

Report of the Auditor General on Head 177 – Ministry of Culture and the Arts and Department under that Ministry - 2014

Paragraphs 1 to 2 of this report contain the general information on the Accounts of the Ministry and the Department under that Ministry and audit observations on each Head appear in paragraph 3 onward.

1. Department under the Ministry

Head	Department
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206	Department of Cultural Affairs

1.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements books, registers and other records and Reconciliation Statements of the Ministry of Cultural Affairs and Arts and the Department under that referred to in Paragraph 1 above for the year ended 31 December 2014 were carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Reports for the year under review were issued to the Secretary to that Ministry and the Head of Department on the under mentioned dates. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide audit coverage as possible within the limitations of staff, other resources and time available to me.

<u>Head</u>	<u>Ministry/ Department</u>	<u>Date of Issue of Management</u> <u>Audit Report</u>
177	Ministry of Cultural Affairs and Arts	09 October 2015
206	Department of Cultural Affairs	23 September 2015

1.2 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 Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Accounts

(a) Total Provision and Expenditure

While the total net provision made for the Ministry and the Department under the Ministry amounted to Rs.1,913.69 million, a sum of Rs.1,556.17 million had been utilized as at the end of the year under review. Accordingly, savings of the Ministry and the Department out of the net provision had been in a range from Rs.294.58 million to Rs.62.94 million or from 22 per cent to 11 per cent of the net provision respectively. Details are shown below.

Head	<u>As at 31 December 2014</u>			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
-----	-----	-----	-----	-----
	Rs.Millions	Rs. Millions	Rs. Millions	
177	1,322.34	1,027.76	294.58	22
206	591.35	528.41	62.94	11
Total	1,913.69	1,556.17	357.52	19
	=====	=====	=====	

2.2 Advance Accounts

2.2.1 Advances to Public Officers Accounts

Limits Authorised by Parliament

The limits authorised by Parliament for the Advances to Public Officers Accounts of the Ministry and the Department under the Ministry and actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
17701	32.00	21.92	14.00	16.83	110.00	68.81
20601	19.00	15.14	8.00	11.09	60.00	43.28

2.3 General Deposits Accounts

The balances of Deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2014 totalled were Rs.31.24 million. Details are given below.

Ministry/ Department	Imprest Account Number	Balance as at 31 December 2014
		Rs.Millions
Ministry of Cultural Affairs and Arts	6000/0000/00/0015/0054/000	17.17
Department of Cultural Affairs	6000/0000/00/0015/0088/000	14.07
Total		31.24

2.4 Audit Observation

According to the Financial Records and books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in the management audit reports, referred to in Paragraph 1.1 the Appropriation Account and the reconciliation statements of the Ministry of Cultural Affairs and Arts and the Department under that Ministry had been prepared satisfactorily. Out of those observations included in the management reports, material and important observations appear in paragraphs 3 to 4 herein.

3. Head 1177 - Ministry of Cultural Affairs and Arts

3.1 Non -maintenance of Registers and Books

While it was observed in audit sample checks that following registers had not been maintained by the Ministry, certain Registers had not been maintained properly and updated.

Type of Registers	Relevant Regulation	Observation
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(i) Register of Fixed Assets	Treasury Circular No. 842 dated 19 December 1978.	Not updated.
(ii) Departmental Appropriation (Votes) Ledger	Financial Regulation 447	Not maintained.
(iii) General Deposits Ledger	Financial Regulation 569	Not properly updated.

3.2 Replies to Audit Queries

Replies had not been furnished to 03 audit queries issued to the Ministry during the year under review and 01 audit query issued during the previous years even up to 20 July 2015. Value of transactions which could be computed relevant to those audit queries amounted to Rs.50,041,284.

3.3 Appropriation Account

3.3.1 Budgetary Variance

Following observations are made.

- (a) The entire net provision of Rs.62,500,000 made available for 4 Objects had been saved.
- (b) Saving after utilization of the net provision were in a range from 40 per cent to 95 per cent due to excessive provision made under 11 Objects and non-implementation of Projects.
- (c) While provision of Rs.50 million had been made available for the construction of Peraliya Tsunami Research Institute and the Cultural Centre, Rs.20 million out of that had been transferred to other Objects. Accordingly, out of the net provision of Rs.30 million an amount more than 80 per cent had been saved.
- (d) While a provision of Rs.8 million had been made available for the Silpa Gammana Programme for the year under review, 88 per cent out of that had not been utilized. Out of the provisions obtained for this Programme during the preceding year, an amount equal to 86 per cent had been transferred to other Objects.
- (e) Provision amounting to Rs.1,456,000 had not been made for the payment of Uniform Allowance to 364 Office Peons and Watchers of the Cultural Centers and due to that, it had not been possible to pay that allowance during the year under review.

