

Head 177 – Report of the Auditor General on the Ministry of Culture and the Arts Activities and the Department thereunder – Year 2013

This report consists of two parts

Part 1 – Summary report on the accounts of the ministry and the department thereunder

Part 2 – Detailed report relating to each year

Part I

Summary report on the Accounts of the Ministry of Culture and the Arts and the Department thereunder

1. Department under the Ministry

Head	Department
206	Department of Cultural Affairs

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Ministry and the Department under the Ministry amounted to Rs.1,640,626,987, out of which, a sum of Rs.1,377,529,329 had been utilized as at the end of the year under review. Accordingly, savings from the net provision of the Ministry and the Department were Rs.127,658,825 and Rs.135,438,833 representing 10.9 per cent and 28.4 per cent of the total net provision. Particulars are given below.

As at 31 December 2013

Head	Net Provision	Utilization	Savings	Savings, as Percentage of Net Provision
	Rs.	Rs.	Rs.	
177	1,163,880,000	1,036,221,175	127,658,825	10.9
206	476,746,987	341,308,154	135,438,833	28.4
Total	1,640,626,987	1,377,529,329	263,097,658	

2.2 Advance Accounts

Advances to Public Officers' Accounts

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers' Accounts of the Ministry and the Department thereunder and the actual values are shown below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
17701	32,000,000	16,262,818	14,000,000	15,146,701	110,000,000	65,190,519
20601	19,000,000	10,684,781	8,000,000	9,485,835	87,000,000	39,615,396

2.3 General Deposit Accounts

The balances of the Deposit Accounts of the Ministry and the Department thereunder as at 31 December 2013 aggregated Rs.47,748,431. Details are shown below.

Ministry/ Department	Imprest Account No.	Balance as at 31 December 2013
Ministry of Culture and the Arts Activities	6000/0000/00/0015/0054/000	37,538,310
Department of Cultural Activities	600/000/00/0015/0088/000	10,201,121
		47,748,431

Part – 2

Detailed report relating to each Head

1. Head 177 – Ministry of Culture and the Arts

1.1 Scope of Audit

The audit of the Appropriation Account of the Ministry of Culture and the Arts for the year ended 31 December 2013, comprising the financial records, reconciliation statements, books and other records was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review had been issued to the Secretary to the Ministry on 5 November 2014. The audit observations, comments and findings on accounts and reconciliation statements were based on a review of the accounts and reconciliation statement presented to audit and substantive 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 in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions, Public Finance and Administrative Regulations. This responsibility includes designing implementing and maintaining internal control necessary to enable 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 Observation

According to the financial records and books for the year ended 31 December 2013 it was observed that except for the effects of the general observations appearing at (a) to (f) and the other major audit findings appearing in paragraphs 1.4 to 1.13 herein the Appropriation Accounts and the Reconciliation Statement of the Ministry of Culture and the Arts had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

The Ministry had not maintained the following registers. It was observed at test checks that certain registers had not been updated and properly maintained.

Type of Register -----	Related Regulation -----
(i) Register of Losses and Damages	Financial Regulation 110
(ii) Register of Motor Vehicles	Financial Regulation 1647(e)
(iii) Register of Consumables	Financial Regulation 1647(c)
(iv) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978.

(b) Lack of Audit Evidence

The following observations are made.

- (i) No information, whatsoever, relating to the performance, maintenance or removal from usage with regard to a motor car and 5 three wheelers had been furnished to audit.
- (ii) The file containing documents relating to allocation and release of provision for Construction of Cultural Centres as well as plans, cost estimates, bills of quantities, survey reports, bills and progress of constructions had not been properly maintained.

(c) Reply to Audit Queries

Reply had not been furnished even by 31 October 2014 with regard to an audit query issued to the Ministry of Culture and Arts during the year under review. The quantifiable value of transactions subjected to that audit query amounted to Rs.28,255,312 (with Value Added Tax).

(d) Budgetary Variances

The following observations are made.

