

Sri Lanka Arts Council - 2013

The audit of financial statements of the Sri Lanka Arts Council for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the statement of income and expenditure for the year then ended and a summary of other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 15(3) of the Arts Council of Ceylon Act (Cap.278) as amended by the Arts Council of Ceylon (Amendment) Act, No. 44 of 1987. My comments and observations which I consider should be published with the Annual Report of the Council in terms of Section 14(2)(c) of the Finance Act, appear in this report.

1.2 Management's Responsibility for Financial Statements

According to the Public Enterprises Circular No.03/2013 of 10 October 2013, preparation and fair presentation of these financial statements should be done in accordance with Sri Lanka Public Sector Accounting Standards and the management is responsible 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. Nevertheless, the Council had presented the financial statements in accordance with the Generally Accepted Accounting Principles.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI-1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the balance sheet and statement of income and expenditure.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2. Comments on Financial Statements

2.2.1 Non-adherence to Accounting Principles

Even though a cash flow statement and a statement of changes in equity as a part of the financial statements should be presented along with the financial statements, the Council had not presented a cash flow statement and a statement of changes in equity along with the financial statements for the year under review.

2.2.2 Accounting Deficiencies

The following observations are made.

- (i) Debtors and advances amounting to Rs.54,200 written off from the Income and Expenditure Account in the preceding year had been written off again from the Income and Expenditure Account as bad debts in the current year as well. Thus the deficit had been overstated by a similar amount.
- (ii) The opening balance of Rs.1,333,916 brought forward in the Accumulated Fund from the preceding year had been shown as Rs.1,390,322 in the current year. Further, the opening balance of the Advance Account had been shown as Rs.53,000 despite the non-existence of any balance as at the end of the preceding year, thus the balancing of accounts was questionable in audit.
- (iii) Two hundred and thirty copies of three books printed at a cost of Rs.68,930 by the Arts Council had been given to five outside book publishers and to the Department of Cultural Affairs on the basis of payment after sale. Nevertheless, no money was received for copies while action had not been taken to disclose them in the financial statements or to take into the stock.
- (iv) According to the Stock Register, 1039 copies of 03 books printed by the Council had remained as at the end of year under review, while the value of that stock amounting to Rs.410,230 had not been brought to the final accounts. Further, 843 copies of arts magazines valued at Rs.73,210 relating to the years 2011 and 2012 had not been shown as the closing stock in the financial statements.
- (v) Provision for gratuity in respect of two officers of the staff recruited on contract basis since the year 2005 had not been made from the same year while a lesser provision amounting to Rs.18,955 had been made for the current year due to computation errors.

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

The following non-compliances were observed.

Reference to Laws, Rules, and Regulations	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
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(i) Financial Regulations 225(4),231,237(a)and 232(2)	
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Action in terms of Financial Regulations had not been taken with regard to the preparation of paying vouchers and indication in vouchers the reference to all important documents, sub- vouchers and receipts relating to payments.

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| (ii) Financial Regulation 264 | Even though payment should be supported by a receipt from the payee in acknowledgement of the relevant amount of the voucher, payments amounting to Rs.164,000 of 03 vouchers of the year under review had not been supported by receipts from the payees. |
| (iii) Financial Regulation 371(d) | Even though an ad hoc Sub-impresst should be settled immediately after the completion of the purpose for which it is granted, a period of time ranging from 11 to 71 days had been taken to settle a balance sum of Rs.78,985 out of the ad hoc Sub-impresst obtained by 04 officers in 10 instances. |
| (iv) Financial Regulations 756 and 757 | Even though a Board of Survey should be appointed and carried out the verification on or about the fifteenth of December of the year under review, it had not been so done. |
| (v) Financial Regulations 751(1),753(1) and (2) and Financial Regulation 754 | Inventory Book had not been properly maintained in Form General 44. Further, action in terms of Financial Regulations had not been taken with regard to receipts and issues of articles. |
| (vi) Financial Regulation 754 | Inventory Book had not been balanced in terms of the provisions. |
| (b) Treasury Circular No.842 of 19 December 1978 | A Register of Fixed Assets had not been maintained in respect of fixed assets valued at Rs.494,290. |
| (c) Treasury Circular No. IAI/2002/02 of 28 November 2002 | Register of Computers had not been maintained for computers valued at Rs.133,900. |
| (d) Public Enterprises Circular No. PED/54 of 19 January 2010 | Statements of financial position and financial results had not been prepared in accordance with the formats introduced in the preparation of financial statements of Government institutions. |

2.4 Transactions not supported by Adequate Authority

The following observations are made.

- (a) A sum of Rs.80,275 had been paid to the officers of 09 sub committees at a rate of Rs.750 for the Secretary, Rs.375 for the Assistant Secretary and Rs.200 for the Office Aide per each session of the sub committee meeting during the year under review. The said officers belong to the permanent staff of the Department of Cultural Affairs and therefore the approval of the Director General of Establishments and the Treasury

had not been obtained in this connection in terms of the Establishments Code and the instructions of Public Finance Circulars.

- (b) Donations valued at Rs.695,000 had been made during the current year on the approval of Executive Board. Out of that, a sum of Rs.595,000 had been spent to provide financial assistance to artists and other parties in 06 instances. Nevertheless, legal provision for financial assistance as donations or aid was not made under the objectives of the establishment of Sri Lanka Arts Council by the Arts Council of Ceylon Act. Similarly, provision for this purpose was not made in the Budget Estimate or the Action Plan-2013. Further, the Council had not formulated any criteria, basis or a policy regarding the donations or assistance.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results for the year under review had been a deficit of Rs.241,052 as compared with the corresponding deficit of Rs.465,600 for the preceding year. The increase in operating income by Rs.1,479,770 had mainly attributed to the favorable status in financial results by Rs.224,548 for the year under review, as compared with those of the preceding year.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) Even though a sum of Rs.500,000 had been allocated for printing of the Arts Magazine – 2013 in terms of the Action Plan, it had not been printed.
- (b) According to the Action Plan, a sum of Rs.600,000 had been allocated for the printing of two felicitation volumes in respect of two veterans who have rendered a great service to the field of local drama. Nevertheless, those had not been printed.
- (c) According to Sub-section 10(1) of the Act, meetings of the Arts Council should be held once in every three months. Nevertheless, two meetings only had been held during the year 2013.

4.2 Staff Administration

The following observations are made.

- (a) In terms of provisions of the Arts Council Act, approval for the recruitment of 06 posts including the Chief Executive Officer had been granted by the Department of Management Services. Nevertheless, permanent appointments had not been made by the end of the year under review.

- (b) Chief Executive Officer (Secretary) had been appointed on acting basis while employees had been recruited on contract basis for the two posts namely, the Computer Data Entry Operator and the Office Aide since the year 2005. However, two out of six posts had remained vacant even by 31 May 2014.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

According to Paragraph 6.5.1 of Public Enterprises Circular No.PED/12 of 02 June 2003, financial statements for the year ended 31 December 2013 should be presented to the Auditor General before 28 February 2014. Nevertheless, those financial statements had been presented only on 02 June 2014.

5.2 Corporate Plan

A Corporate Plan for 3 years to achieve the Objectives of the Council had not been prepared in terms of instructions in Paragraph 5 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.

5.3 Action Plan

Action Plan had been prepared for the year 2013 in the absence of a Corporate Plan. It had not been prepared in detail including the information on programs, workshops or activities expected to be implemented during the year under review and the duration of such activities.

6. Systems and Controls

Weaknesses in systems and controls observed in audit were brought to the notice of the Chairman of the Council from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Staff Administration
- (c) Stock Control