3.4 General Deposits Account

Action in terms of Financial Regulation 571 had not been taken with regard to 3 Deposits in the General Deposits Account which was being brought forward for more than 2 years totalling Rs.2,790,464.

3.5 Advances to Public Officers Account.

According to the Reconciliation Statement relating to Advances to Public Officers Account Item No. Item No. 17701 as at 31 December 2014, the total of outstanding balances to be recovered in arrears as at that date amounted to Rs.3,948,942. Out of that, a sum of Rs.1,503,518 was relevant to a time range from 1 to 10 years. The Ministry had failed to recover those balances in arrears even as at 31 December 2014.

3.6 Good governance and Accountability

Internal Audit

Internal Audit Work relevant to the Ministry and institutions under that had been carried out by the Internal Audit Unit of the Ministry. Although it had been planned to engage 2900 man labour hours for the internal audit work of the Institutions under the Ministry out of the total number of 5500 man labour hours, according to the Internal Audit Plan for the year under review, those activities had not been fulfilled as planned. Internal Audit Inspections carried out during the year under review had been mainly confined to Regional Cultural Centers.

3.7 Assets Management

The following lapses were observed in audit test checks carried out in respect of the assets of the Ministry.

(a) **Idle and Underutilized Assets.**

Before releasing the films for performance of the public exhibition, those are examined by the Public Performance Control Board. Although a mini cinema hall belongs to the Public Performance Control Board is available to view the pre- film shows, the facility to view films produced under Digital Cinema Package Type was not available and therefore those pre-shows had to be viewed in cinema halls belong to outside institutions. Out of the total number of 147 films received up to 31 October 2014, 99 films had been that DCP Type and due to that this Mini Cinema Hall had been underutilized.

(b) **Conducting Annual Boards of Survey**

Although the Annual Board of Survey for the year 2014 should be carried out and those Reports should be forwarded to the Auditor General before 17 March 2015 in terms of Public Finance Circular No. 02/2014 dated 17 October 2014, those reports had not been forwarded to the audit even up to 31 May 2015 by the Ministry. The last Annual Board of Survey had been carried out in respect of the year 2013.

(c) **Un-settled Liabilities**

There were Un-settled Liabilities by the Ministry amounting to Rs.43,396,614 as at 31 December 2014. The sum of Rs. 1,234,800 payable to the Urban Development Authority for preparation of the survey plan of the land for construction of Prasanga Art Play Hall in Kandy had not been included in these liabilities.

3.8 Non-compliance

Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with Provisions of Laws, Rules and Regulations observed in audit sample checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka ----- Chapter XV, Section 10.4	-	Letter seeking approval for leaving out of the Island for the tour in Thailand for Vesak Commemoration had been submitted two days before the departure.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		
(i) Financial Regulation 115	22,154,940	Payments of Resource Persons' Allowances amounting to Rs.22,154,940 for conducting training programmes in Cultural Centers during the year under review had not been made. Certain liabilities existed even as at

			the end of the year under review due to not taking action in terms of Financial Regulation.
(ii)	Financial Regulation 94 and 447	43,396,611	Action in terms of Financial Regulations had not been taken when entering into liabilities and accounting for liabilities.
(iii)	Financial Regulations 128, 207(2), 138 (1) and 447 (1)	6,260,535	Expenditure incurred on 29 payment vouchers during September 2014 had been accounted under Object of Training Programmes in Cultural Centers and Object under office equipment without being accounted under the relevant Objects.
(iv)	Code of Government Procurement Guidelines ----- Guidelines 4.3 and 4.3.2	15,790,806	A Total Cost Estimate had not been prepared relevant to the construction of Madampe Cultural Centre. Construction works had been carried out on the basis of cost estimates prepared and amended time to time by the District Secretary or the Divisional Secretary.

3.9 Implementation of Projects under Domestic Financing

Following lapses were revealed in implementation of Projects through domestic Financing.

(a) Utilization of Ministry Provisions without Transferring the Ownership

Provisions for following Projects had been utilized without getting the ownership of the lands or buildings transferred to the Ministry.

Project	Estimated Cost	Expenditure as at 31 December 2014	Other Matters
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	Rs.	Rs.	
Madampe Cultural Centre	15,790,806	7,709,560	Clear ownership of the land had not been properly transferred.
Samanthurai Cultural Centre	2,275,000	2,275,000	Land had not been properly transferred.
Dimbulagala Cultural Centre	Information not furnished	1,375,000	Building and Land had not been transferred.