- (i) The entire net provision of Rs.25,000,000 provided for 01 Object had been saved.

- (ii) As a result of the over provision made for 3 capital Objects and 2 recurrent Objects, the savings after utilization of provision ranged from 37 to 97 per cent of the net provision of those Objects.
- (iii) The entire provision aggregating Rs.30,000,000 of 2 capital Objects had been transferred to other Objects by F.R.66 transfers. 34 to 86 per cent of the entire estimated provision of Rs.111,000,000 of 4 other Objects had been transferred to other Objects by F.R.66 transfers.
- (iv) Liabilities amounting to Rs.1,015,863 had been committed during the current year exceeding the savings of 2 Objects contravening Financial Regulation 94(1). Further, commitment for liabilities amounting to Rs.1,760,902 had been agreed while there were no savings in 4 Objects.

(e) General Deposit Account

The following observation is made.

Action had not been taken in terms of Financial Regulation 571 with regard to 65 deposits valued at Rs.6,635,068 lying in the General Deposit Account No.6000/0/0/15/540 for over 2 years.

(f) Reconciliation Statements relating to Advances to Public Officers' Account

The following observations are made.

- (i) According to the reconciliation statement of the Advance Account, Item No.17701 as at 31 December 2013, the arrears of 20 loan balances for a period of 1 to 15 years aggregated Rs.1,155,493. The Ministry was unable to recover those arrears of balances.
- (ii) According to Sections 1.1 and 1.1.6 of the Government Budget Circular No.118 of 11 October 2004, action should be taken to settle the loan balances of transferred officers without delay through the summary of accounts and according to paragraph 1.1.7 of that circular care should be exercised not to maintain unsettled loan balances in the accounts. But, action had not been taken accordingly and as a result, the total of loan balances of Rs.1,265,398 recoverable from 13 officers who had gone on transfers before 2013 had been accounted for, under Loan Balances Recoverable.

1.4 Good Governance and Accountability

1.4.1 Annual Procurement Plan

The Annual Procurement Plan had not been prepared even by 31 December 2013 in terms of the National Budget Circular No.128 dated 24 March 2006.

1.5 Assets Management

(a) Conduct of Annual Board of Survey

The following observations are made.

- (i) According to the Public Finance Circular No.441 dated 09 December 2009 as amended by the Public Finance Circular No.PF/Board of Survey/01 dated 17 December 2010, the annual board of survey for 2013 should be conducted before 31 March 2014 and the report furnished to the Auditor General. However, the Ministry had not furnished the report to audit even by 31 August 2014.
- (ii) One hundred and ten tin sheets which had been removed from use and recommended for auction by the board of survey report for 2010 at the Nuwara Eliya Cultural Centre had not been auctioned even by end of 2013.
- (iii) No board of survey, whatsoever, had been carried out with regard to 129 items of 48 varieties of goods issued to the official residence of Minister of Culture and Arts and to the office of the Minister as at 31 December 2013. 29 out of 48 of these goods were electrical equipment.

(b) Assets made Available to Outside Parties

- (i) The Ministry had irregularly released the following vehicles to outside parties.

Type of Vehicle	No of Vehicles	To whom given	Period
Motor Car	2	Ministry of National Heritage	Over 2 years
Motor Car	2	Department of Cultural Affairs	Over 5 years
Jeep	1	Ministry of National Heritage	Over 2 years
Cab	2	Ministry of National Heritage	Over 2 years
Cab	1	Information not furnished	Over 13 years

(c) Irregular Usage of Assets belonging to other Institutions

The following observation is made.

- (i) Five motor vehicles registered under the name Ministry of National Heritage had been used by the Ministry of Cultural Affairs and Arts without a proper approval.
- (ii) A cab belonging to the Central Cultural Fund had been given for usage of the Minister of Culture and the Arts activities along with the driver and in this connection approval of the Ministry of Finance and Planning had not been obtained as per instructions of the Circular of the Secretary to the President No.CA/1/17/1 dated 14 May 2010.

