and Financial Performance

A sum of Rs.92,008,696 had been estimated for 25,271 units of work at 32 worksites of 7 projects during the year under review. However, only 7,216 units of work had been completed by the end of the year under review and the actual expenditure was Rs.18,543,083 and as such physical and financial performance was as low level as 30 per cent.

(c) Projects implemented without being included in the Action Plan for the year 2013

- (i) A sum of Rs.43,120,338 had been estimated to implement 15856 units of work belonging to 31 excavating and conservation worksites which had not been included in the Action Plan (Work Plan) for the year under review. A sum of Rs.30,253,179 had been spent to complete 12886 units of these Projects.
- (ii) The revised estimate for the construction of the roof of Polonnaruwa Galwiharaya amounted to Rs.7,294,349 and the physical performance as at the end of the year under review was about 30 per cent.

4.2 Management Inefficiencies

The following observations are made.

- (a) The income obtained by sale of tourist tickets being the main income source of the Central Cultural Fund for the year under review amounted to Rs.1,748,439,894. However, as a result of not introducing a proper methodology for clear specifications, adequate security methods and stock control for printing of tickets, there were weaknesses in printing of tickets, maintenance of stock and internal control of sales. Action had not been taken to develop it by utilizing modern technical methods such as “Bar Code System”.
- (b) The preparation of the Corporate Plan of the Fund for the period from 2013-2016 had been entrusted to the Skill Development Fund for Rs.600,000 and according to the agreement entered into on 10 October 2012 the Corporate Plan should have been prepared and handed over within 6 weeks of the said date. However, it had been handed over on 13 May 2013. Due to non-inclusion of a clause in the conditions of contract for deduction of demurrage charges, the fund had adversely affected.

4.3 Operating Inefficiencies

(a) Approval for Archaeological excavations

- (i) In terms of Sections 06 and 07 of the Archaeological Ordinance all information relating to excavating land should be furnished to the Director General of Archaeology and a licence should be obtained before the commencement of excavation. However, the work plan of 10 excavating projects expected to be implemented by the Fund during the year under review had been referred to the Director General of Archaeology on 30 June 2013.
- (ii) In terms of Section 10 of the said Ordinance, reports pertaining to all archaeological items find during excavation as well as reports pertaining to excavation should be prepared and furnished to the Director General of Archaeology. However, such reports had not been furnished. Further, special archaeological items obtained during excavation should be handed over to the Department of Archaeology. But, there were no such handing overs.

(b) Materials made available to External parties

Action had not been taken upto 31 June 2014 to get back 3040 G1 pipes and 4493 couplings made available to external parties on various occasions during 2011 to 2013 through the Abhayagiriya and Aalahana Projects.

(e) **Assets not Disposed of**

It was observed that action had not been taken upto 31 July 2014 to auction or to take suitable action with regard to 9 condemned vehicles and 2 motor bicycles of the Fund revealed at the board of survey 2013 which remained parked without safety for over 3 years.

(d) **Recruitment of Consultants and their Services**

A gross amount of Rs.2,396,824 had been paid as allowances to 14 Consultant Directors and Architectural Consultants who had been recruited on contract basis for project activities of the Fund. However, they had not been instructed regarding the duties to be performed by them and how they should present their reports. Accordingly, it was unable to confirm in audit as to the services rendered by them by obtaining permanent monthly allowances and fuel allowances.

4.4 Transactions of Contentious Nature

(a) **Reconstruction of Interior Roads of the Polonnaruwa Sacred City**

The contract to reconstruct the 01 kilometre inner road from the exit gate of the Polonnaruwa Sacred City by laying cement blocks had been entrusted to the Road Development Authority for Rs.27,500,000. The amount paid to the Road Development Authority as at the end of the year under review was Rs.29,235,510.

The following matters were observed in this connections.

- (i) The width of the road had been increased from 4.5 metres to 6.2 metres without approval in spite of the fact that a primary cost estimate as well as clear specifications had not been prepared. Further, as a result of deviating from standards, the estimated amount of the construction had risen upto Rs.48,575,893. In this connection, the recommendations of the technical evaluation committee and the procurement committee had not been obtained.
- (ii) The strength of stones laid on the road was lower the required standard. However, the Fund had paid the entire amount of Rs.16,992,545 for those stones. Further, the quality of construction had not been tested before making payments for bills.
- (iii) The work was required to be completed within 90 days as per the agreement. However, the work had not been completed by the end of the year under review although over 652 days had elapsed. It was not favourable to the Fund as there were no provisions in the agreement relating to price and quantity variations, demurrage and constructions by deviating standards.