(b) **Increase in the Estimated Cost due to Delaying Implementation of Projects**

Although according to the cost estimate prepared during the year 2009 for construction of a Cultural Centre in the area of authority of the Madampe Divisional Secretariat was Rs.6,592,435, construction works had been commenced according to the revised estimate of Rs.15,790,806 prepared during the year 2012, after 04 years.

(c) **Non-commencement of Projects**

Provision had been made available for commencement of the Ancestors Villages Conservation Project having prepared an estimate for Rs.10,000,000 during the year 2014. Project had not been commenced due to transfer of provision made available to another Objet.

(d) **Projects Lacking an Adequate Progress in spite of Releasing of Funds**

Although Funds had been released for the following Projects, an adequate progress had not been made as at the end of the year under review.

Project	Estimated Cost	Provision Released	Other Matters
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	Rs.	Rs.	
Construction of Vakere Ancestors' Cultural Centre	2,000,000	400,000	Financial or Physical progress had not been reported.
Construction of Henanigala Ancestors' Heritage Centre	9,863,012	1,972,602	- Do-

3.10 Performance

Observations relating to the progress of the Ministry according to Annual Budget Estimate for 2014 and Action Plan are shown below.

- (a) Although a period of 16 years had elapsed since the year of commencement of construction to the end of the year under review, action had not been taken to open the Dimbulagala Cultural Centre and commence Programmes even up to 31 December 2014. A sum of Rs.1,375,000 had been spent for modification of these buildings.
- (b) Constructions had been carried out according to the estimates and quantity sheets submitted by the Divisional Secretary for a Cultural Centre at Pesalai in authority area of the Manar District. Accordingly, provisions of the Ministry amounting to Rs.1,887,901 had been spent and adequate facilities required for opening the Centre had been completed. However, that Centre had not been opened even up to the end of the year under review.
- (c) While Feasibility Report had been prepared in July 2009 after planning to establish a Cultural Centre in the authority area of the Madampe Divisional Secretariat, the Ministry had approved the Project after carrying out the physical inspection of the location. A sum of Rs.7,709,560 had been spent by end of the year 2014 for that out of the cost estimate of Rs.15,709,806. An adequate performance had not been made due to delay on the part

of the contractor and lack of follow up action with regard to physical and financial progress by the Ministry.

- (d) Provisions amounting to Rs.2,275,000 had been released from the year 2003 to the year 2009 for construction of the Samanthurai Cultural Centre. Although it was possible to open the Cultural centre and carry on with the programmes, action had not been taken to open the Centre up to the end of the year under review.

3.11 **Transactions of Contentious Nature**

Certain transactions entered into by the Ministry had been of contentious nature. Details relating to some of such transactions revealed in sample audit tests are given below.

- (a) Following observations were made at the audit sample checks carried out with regard to the expenditure incurred in connection with 100th Birth Memorial Celebration of Professor Ediriweera Sarathchandra held in the City of Paris, France from 10 June to 15 June 2014.
 - (i) A sum of Rs.3,702,309 (Euro 20,500) had been sent to the Embassy of Sri Lanka in France in connection with the matter mentioned above. Action had not been taken to get back the bills and expenditure details relevant to that amount to the Ministry even as at 31 August 2015.
 - (ii) A Round Table Conference had been conducted at the 100th Birth Memorial Celebration of Professor Ediriweera Sarathchandra held in the City of Paris, France, having spent a sum of Rs. 10,075,687 by the Ministry. While any information with regard to the effectiveness of the decisions and matters discussed were not established from the files maintained by the Ministry, information relating to benefits accrued to the Government of Sri Lanka or to the Ministry was not revealed as well. Similarly, any report relevant to the tour had not been submitted by any officer of the Ministry or Institutions who participated in the tour.
 - (iii) Approval of the Cabinet of Ministries had been received to incur expenditure by the Ministry only on behalf of officers of the Institutions which come under the

scope of the Ministry of Cultural Affairs and Art to participate in the 100th Birth Memorial Celebration of Professor Ediriweera Sarathchandra held in the City of Paris, France. Contrary to that, a sum of Rs.540,316 as Air Ticket Expenses, Combine Allowance and Incidental Expenses on behalf of a Chairman of an outside Company and Rs.232,000 as Air Ticket Expense of another two individuals had been incurred by the Ministry.