(d) Irregular Usage of Vehicles

The following observations are made.

- (i) The number of vehicles that could be allocated to a Cabinet Minister had been limited to 3 in terms of the Public Expenditure Management Circular No.CA/1/17/1 dated 14 May 2010 of the Secretary to the President. But, 5 vehicles had been allocated to the Minister of Culture and the Arts Activities. Meanwhile, 4 drivers had been assigned to those vehicles whereas the number of drivers that could be assigned for services of the Minister were 2 except the driver of the defence vehicle.
- (ii) The maximum mileage allowed for group transport is limited to 50 kilometres to and from the office. However, contravening this, group transport facilities had been allowed for a distance of 80 kilometres from office to Veyangoda during the period January to June 2013.
- (iii) Officers to whom vehicles had been allocated cannot use a vehicle for covering up duties of an additional post. But, the Additional Secretary to the Ministry of Culture (Administration and Finance) who served as the Deputy Director General of the Central Cultural Fund had made use of a pool vehicle belonging to the Central Cultural Fund during January to April 2013 and had performed 12,454 kilometres.

(e) Irregular Usage of Assets Not Acquired

The ownership of land of 5 cultural centres of the Ratnapura District constructed by spending Rs.15,771,125 from the provision of the Ministry and declared opened by 31 December 2013 as well as 6 cultural centres which continued to be

constructed even by end of 2013 had not been properly vested with the Ministry. However, a sum of Rs.15,007,728 had been spent from the provision of the Ministry by end of the year under review on behalf of the cultural centres that were being constructed.

(f) Unsettled Liabilities

The unsettled liabilities of the Ministry as at 31 December 2013 amounted to Rs.18,651,556 and those liabilities were less than one year.

1.6 Non-compliance with Laws, Rules, Regulations etc.

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
-----	-----	-----
	Rs.	
(i) Public Administration Circulars -----		
Paragraph 2 of the circular No.41/90 dated 10 October	-	Although the consumption of fuel by vehicles should be tested once in 6 months, such tests had not been carried out during the year under review as well as previous years.
(ii) Public Finance/ Presidential Secretariat Circulars -----		
Paragraph 5 of the Circular No.PF/FS/A.Vehi/2009 dated 14 July 2010 and the letter of the Secretary to the President No.PCMD/PR/2013 dated 05 June 2013.		Necessary action should be taken regarding a vehicle within 3 months of identifying it as repairable or to be disposed of. However, such action had not been taken with regard to 2 vehicles remaining unused for over 3 years and 4 vehicles remaining unused for over 1 year.
(iii) Letter of the Director General of	185,920	According to this letter,

the Department of National Budget
No.BD/N1/177/2013 dated 29
April 2013

provision had not been made
for purchase of motor cycles to
those drivers who had been
assigned to official vehicles
allocated for officers. In spite
of this, a motor vehicle had
been purchased for the usage
of driver of the Secretary to
the Ministry of Culture and the
Art Activities to travel to and
from residence to office.

(iv) **Procurement Circular**

Paragraphs 4.3 and 4.3.2 of the
Procurement Guidelines No.08
dated 25 January 2006

- While constructing 06 cultural
centres each costing Rs.10
million or more, the total cost
estimated had not been
prepared and approved.

(v) **Government Gazette Extra
Ordinary No.1467/15 dated 17
October 2006**

- According to the orders
introduced as orders relating to
Disabled (Access) No.01 of
2006, the construction should
be planned in such a manner
so that a disabled could have
easy access to a public
building. However, the
construction plans of cultural
centres constructed by the
Ministry had not been
prepared accordingly.

1.7 Weaknesses in Implementing Projects

Abandoning Project without Completion

The Ministry had abandoned halfway the construction of 02 cultural centres
shown below for which funds had been released for constructions at Ratnapura

District under the Programme for establishing cultural centres at the rate of one per Divisional Secretariat.