(b) Outsourcing Employees from the Cultural Conservation and Construction Company Limited

During the year under review, a sum of Rs.114,879,000 had been paid to the Cultural Conservation and Construction Company (Pvt) Limited for the supply of skilled conservation/ excavation assistants on contract basis for services in projects of the Fund.

The following matters were observed in this connection

- (i) According to the Cabinet memorandum and the approval of the Cabinet of Ministers thereon, the objective was to deploy the employees of the Fund by the company and to pay their salaries by that company. However, contrary to this, the Fund had made payments for employees of the Company.
- (ii) In terms of Section 1 of the agreement, the employees should be deployed as excavation conservation assistants in projects of the Wayamba Cultural quadrangle. However, contrary to this, they had been employed in other projects as well as project offices.
- (iii) According to the agreement, the Fund had paid Rs.1,200 to the company for a Manday. However, the company had paid Rs.700 only to employees per day. Accordingly, the company had been afforded an opportunity to earn a profit of Rs.47,866,000 during the year on 95,732 Mandays at the rate of Rs.500 per Manday.
- (iv) It was observed in audit that utilization of employees had exceeded the project necessities. For example, the excess payments made for excessive employees at the Panduwasnuwara project and the Ridee Vihara project had been Rs.4,046,225 and Rs.8,094,003 respectively.

(c) Appointment of the Director General and Payment of Salaries

- (i) A permanent officer had not been appointed with regard to the present Acting Director General appointed on a Cabinet Decision of 03 October 2012 up to now.
- (ii) Instead of paying the acting salary for acting in the post of Director General, the Fund had paid the salary applicable to a permanent professor in Archaeology. Accordingly, the salary paid during the year under review amounted to Rs.1,952,468 at Rs.162,706 per month.
- (iii) The academic allowance and the research allowance relevant to the salary of the permanent post of this officer is not applicable to the post of Director General of the Central Cultural Fund. However, these had been continuously

paid and the said allowances obtained with the salaries during the year 2013 aggregated Rs.824,003.

(d) Appointment for the post of Legal Officer

- (i) A new officer had been appointed to the post of legal officer of the Central Cultural Fund from 01 June 2013 on contract basis without calling for competitive applications. The officer did not have the required qualification as per the scheme of recruitment but, the total salaries paid to him by 31 May 2014 amounted to Rs.422,786 which included the basis salary of the salary scale applicable to the post of legal officer and other approved allowances of the government and the Central Cultural Fund.
- (ii) His period of service ended on 31 May 2014. As such, the board of Governance had given approval to obtain his services for a further period of one year only until such time applications are called for and a suitable person appointed. Contrary to this, the Director General had extended his service for a further period of 2 years and salaries had been paid as before.
- (e) The expenditure limits approved for the Director General for purchasing vehicles for the Fund was Rs.4.5 million as per letter No.BD/N1 177/2/9/01/CCF of 25 March 2011 of the Director General of the Department of National Budget. However, during the year under review, a sum of Rs.2.48 million had been spent in excess of that limit. Further, a sum of Rs.15.8 million had been spent to purchase 2 vehicles for Director (Finance) and the working Director though the approval of the Treasury had not been obtained.
- (f) A monthly allowance of Rs.20,000 and payment for 100 litres of petrol had been given to a Head of pirivena appointed to the Yapahuwa Project in respect of development of ola leaf scriptures in pirivenas. However, the type of duties performed by him for the promotion of ola leaf documentation was not observed in audit during the year under review

4.5 Apparent Discrepancies

The following observations are made.

Supply of DVD for Free issue with foreign Tourist Tickets

A sum of Rs.51,099,925 had been spent to manufacture and supply 5 lakhs of DVD containing sacred places such as Sigiriya, Polonnaruwa and Anuradhapura for free issue along with tourist tickets.

The following matters were observed in this regard.

- (i) Computer copies of scenarios of a documentary film comprising Anuradhapura, Polonnaruwa and Sigiriya produced by this contractor before had been fraudulently made use of to reproduce these DVD tapes describing it as a new production.
- (ii) The minimum bid furnished for DVD production had been neglected without adducing fair reason and the maximum bid had been selected resulting in a loss of Rs.18,125,000 to the Fund.
- (iii) The contractor had breached the previous contract agreement for Rs.4,701,000 on these subject matters. Further, before fulfilling the previous work, the entire amount of Rs.5,191,150 including Value Added Tax had been paid to him and it had been reported in the previous year's report of the Auditor General. In spite of these, these matters had not been taken into consideration.
- (iv) The conditions in the agreement pertaining to payment of demurrages and Value Added Tax were in favour of the Contractor. Meanwhile, the bid bond and the performance bond obtained were less than the specific amount by Rs.446,250 and Rs.2,281,250 respectively.
- (v) An expertise consultant had not prepared the cost estimates and specifications and prepared the bid documents accordingly. Although it should have been approved by a technical evaluation committee with specialized knowledge of procurement documents, it had not been so done. Further, the DVD produced and handed over had not been subjected to check by a qualified Technical Evaluation Committee.
- (vi) The contractor had entered bogus tax number in invoices for payment of Value Added Tax and had fraudulently obtained Rs.5,474,999 as Value Added Tax from the Fund.