- (b) With the Staff of the Ministry, 7 Pradeshiya Sabha Members and another 4 outside individuals had participated to commemorate the Wesak Day Festival held in the City of Ayutthaya, Thailand during the period from 9 to 11 May 2014. A sum of Rs.452,100 had been spent for the tour of those individuals by the Ministry. The nature of involvement of these individuals for this tour was not clarified to the audit.
- (c) A sum of Rs.617,950 had been spent for the event conducted on 01 June 2014 and 13 August 2014 for awarding tribute, organized by a private organization in appreciation of Honorary Award to the Minister of Cultural Affairs from the Malwathu Maha Vihara on 28 April 2014. These payments had been made contrary to provisions in Financial Regulation 128(1)(a).
- (d) Although an allowance had been paid to the Chairman of the Public Performance Control Board for viewing the Pre-cinema Shows, signature had not been placed in the Attendance Register to support participation in that. A sum of Rs. 156,000 had been paid to the Chairman during the year 2014 for participation in viewing the Pre-cinema Shows without obtaining confirmation of such arrival and departure time.
- (e) An individual who was not an officer of the Ministry or a Member of the State Ballet Board had participated as the Manager of the Ballet Group participated at the Conference of SAARC Cultural Ministers held in India from 24 to 26 September 2014. The Female Senior Assistant Secretary of this Ministry, who does not possess any knowledge in the field of ballet, had participated as the manager of the group as well.
- (f) A Lady Officer who had no any connection in the field of Art of Drawing had participated as the Manager of the Group leaving for tour to attend the SARAC Artist Camp and Exhibition of Paintings 2014 held in Bangladesh from 08 to 11 April 2014. Non-

participation of a person who has knowledge in the relevant subject and relevancy of engaging officers who had no connection to the subject were not clarified to the audit.

3.12 **Improper Transactions**

Certain transactions entered into by the Ministry were improper. Few such instances observed are given below.

(a) **Deviation from Government Procurement Guidelines**

The owner of the old building had informed that the building where Sri Lanka Art Board was located could be given for a monthly rent of Rs.50,000 up to December 2014 and thereafter for a monthly rent of Rs.85,000 from 2015 onward. Without taking into consideration that offer, another building had been obtained from December 2014 for a monthly rent of 145,000 after the end of the rent period of the old building. While a lease agreement for a sum of Rs.5,220,000 had been entered into for a period of 03 years, a sum of Rs.1,740,000 had been paid on 04 November 2014 as rent for the first year. In obtaining the new building, a competitive bid calling had not been done and therefore there had not been transparency in this transaction.

(b) **Transactions without Authority**

Following observations are made.

- (i) According to the estimate prepared for the construction of Madampe Cultural Centre Stage 1, construction cost had been Rs.5,089,033. Five per cent of that estimated cost amounting to Rs.254,452 had been allowed for contingencies. However, according to the final payment bill submitted by the contractor amount billed for contingencies (Excess work and Extra work) had been Rs.590,275 or 11.6 per cent of the estimated cost. Although a payment of Rs.335,824 exceeding the amount allowed in the estimate had been made to the contractor, a proper approval had not been obtained for that.
- (ii) Approval of the President had been given on 19 May 2014 for 33 individuals including the Minister for participation of Vesak Commemoration Festival in

Thailand from 7 to 13 May 2014. However, 36 persons had participated in the tour. Accordingly, 3 individuals had participated in that without approval of the President.

- (iii) Recovery of a fee of Rs.1,000 from the applicants for obtaining certificates for DVD and VCD Reels from the Public Performance Control Board had been made on the basis of the approval of the Secretary to the Ministry. A proper authority for such approval had not been made through an Act of Parliament or any other Authority. Fees amounting to Rs.188,000 had been recovered from the applicants for 188 DVD Rolls during the period from January to October of the year under review.

3.13 **Losses and Damages**

The contract for construction of the Madampe Cultural Centre Stage 1 had been awarded subject to a deduction of 8 per cent of the contract value amounting to Rs.5,380,780. Although payment should be made to the contractor accordingly, after deducting 8 per cent from the certified final payment bill value for 5,097,821, the full amount in that bill had been paid resulting an overpayment of Rs.407,826 by the Ministry.

3.14 **Un-economic Transactions**

Although a sum of Rs.1,375,000 had been spent for construction of Dimbulagala Cultural Centre, 16 years had elapsed from the date of commencement of the construction to the end of the year under review. Action had not been taken to vest the Land and the building in Aralaganvila belong to the Mahavali Authority where those constructions were made.

3.15 **Audit Paragraphs not resolved**

Reference to paragraphs with regard to deficiencies pointed out in the Auditor General's Reports in the Previous years relevant to the Ministry and not rectified by the Ministry is given below.