Project		Total Cost Estimate	Amount Released	Value of Work for which Payments had been made by 31.12.2013	Reason for Abandonment
-----		-----	-----	-----	-----
		Rs.	Rs.	Rs.	
Ratnapura Secretariat Area – Ratnapura Cultural Centre	Divisional	13,892,000	889,626	2,162,471	Constructions carried out without acquiring the land
Kahawatta Secretariat Area – Kahawatte Cultural Centre	Divisional	9,916,464	5,000,000	1,126,910	Landslide at the construction site

1.8 Performance

The observations on the progress of the Ministry as per Annual Budgeted Estimates 2013 and the Action Plan appear below.

Inadequate Fulfilment of Key Functions

The following observations are made.

Plans had been prepared since 2000 to establish cultural centres at 17 Divisional Secretary Areas of the Ratnapura District. However, adequate progress had not been achieved. Accordingly, the progress of 6 cultural centres which were under construction by 31 December 2013 appear below.

Project (Cultural Centre)	Estimated Cost	Year in which first Instalment had been Released	Total provision Released as at 31.12.2013	Total Expenditure as at 31.12.2013	Financial Progress, as a percentage of total Estimated cost	Years lapsed since Release of 1 st Instalment, as at 31.12.2013	Physical Progress
-----	-----	-----	-----	-----	-----	-----	-----
	Rs.		Rs.	Rs.			
Kolanna Cultural	16,029,924	2008	2,411,657	676,715	4.2%	About 5 years	Foundation laid

Centre							
Ehelayagoda Cultural Centre	12,127,035	2010	4,962,538	3,779,927	31%	About 3 years	Built upto the slab of 1 st floor
Opanayake Cultural Centre	14,221,718	2010	2,926,812	2,859,309	20%	About 3 ½ years	Ground floor constructed with roof.
Weligapola Cultural Centre	11,040,647	2010	2,876,890	2,039,278	18%	About 3 years	Concrete poles laid on the foundation with roof and roof completed with Asbestos Sheets
Godakawela Cultural Centre	1,954,332	2009	1,954,332	1,954,332	100%	About 4 years	Old building renovated
Imbulpe Cultural Centre	10,073,248	2010	5,000,000	4,374,882	43%	About 3 years	Main walls constructed with roof
	65,446,904		20,132,229	15,684,443			

- (i) The following general weaknesses were observed with regard to these constructions.
- Action not being taken by the Ministry of Culture and the Arts to enter into written consent or a memorandum of understanding with the District Secretary/ Divisional Secretary who implement these projects.
 - Non preparation of detailed reports containing total cost estimates, plans, period of each stage and progress relevant to constructions.
 - Irregular allocation and release of provision for the projects, supervision not being made for constructions and release of provision without examining the physical progress.
 - A period of 5 to 10 years had been spent on exchange of letters with 06 Divisional Secretaries for the above 06 cultural centres and to select suitable building sites and to obtain feasibility reports. Further, although a period of 03 to 06 years had exceeded since the release of first instalment

for the centres, none of those centres had attained adequate physical progress.

- (ii) Provision had been released since 2008 for construction of the Kolonna Cultural centre with a revised total cost estimate of Rs.16,029,924. The total amount released upto 30 July 2013 amounted to Rs.2,411,657. Foundations only had been laid by spending Rs.676,715 by 31 December 2013. About five years had elapsed by then, but the constructions had not been completed.
- (iii) The total estimated provision of Rs.13,159,000 had been released to the Ministry of Construction Engineering Services, Housing and Common Amenities in 2011 and 2012 to construct 100 permanent houses to Primitive Communities under the first stage. Although it was targeted to complete the work by April 2012, construction of 30 houses had not been completed even by 31 December 2013.
- (iv) It had been planned to construct 25 houses at Dambana under the 2nd stage and a provision of Rs.5 million had been released to the Ministry of Construction, Engineering Services and Housing. However, the construction work had not been completed even by May 2014.