(b) Appointment for the post of Working Director and Payment of Allowances

An officer had been appointed to the post of Working Director, which is not included in the approved cadre of the Central Cultural Fund since January 2006 and not mentioned in the Central Cultural Fund Act, and allowances of Rs.4,494,105 had been paid to him from the said date to December of the year under review.

- (i) The monthly allowance paid to him was equivalent to step below one increment of the maximum salary scale entitled to a Director of the permanent staff of the Fund. The approval of the Department of Management Services had not been obtained for this as per Management Services Circular No.39 of 26 May 2009.
- (ii) This officer had performed duties as a permanent director of the Sri Lanka Vocational Training Authority and had obtained Rs.5,076,836 as the gross salaries and allowances during the above period. Further, he had obtained the

arrears arisen due to salary increases in public service as well as all benefits entitled for a director of the Central Cultural Fund.

- (iii) He had obtained fuel allowances for 120 litres per month by using 2 allocated vehicles of the Central Cultural Fund from 2006 to the year under review. The fuel allowances obtained during the said period was Rs.949,618. During the said period, he had obtained an allocated vehicle and monthly fuel allowance from the Vocational Training Authority as well.

(c) Purchase of gravels – Sigiriya Project

The following observations are made.

- (i) Suppliers of gravels for Rs.1,718,125 during the year 2013 for repairs to the interior road of the Sigiriya Project had been selected without transparency and without the approval of the tender board by sending letters of quotations to suppliers who had not been registered.
- (ii) Bids of suppliers who had not furnished tender documents fees and bid bonds too had been subjected to evaluation. Tenders valued at Rs.718,125 had been awarded to a supplier without furnishing bid bond and the tender for Rs.500,000 had been awarded to a supplier who had not paid tender document fees.
- (iii) According to the prices of the Matale District Price Committee of the year under review the price of a cube of gravel was Rs.1,000. However, 383 cubes of gravels had been purchased at the rate of Rs.1,875 per cube and 500 cubes of gravels at the rate of Rs.2,000 per cube. The Fund had lost Rs.835,125 as a result of purchasing gravels exceeding the rates prevailed in the area.
- (iv) 135.44 cubes of gravels value at Rs.253,950 purchased during the year under review had not been used for any purpose and had been kept in the vicinity of the stores for about 1 ½ years. It was observed at the physical verification that they were not upto the standard mentioned in the specifications.

(d) Usage of Vehicle by the Director General

- (i) Bogus entries had been made to show that the official vehicle allocated to the Director General during January 2013 to August 2014 had performed 5929 kilometres, although it was not so and 847 litres of fuel valued at Rs.137,214 had been fraudulently obtained. The milo meter reading of the vehicle as at 22 August 2014 was 111,476 k.m which had been shown as 117,405 k.m in the running charts.

- (ii) Further, the above official vehicle had been used by his wife while he was abroad. During that period, 297 litres of fuel had been consumed for performing 1795 k.m.

4.6 Expenditure Contravening objectives

The following observations are made.

- (a) A sum of Rs.351,000 had been paid for newspaper advertisements relating to completion of the 2nd year in office of the President.
- (b) The Fund had paid Rs.400,000 as concessionary allowance for the cultural conference organized by a private institution named as Royal Asiatic Society.

4.7 Identified Loses

As a result of not taking action to recover the amount due before cancellation of the advance bond and the performance bond as per contract agreement, the Fund had shown Rs.1,705,055 as recoverable from 2 private companies in 2000 and 2001 as unsettled advances since those years. As a result of taking legal action, the court had ordered a company in 2011 to pay Rs.4,472,150 to the Fund. However, it could not be recovered even by the end of the year under review.

4.8 Resources of the Fund made available to other Institutions

- (a) Seven officers of the Central Cultural Fund who should not have been released for work at the supervising ministry had been released for services at the Ministry of Cultural and Arts in 1989, 2000, 2001 and 2011. During the year under review too they continued to work at the ministry and gross salaries aggregating Rs.2,286,205 had been paid to them by the Fund.
- (b) A note book computer valued at Rs.110,847 had been made available to the former Additional Secretary to the Ministry of Cultural and Arts who had acted in the post of Deputy Director General of the Central Cultural Fund during in the year 2013. He had gone on transfer from the Ministry of Cultural Affairs from 03 September 2013. However, that had not been taken back even by 25 August 2014.
- (c) A double cab belonging to the Central Cultural Fund had been used by the staff of the Minister of Cultural and Arts during the whole period of May to December of the year under review. The daily running charts relating to that period had not been furnished for audit.