Reference to Auditor General's Report**Subject Referred to**

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Year	Paragraph Number	
-----	-----	
(i) 2012	4.5	Central Cultural Fund
2013	5.5	The work relating to improvement of access road from the gate of the Sacred Land of Polonnaruwa to a length of 1 kilometer by spreading concrete blocks had been entrusted to a contracting firm. A sum of Rs.22,099,917 for constructions not up to the proper standard and a sum of Rs.4,660,998 for work not performed had been made in this work. Course of action had not been taken against the contractor with regard to non-performance work to the proper standard.
(ii) 2013	4.4 (a)	A sum of Rs.51,099,925 had been paid to a Film Director for producing 500,000 DVD containing Holy Places in Sigiriya, Polonnaruwa and Anuradhapura for distribution on free of charge with the Foreign Tourist Tickets. The contractor had made copies of scenes of the Documentary Films produced and handed over previously by him had been re-edited through the computer and given fraudulently as a new production. Similarly, attention had not been made with regard to a breach of contract awarded to him previously for a sum of Rs.4,701,000 in connection with this subject matter. While a loss of Rs.18,125,000 had occurred due to selection of the maximum bid without considering the

minimum bid, a lesser amount of Rs.2,727,500 of the value of Bid Bond and Performance Bond had been obtained from the contractor.

(iii) 2013

4.4 (b)

A sum of Rs.114,879,000 had been paid in the year 2013 for obtaining the Cultural Conservation and Construction Company Limited to serve on contract basis in the worksites of the North West Cultural Square. According to the Cabinet decision, it was required to perform the construction and conservation work by engaging the employees of the Fund and salaries should be paid to those employees by the Company. Instead of that, it had been agreed to pay the salaries of the company employees out of the Fund and agreements had been entered into accordingly.

According to the agreement, a sum of Rs.1,200 had been paid to the Company by the Fund for one labour man day, while Rs.700 had been paid to the employee by the Company. Accordingly, it had been able for the Company to earn a profit of Rs.47,866,000 for 95,732 man days during the year 2013; and any course of action had not been taken against the Company involved in work contrary to the decision of the Cabinet of Minister.

3.16 Management Weaknesses

Following weaknesses were observed in audit sample checks.

- (a) While 170 Regional Cultural Centers had been established by the Ministry as at 31 December 2014, the attached staff for those had been 889. It was observed that the prevailing system of internal control with regard to arrival, departure, leave and maintenance of documents and registers in the Regional Centers was weak and that it is needed to establish a proper control system.

3.17 Human Resources Management

(a) **Approved Cadre and the Actual**

Cadre position as at 31 December 2014 was as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Surplus Number
	-----	-----	-----	-----	-----
(i)	Senior Level	15	13	02	-
(ii)	Tertiary Level	04	02	02	-
(iii)	Secondary Level	579	515	64	-
(iv)	Preliminary Level	409	403	06	-
(v)	Substitute	-	183	-	183
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	Total	1,007	1,116	74	183
		=====	=====	=====	=====

Following observations is made.

Ministry had not taken action to fill 74 vacancies as at the end of the year under review.

4. Head 206 - Department of Cultural Affairs

4.1 Presentation of Accounts

Although the Reconciliation Statement as at 31 December 2014 relating to Item No. 20601-Advances to Public Officers Account should be submitted to the audit by 31 March 2015 by the Department, that Reconciliation Statement had been submitted to audit on 21 May 2015 after a delay of 01 month and 21 days.

4.2 Non- maintenance of Registers and Book

It was observed in audit sample checks that the Ministry had not maintained certain registers shown below, while certain registers had not been maintained properly and updated.

Category of Registers	Relevant Regulation	Observation
(i) Register of Fixed Assets	Treasury Circular No.842	Not maintained having updated dated 19 December 1978.
(ii) Register of Fixed Assets relating to Computer Accessories and Software	Treasury Circular No. I/A/I/2002/02 dated 28 November 2002.	Not maintained.
(iii) Departmental Appropriation (Votes Ledger)	Financial Regulation 447	Not properly maintained.
(iv) Register of Money Orders	Financial Regulation 451	Not properly maintained.
(v) Official Telephone Calls	Financial Regulation 845 (1)	Not properly maintained.
(vi) Register Securities	Financial Regulation 891 (1)	Not maintained.
(vii) General Deposits Ledger	Financial Regulation 565 and 569	Not properly maintained.

4.3 Lack of Audit Evidence

Following observations are made.

- (a) Although quotations had been called for having published advertisements in newspapers to obtain a building on monthly rental basis of Rs.260,000 to maintain the Encyclopedia Office during the year 2013, adequate information relating to procurement documents, bids received, Procurement Committee decisions and particulars of awarding the contracts etc., were not available in the files submitted to audit. Accordingly, transparency of that transaction was not confirmed.