1.9 Transactions of a Contentious Nature

The Cultural conservation and Construction Company Limited had been established by Cabinet Paper No.CM/09/0193/354/003 dated 19 February 2009 with the objective of settling problems that had occurred during repairs, maintenance, conservation and constructions of the Ministry and the institutions thereunder. However, contentious instances were observed in the activities of the said company.

- (i) Currently, this company acts as the supplier of labourers to the Central Cultural Fund deviating from the objectives of establishing it. The salaries of these labourers had been paid by the Central Cultural Fund. It was observed that the amount paid for the year 2013 was Rs.114,879,000 and the company had earned a profit of 35-40 per cent.
- (ii) According to the Cabinet Memorandum furnished for establishing the company, the objective was to establish this as a special institution which could identify exemplary positions of development activities which could be done under exemplary positions of conservative nature. However, this

company had not developed itself as an institution with such technical abilities.

- (iii) The Central Cultural Fund expected to obtain certain amount of income from its machinery used for services by the Company. However, it was not confirmed that the company had used the machinery for the Fund to earn income.
- (iv) At the commencement, the Secretary to the Ministry worked as the Chairman of the company by virtue of his office. However, none of the officers of the Ministry had crept into the administrative capacity of the company, so far.
- (v) The approval of the Cabinet of Ministers had not been obtained to award direct contracts to this company without calling for tenders. However, certain constrictions carried out under the Central Cultural Fund and the Ministry had been awarded to this company under direct contract method. As a result, Reference No.3.5 (e) of the Procurement Guideline had been breached.

1.10 Irregular Transactions

The following observations are made with regard to certain transactions entered into by the Ministry which were not regular.

The Additional Secretary to the Ministry of Culture and the Arts (Administration and Finance) had been appointed to cover up duties of the post of the Deputy Director General of the Central Cultural Fund in addition to his post. In addition to the vehicle allocated to him for the permanent post, he had used a vehicle of the Central Cultural Fund too. During the period of usage of the vehicle from 01 January to 23 April 2013, a sum of Rs.86,463 had been spent from the funds of the Central Culture Fund and a sum of Rs.51,285 had been paid from the Ministry of Culture.

1.11 Uneconomic Transactions

Details regarding uneconomic transactions revealed at test checks pertaining to construction of cultural centres are shown below.

The respective land had not been acquired by the Ministry of Culture and the Arts prior to the following constructions. As a result, the expenditure of Rs.15,809,299 incurred thereon had become uneconomic.

Name of the Cultural Centre	Total expenditure on Repairs/ New Constructions	Becoming Uneconomic
	Rs.	
Ratnapura Cultural Centre	2,162,471	As a result of constructions done without acquiring the land, the land as well as the work done had been acquired by the institution owning the land.
Elapathe Cultural Centre	2,990,611	Constructions had been done without acquiring the land. Subsequently, it was compelled to give it for usage of the institution owning the land.
Nivitigala Cultural Centre	1,181,200	Constructions had been done without acquiring the land. Subsequently, the institution owning the land had not consented to hand over the land.
Kahawatta Cultural Centre	1,126,910	Landslide at the construction site.
Embilipitiya Cultural Centre	8,348,107	Constructions had been done without acquiring the land. Subsequently, the acquirement had become a problem.
	15,809,299	

1.12 Management Weaknesses

The following weakness is observed at test checks.

Assets of the institution should be subjected to verification at the end of each year or a nearby date. However, no verifications, whatsoever, had been carried out upto end of 2013 with regard to 52 vehicles of the Ministry. Accordingly, the losses, inability to use and disposals of the accessories of those vehicles were not revealed. Further, details of

the cost, depreciation ratio and disposals of those vehicles had not been included in the registers of fixed assets and updated accordingly.

1.13 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of cadre as at 31 December 2013 appear below.

Category of Employee	Approved Cadre	Actual Cadre	No. of Vacancies	No. of Surplus
(i) Senior Level	14	14	-	-
(ii) Tertiary Level	579	513	66	-
(iii) Secondary Level	04	02	02	-
(iv) Primary Level	409	397	12	-
(v) Others (Casual/ temporary/ contract basis)	-	19	-	19
Total	1,006	926	80	19

The following observation is made.