4.9 Personnel Administration

The following observations are made.

- (a) The number of officers acting/ covering up duties by the end of the year under review was 74 as there were vacancies in many posts of the Fund. During the year under review, the total amount paid for acting/ covering up duties was Rs.2,187,644.
- (b) The Fund had continuously employed officers on the basis of acting/ covering up duties deviating from the provisions in the Establishments Code. There were 32 officers covering up duties in such a manner for 1 to 6 years by the end of the year under review.
- (c) According to the scheme of recruitment and promotions approved by the Department of Management Services on 02 December 2011, the efficiency bar examination due for a post should be held at least once a year, But, so far, no efficiency bar examinations had been held.
- (d) The approval of the Department of Management Services had not been obtained for recruiting temporary officers on the basis of paying monthly allowances, such as, 2 excavating/ conservation examiners at Rs.45,000 each, 48 security guards at Rs.20,000 each, a security instructor at Rs.30,000 and a special investigating officer at Rs.25,000.

4.10 Vehicle Utilization

The following observations are made.

- (a) There was no transparency in calling for quotations and selection of suppliers in obtaining 4 vans on hire during the year under review. The monthly rentals paid in this connection were Rs.50,000, Rs.45,000 and Rs.45,000 and no written agreements, whatsoever, had been entered into with the suppliers.
- (b) The amount spent on hire of the van at Rs.50,000 per month for the period July to December of the year under review was Rs.546,275 and as such a sum of Rs.306,275 had been spent in excess of the approved limit for the 6 months period, as the approved monthly rate was Rs.40,000. Further, the expenditure on services and replacement of tyres which should have been born by the owner of the vehicle had been incurred by the Fund.
- (c) The fuel consumption of vehicles belonging to the Fund should have been tested by a qualified engineer at least once in 6 months. As a result of not taking action to do so, the overall expenditure on consumption of fuel of the Fund had exceeded even the revised budgeted estimates by 22 percent.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

The financial statements for the year ended 31 December 2013 had been presented to the Auditor General on 02 June 2014. But, the prior approval of the board of Governors had not been obtained for the financial statements. The board of Governors should take the responsibility for the financial statements and approve it accordingly. However, the board of Governors had not approved it before presentation to audit.

5.2 Corporate Plan

A Corporate Plan for a minimum period of 3 years had not been prepared before commencement of the year so as to fulfil the vision and mission of the Fund and to achieve its objectives. The approval of the board of Governors for the corporate plan 2013-2016 had been obtained on 03 December 2013.

5.3 Action Plan

An Action Plan had not been prepared in parallel with the Corporate Plan. The work plan of the Fund relating to excavating and conservation fulfilled on each of its project had been furnished as per action plan. An action plan to embody the overall activities of the Fund had not been prepared.

5.4 Budgetary Control

- (a) The revised budget of the year 2013 had been presented for approval of the board of control on 03 December 2013. The board of Governors had approved it on 23 December 2013. It was observed that the expenditure of 2013 had been incurred without control and subsequently a revised budget had been prepared at the end of the year and the approval of the board of control had been obtained accordingly.
- (b) It was observed at a comparison of the actual income and expenditure of the revised budget for 2013 with the financial statements of 2013 indicated variances ranging from 22 to 187 percent. It was observed that the budget had not been utilized as a tool of management control.

5.5 Unsettled Audit Paragraphs

The work relating to reconstruction of the interior access road of the Polonnaruwa Sacred City for a distance of 1k.m by laying cemented blocks had been entrusted to a contract company for Rs.38,709,100 and a sum of Rs.28,255,312 had been paid. Although the following short comings had been pointed out in my report for 2012, so far action had not been taken in this regard.

- (a) A sum of Rs.22,099,917 had been paid for concrete blocks used for construction which were not upto the required standard.
- (b) A sum of Rs.4,660,998 had been paid for work not carried out according to the bill of quantities.
- (c) As a result of using 40 per cent less ABC layer and 50 per cent less Quarry dust mixture, the road surface was not even and action had not been taken in this connection.

06. Systems and Controls

The deficiencies observed during the course of audit were brought to the notice of the Director General from time to time. Special attention is needed in respect of the following areas of control.

- (a) Personnel management
- (b) Accounting
- (c) Printing, sale and stock control of tourist tickets
- (d) Procurement
- (e) Contract administration
- (f) Archaeological conservation activities
- (g) Vehicle utilization
- (h) Recruitment of Consultancy Directors and Project Directors