- (b) A motor vehicle in the Departmental pool had performed a distance of 77,211 km having used 8574 liters of fuel during the period from the year 2013 to May 2015. Any evidence to support the nature of duties involved for engaging that vehicle, and the person who used the vehicle were not furnished to audit. Position of the officer who used the vehicle during that period and his signature had not been recorded in the running charts. It was observed that, fuel valued at Rs.800,199 too had been obtained without running the vehicle.

4.4 Replies to Audit Queries

While replies had not been furnished to 03 audit queries issued during the year under review and 02 audit queries issued during previous years even up to 15 July 2015, value of transactions relevant to those audit queries amounted to Rs.37,472,148.

4.5 Appropriation Accounts

4.5.1 Budgetary Variance

After utilization of net provision made available for 8 Objects, liabilities had been committed exceeding the savings in a sum of Rs.10,836,906. Similarly, when provisions made available for 18 Objects had been exhausted as at 31 December 2014, further liabilities amounting to Rs.5,785,085 had been committed.

4.6 Imprest Account

Following observations are made.

- (a) Contrary to the provisions in Financial Regulation 371, Ad-hoc Imprest totalling Rs.14,278,280 had been issued to 28 Non-staff Grade Officers in 705 instances.
- (b) Although the Ad-hoc Imprest obtained should be settled immediately after completion of the relevant work in terms of Financial Regulation 371, settlement of full value of Sub Imprest amounting to Rs.2,267,700 obtained in 59 instances by the Director of Cultural Affairs had been delayed for a period ranging from 1 to 8 months. In addition, settlement of Ad-hoc Imprest amounting to Rs.4,297,085 provided to 40 Non-Staff Grade Officers in 247 instances had been delayed for a period ranging from 2 to 12 months.
- (c) Contrary to the approval given in the letter No. TO/TM/HRD/02/50 dated 23 August 2011 of the Director General of Treasury Operations, Sub-Imprest totalling Rs.568,250 had been issued to 8 officers in 8 instances.
- (d) Contrary to the provisions in Financial Regulation 371 (2), Sub Imprest had been provided again and again before settlement of Sub Imprest previously obtained. Accordingly, in obtaining advances by the Director of Cultural Affairs on 05 March 2014, a sum of Rs.458,900 obtained in previous 16 instances, in obtaining advances on 24 April 2014, a sum of Rs.1,471,950 obtained in previous 37 instances and in obtaining advances on 23 September 2014, a sum of Rs.706,550 obtained in previous 19 instances, had not been settled. Similarly, Ad-hoc Imprest had been given again before settlement of Ad-hoc Imprest amounting to Rs.1,443,250 obtained by 3 Non-Staff grade Officers in 86 instances.
- (e) Although the balance of the Ad-hoc Imprest not spent should be settled immediately in terms of Financial Regulation 371 (2), advances amounting to Rs.55,000 obtained by 3 officers in 3 instances had not been spent and settlement of that in cash had been delayed as 10 days, 20 days and 79 days. Further, settlement of the balance of Rs.70,801 left after utilizing advances amounting to Rs.457,325 for the relevant work, provided to 9 officers in 11 instances had been delayed for a period ranging from 10 days to 207 days.

4.7 **General Deposits Account**

Following observations are made.

- (a) Action had not been taken in terms of Financial Regulation 571 with regard to 196 deposits totalling Rs.6,479,505 remained unsettled for more than 02 years.
- (b) Income from sale of flags amounting to Rs. 670,924 to be remitted to the Department of Public Trustee as Receipts of Funds for the National Trust for the Artists of Sri Lanka, had been shown under Sundry Deposits without being remitted to that Department.
- (c) Contractors Retention Money totalling Rs.6,087,930 kept in the General Deposits Account as at 31 December 2014 had elapsed a period of more than one year. Action had not been taken in terms of construction contract agreements with regard to these retentions.

4.8 **Advances to Public Officers Account**

Following lapses were observed in audit sample checks carried out with regard to the Reconciliation Statement relating to Item No. 20601 - Advances to Public Officers Account.

- (a) While the total of recoveries in arrears according to the Reconciliation Statement submitted to audit amounted to Rs.1,071,525, out those balances in arrears, a sum of Rs.90,568 from officers left on transfers since a period more than 3 years, a sum of Rs.155,700 from retired officers for more than one year, a sum of Rs.178,780 from interdicted officers for more than 02 years and a sum of Rs.94,523 from officers vacated service for more than 5 years were outstanding . The Department had failed to recover those balances by taking action in terms of provisions in the National Budget Circular No. 118 dated 11 October 2004. ,
- (b) A difference of Rs.444,761 existed between the Debit Balance at the end of the year according to the Control Account and Debit Balance at the end of the year as per Treasury Print Out. Reasons for that had not been explained in the Reconciliation

Statement, as per Paragraph 2 of the Public Enterprise Circular No. 96 dated 18 August 1994.