- (i) The Ministry was not able to fill 80 vacancies as at end of the year under review.

(b) Human Resources made available by other Parties

The matters revealed regarding human resources obtained by the Ministry appear below.

Category of Employee	Number	Other Parties	Period	
Video Camera Technician	1	Central Fund	Cultural	01.06.1989 to 31 December 2013
Camera Technician	1	- do -	- do -	
Camera Technician	1	- do -		27.01.2001 to 31 December 2013
Clerk	1	- do -		09.04.2000 to 31 December 2013

Part 2

2. Head 206- Department of Cultural Affairs

2.1 Scope of Audit

The audit of the Appropriation Account of the Department of Cultural Affairs for the year ended 31 December 2013, comprising the financial records, reconciliation statements, books and other records was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review had been issued to the Secretary to the Ministry on 19 November 2014. The audit observations, comments and findings on accounts and reconciliation statements were based on a review of the accounts and reconciliation statement presented to audit and substantive 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 in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions, Public Finance and Administrative Regulations. This responsibility includes designing implementing and maintaining internal control necessary to enable 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 Observation

According to the financial records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (f) and the other major audit finding appearing in paragraphs 2.4 to 2.11 herein the Appropriation Account and the Reconciliation Statement of the Department of Cultural Affairs had been prepared satisfactorily.

(a) Presentation of Accounts

The department had not furnished the following accounts for audit by 31 March 2014.

Item No. -----	Name of the Account -----
20601	Reconciliation statement relating to Advance to Public Officers' Accounts

(b) Non maintenance of Registers and Books

The department had not maintained the following registers. It was observed at test checks that certain registers had not been updated and properly maintained.

Type of Register -----	Related Regulation -----
Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978
Appropriation Votes Ledger	Financial Regulations 447(1)(3)(4)(6)(7)(9)
Register of Computer Assets	Treasury Circular No.1A1/2002/02 dated 28 November 2002
Inventory Register (National Arts Council and John de Silva Memorial Theatre)	Financial Regulations 454

(c) Lack of Evidence for Audit

Details of lack of evidence are shown below.

- (i) The total number of Divisional and Rural Cultural Bala Mandalaya commenced by end of 2013, details of establishment of funds and expenditure thereon relating to each Divisional and District Bala Mandalaya had not been furnished to audit and as such these transactions could not be satisfactorily vouched.
- (ii) As a result of non-maintenance of register of fixed assets and non-confirmation of physical existence through annual board of survey, the

correctness of the balance of Rs.38,838,583 shown in the Non-current Assets Movement Register under Note 1 of the Appropriation Account could not be confirmed in audit.

(d) Budgetary Variance

The following observations are made.

- (i) As a result of the overprovision in 8 Capital Objects, the savings after utilization of the provision ranged from 60 to 90 per cent of the net provision of the Objects concerned.
- (ii) A sum of Rs.8 million had been transferred Vide FR 66 transfer for constructing the “Uthura Dhakunu Mithuru Sevana” centre under the Object Code No.206-2-3-2-2502 (Dayata Kirula). Of this, a sum of Rs.6,639,508 representing 83 per cent had been saved.
- (iii) A difference of Rs.724,257 was observed between the value shown in the Capital Expenditure (DGSA-4) and the aggregated values of 2013 as per report relating to Movement of Non-current Assets.

(e) General Deposit Account

Action had not been taken in terms of Financial Regulation 571 with regard to deposits exceeding 2 years which amounted to Rs.683,631.

(f) Reconciliation Statement relating to Advance to Public Officers’ Account

The following observations are made.

- (i) According to the Reconciliation Statement relating to the Advance Account, Item No.20601 as at 31 December 2013, the total of the balances of arrears as at that date aggregated Rs.1,046,385. The department was unable to recover those arrears of balances.
- (ii) The difference between the debit balance of the Public Officers’ Loan Advance Control Account prepared by the Department as at 31 December 2013 and the Treasury Computer Printouts was Rs.60,556. The reconciliation statement explaining the difference had not been furnished in terms of paragraph 02 of the Public Enterprises Circular No.96 dated 18 August 1994.