- (c) A difference of Rs.156,951 existed between the total of Classification Summary of Individual Balances prepared as at 31 December 2014 and the Debit Balance in the Departmental Loans and Advances Control Account as at the end of the year. Although the reasons had been given with regard to non-reconciliation of value amounting to Rs.7,906, there was a further difference of Rs.164,857 after adjusting that value.
- (d) The list of individual balances and the schedules submitted with Reconciliation Statement relating to Advances to Public Officers Account as at 31 December 2014, had not been prepared containing particulars as shown in the Paragraph 5 of the Public Enterprises Circular No.96 dated 18 August 1994.

4.9 Good Governance and Accountability.

Internal Audit

Although there was post of Internal Auditor in the approved cadre for the Department, it had been vacant. Although 900 man hours had been allocated to perform the internal audit and investigating functions of the Department through the Internal Audit and Investigation Unit of the Ministry of Cultural Affairs and Arts, for the year 2014 any investigation or internal audit work of the Department had not been fulfilled by that unit.

4.10 Assets Management

In sample audit checks carried out in connection with the assets of the Department, following lapses were observed.

(a) Conducting Annual Board of Survey

Although the Annual Board of Survey should be carried out and reports should be submitted to the Auditor General before 17 March 2015 in terms of Public Finance Circular No.02/2014 dated 17 October 2014; those reports relating to 09 identified premises had not been submitted to audit even as at 31 July 2015. Similarly, action

relating to Board of Survey for the year 2013 too had not been finalized even as at 30 June 2015.

(b) Improper Use of Assets of not Taken Over

An abandoned school land and buildings located in Kalapaluwawa area had been selected to construct the Professor Ediriweera Sarathchnadra Ballet Training and Research Institute .While a sum of Rs.11,312,248 had been spent for construction works, further liabilities amounting to Rs.3,147,007 had been entered into as at 31 March 2015, without action being taken to vest the ownership of this land.

(c) Non-settled Liabilities

While the value of Non-settled Liabilities by the Department as at 31 December 2014 was Rs.36,429,076, those liabilities includes balances outstanding over a period less than one year.

4.11 Non - compliance

Non - compliance of Laws, Rules Regulations etc.

Instances of non-compliance with the provisions of laws, rules and regulations observed in audit sample checks are shown below.

Reference to Laws, Rules and Regulations	Value	Non- compliance
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulations 396	451,219	Action in terms of Financial Regulations had not been taken with regard to 97 cheques

totalling Rs.451,219 issued, but a period of more than 06 months had elapsed as at 31 December 2014.

(ii) Financial Regulations 835 (1) 3,120,000 When obtaining a building for maintaining the Encyclopedia office for a monthly rent of Rs.260,000 on the basis of a lease, approval of the Secretary to the Ministry had not been obtained.

(iii) Financial Regulation 128 (1) 16,867,402 When issuing Ad-hoc imprest to the officers of the Department and incurring expenditure through that, controls and limits had not been exercised.
(c) and 156 (7), (8)

(iv) Financial Regulation 341 (1) - A register of counterfoils Books had not been maintained to record fuel orders for the vehicles of the Department in serial order.

(b) Public Administration Circular

(i) Circular No.25/2014 dated
12 November 2014

In spite of the circular instructions given not to make casual appointments, a Casual Driver Appointment had been made with effect from 16 November 2014.

(ii) Circular No.162 dated 01 154,030
April 1980.

Although salaries and allowances cannot be paid without getting confirmed the attendance of an employee, while the employee who was appointed to the above mentioned post of casual driver from 16 November 2014 had not marked his arrival and departure in the Finger Mark Machine or in an Attendance Register, allowances had been paid to him for the period from December 2014 to April 2015.

- (iii) Circular No.41/90 dated 10 October 1990
 - Although the fuel consumption of every Government vehicle should be tested once in six months, those tests had not been carried out with regard to the vehicles belong to the Department of Cultural Affairs.
- (iv) Circular No. 26/92 dated 19 August 1992 as amended by Circular No.26/92 (1) dated 03 August 1994
 - Although the State Emblem and name of the institution should affixed on Government Pool Vehicles, action in terms of those provisions had not been taken with regard to 18 Pool Vehicles belong to the Department.