- (iii) The differences between the totals of the individual balances classification summary prepared as at 31 December 2013 and the debit balance of the Department at Loan Advance Control Account was Rs.336,071. The explanation for difference had not been furnished as required by Paragraph 04 of the Public Enterprises Circular No.96 of 18 August 1994.

2.4 Good Governance and Accountability

2.4.1 Annual Procurement Plan

The Annual Procurement Plan for the year 2013 as required by the National Budget Circular No.128 of 24 March 2006 had been prepared only on 13 May 2013.

2.4.2 Internal Audit

An internal audit unit had not been established. Although the audit activities should be carried out by the internal audit unit of the Ministry of Culture and the Arts Activities, adequate internal audit had not been carried out for the year under review.

2.5 Assets Management

(a) Conduct of Annual Board of Survey

The following observations are made.

- (i) The board of survey for the year 2013 should be conducted and the report should be furnished to the Auditor General before 31 March 2014 in terms of the Public Finance Circular No.441 dated 09 December 2009 as amended by the letter of the Director General of Public Finance No.PF Board of Survey/ 01 dated 17 December 2010. However, the Department of Cultural Affairs had not furnished the report concerned for audit even by 31 May 2014. The last board of survey conducted was for the year 2012.
- (ii) Action had not been taken in terms of Financial Regulations 102 and 757(2) with regard to excesses of 36 items of goods of 8 varieties and shortages of 123 varieties of goods pointed out in the board of survey reports of 2012 and with regard to other recommendations pertaining to the National Art Gallery and John de Silva Memorial Hall premises.

(b) Unsettled Liabilities

The following observations are made.

- (i) The unsettled liabilities of the Department as at 31 December 2013 amounted to Rs.41,581,381 and all of which were less than one year.
- (ii) The sum of Rs.1,489,784 to be settled with regard to services of the current year under the Object Code No.206-2-3-6-1405 (National Arts Festival) had been included in the unsettled liabilities.
- (iii) The sum of Rs.937,862 obliged to be paid to the contractor under the Object Code No.206-2-3-7-2502 (construction of the John de Silva Kala Nikethanaya) had not been noted down in the Statement of commitment DGSA-8(ii) of the Appropriation Account.

2.6 Non-compliances

Non-compliance with Laws, Rules, Regulation etc.

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

Reference to Laws, Rules and Regulations -----	Value -----	Non-compliance -----
	Rs.	
(i) Establishments Code of the Democratic Socialist Republic of Sri Lanka -----		
Chapter XXIV Section 3.18	26,000 (Distress Loan)	Action had not been taken to recover the loan balance as per provisions from an officer who had gone abroad on 20 August 2009 on no pay academic leave for 4 years.
(ii) Financial Regulations -----		
Financial Regulation 94(1)	1,150,359	Commitments had been made for liabilities amounting to Rs.1,150,369 had occurred

		exceeding the savings in 4 Objects aggregating Rs.46,697.
Financial Regulations 102,103 and 104	-	Action had not been taken in terms of Financial Regulations 102,103 and 104 with regard to 13 units of goods of 8 varieties which had got misplaced at the Government Musical Group Trust and the National Art Gallery premises.
Financial Regulation 128(1)(e)	-	Adequate arrangements had not been made to safety store the expensive dancing and musical equipment at the National Art Gallery and at the John de Silva Memorial Hall premises so that they could not be damaged.
Financial Regulation 396	90,079	Action had not been taken in terms of Financial Regulation 396 with regard to 21 cheques valued at Rs.90,979 which had exceeded 6 months from the date of issue as at 31 December 2013.

2.7 Performance

Inadequate Fulfilment of Key functions

The Department had not adequately fulfilled key functions and certain such instances observed are as follows.

- (i) Ten programmes had been planned to be implemented by the Cultural Council during the year 2013. 4 out of 10 of those programmes were to be

completed by 30 June 2013. However, only 2 programmes had been completed. Further, it had been planned to construct a house for an Artist in each Divisional Secretary Area. However, even a single house had not been constructed for an Artist even by end of the year 2013.

- (ii) With the objective of extending cultural promotion activities upto the rural level, it was decided to establish Cultural Councils based on Samurdhi Zones. However, there was no information to ascertain that any programmes had been implemented through rural councils during the year 2013. As such, it was not confirmed that the objective of establishing Cultural Councils had become successful.
- (iii) The Director of Culture or an officer named by him should hold 01 progress review meeting once in 3 months at a provincial level. However, during the year under review progress review meetings had been conducted at 4 provinces only at the rate of 1 per province and the other 5 provinces had not conducted any meetings. Accordingly, the expected progress had not been achieved by the Cultural Council Project.

2.8 Deficiencies in Operating Bank Accounts

Balances to be Adjusted

Information revealed as per analysis of adjustments shown in the bank reconciliation statements prepared by the Department of Cultural Activities for the month of December 2013 is shown bellows

Details of Adjustments

	Age Analysis			Total
	Over 6 months and under 1 year	Over 1 year and under 3 years	Over 3 years	
	Rs.	Rs.	Rs.	Rs.
(i) Unrealized cheques	5,146	14,366	14,280	33,792
(ii) Cheques issued but not presented for payments	90,079	-	-	90,079
(iii) Unidentified debits	6,104	-	-	6,104
(iv) Unidentified credits	13,358	-	-	13,358

- * Action had not been taken to identify and settle unrealized deposits of Rs.14,366 over 1 year and unrealized deposits of Rs.14,280 over 3 years.
- * Action had not been taken to identify and settle unidentified credit balances of Rs.13,358 and debit balances of Rs.6,104.

2.9 Transections of Contentious Nature

Certain transactions of contentious nature revealed at test checks are shown below.

- (i) The total expenditure incurred on conducting the State Sahitya Festival of 2013 amounted to Rs.7,191,881. Of this a sum of Rs.4,556,538 had been spent on organizing and conducting the festival. The main objective of conducting this festival with the intervention of the government was to evaluate the artistes on a national level. However, 36 per cent of the entire amount of Rs.2,625,343 alone had been spent on awards and gifts and for surveying activities of their books. Accordingly, major percentage of the expenditure had not been allocated for the objective concerned and as such the usefulness of such expenditure had become contentious.
- (ii) A preliminary estimate of expenditure had not been prepared for the “National Food Culture Promotion Programme” planned to be implemented through the cultural councils in 2013. Instead, a sum of Rs.2,700,000 had been released to 215 Divisional Secretariat and 23 District Secretariats.

2.10 Irregular Transactions

It was observed that the following transactions of the department were not regular.

(a) Deviation from Procurement Procedure

Limited quotations to be forwarded before 10.30 am on 15 July 2013 for printing Sahithya Special Zones, institutions, letter covers, memorial cards and certificates for the State Sahithya Festival 2013. But, the tender had been awarded to a firm which had not forwarded its quotations. It was observed that this institution had been entrusted with the printing work, deviating procurement procedures and an expenditure of Rs.972,982 had been incurred. The Department had lost

Rs.130,720 as a result of not getting this work done by institutions which forwarded their quotations.

2.11 Human Resource Management

(a) Approved Cadre and the Actual Cadre

The position of cadre as at 31 December 2013 is as follows.

Category of Employee -----	Approved Cadre -----	Actual Cadre -----	No. of Vacancies -----
(i) Senior Level	25	11	14
(ii) Tertiary Level	03	01	02
(iii) Secondary Level	524	459	65
(iv) Primary Level	89	51	38
(v) Others (Casual/ Temporary/ Contract Basis)	82 -----	70 -----	12 -----
Total	723 ===	592 ===	131 ===

* The institution had not taken action to fill 131 vacancies as at end of the year under review.