(c) Code of Government Procurement Guidelines

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- (i) Guideline 3.2, 4.3 and 4.3.2 9,671,529 When selecting the sponsors for the Rupavahini Tribute Award Festival during the years 2013 and 2014, that work had been assigned to two outside institutions at the discretion of the Director of Cultural Affairs, without calling for competitive bids at national level. Similarly, a total cost estimate including all expenses had not been prepared by the Department for holding that festival.
 - (ii) Guideline 3. 4.3(b) 669,900 While quotations had been obtained under calling for open market quotations for printing 3500 invitation cards for a Friendly Get-together Meet of Artists and printing 3000 copies of a book called, “Kala Kethe Ran Asvanu”, quotations had not been placed before the Procurement Committee to get the decision of that Committee. Accordingly, the basis of selection of the suppliers was not clarified to the audit.

4.12 Implementation of Projects through Domestic Financing

Matters revealed with regard to Abandonment of Projects without Completion and Delays in Implementations of Projects are shown below.

(a) Abandonment of Projects without Completion

The Project for Modernization of the National Art Gallery which was scheduled to be commenced during the year 2013 had been commenced during the year under review with a total cost estimate of Rs.170,000,000. A sum of Rs.3,054,840 had been spent for that as at 31 December 2014. Although it had been decided to carry forward the Project after coming to agreements having discussed the objections came up from various parties including the artists, the work of that Project had not been commenced even as at 31 July 2015.

(b) Delays in Implementation of Projects

While the Project for Reconstruction of John de Silva Memorial Ballet Hall had been commenced during the year 2012, estimated cost of that had been Rs.150,000,000. Although this Project has to be completed during the year 2014, a sum of Rs.96,110,000 had been spent as at 31 December 2014. It had not been possible to complete this Project even as at 31 December 2014, due to delays in procurement works and objections of the artists.

4.13 Performance

Observations on the progress of the Department according to Annual Budget Estimates for the year 2014 and the Action Plan are shown below.

(a) Planning

It was observed that it had not been acted according the Annual Action Plan in the

following instances.

- (i) Although the Construction work of the Professor Ediriweera Sarathchandra Ballet Training and Research Institution had not been included in the Annual Action Plan, for the year 2014 a sum of Rs.11,312,248 had been spent for that as at 20 march 2015 and a sum of Rs.3,147,007 was payable as liabilities as at the end of the year under review.
- (ii) A book named “Kala Kethe Ran Asvanu” had been printed having spent a sum of Rs.669,900 for distribution among Artists at the Friendly Get-together Meet of Artists held on 11 November 2014, deviating from the Action Plan. A sum of Rs.3,064,083 for holding the Rupavahini Tribute Award Festival during the year 2013 and a sum of Rs.6,607,437 for holding that festival during the year 2014 had been spent by the Department. Although the Rupavahini artistic work had been evaluated at this festival, it was observed that it is a subject belongs to the Public Media. A period of 59 years had elapsed after establishment of the Department of Cultural Affairs and certain objectives and functions falling under the scope of the Department had been engrossed in the main objectives and functions of other State Institutions. Under these circumstances, the scope as well as the Objectives and functions need to be revised to fall in line with present situation. However, such action had not been taken.

4.14 Transactions of Contentious Nature

Certain transactions entered into by the Department had been of contentious nature. Details relating to several such transactions revealed in audit sample checks are shown below.

- (a) According to the agreements entered into by the Department with the Sponsor Institutions of the Rupavahini held for the years 2013 and 2014, payments of expenses to be made by the Sponsor Institutions had been defaulted by the Sponsor Institutions. Due to that, action had been taken to make those payments through the departmental provisions. Accordingly, a sum of Rs.2.219,083 for the year 2013 and a sum of Rs.2.020,171 for the year 2014 had been paid respectively by the Department. Although a 17 months and 07 months had elapsed respectively as at 31 may 2015, after defaulting payments by the Sponsor Institutions, action had not been taken in terms of the agreements by the Department to obtain the relevant Sponsorship Charges.

- (b) While an entry had been maintained without details relating to the officer travelled, nature of the journey and the distance relating to a vehicle belongs to the Department, the entry had not been signed by the officer travelled in the vehicle and the officer in-charge of the vehicle had signed therein. The entry prepared by the subject clerk had been recommended by he Administrative Officer without checking. Under these circumstances, it was observed that utilization of vehicles and control of usage of fuel of vehicles belong to Department was weak.

4.15 Improper Transactions

Certain transactions entered into by the Department had been improper. Several such transactions observed are shown below.

(a) Deviation from Government Procurement Procedure

While a sum of Rs.11,312,248 had been spent as at 20 March 2015 for construction work of the Professor Ediriweera Sarathchandra Ballet Training and Research Institution, liabilities amounting to Rs.3,147,007 had been committed to be met in due course. Following observations are made in this connection.

- (i) Approval in connection with these constructions and for connected procurements had not been obtained from the Secretary to the Ministry of Cultural Affairs and Arts, as Chief Accounting Officer. A detailed report relating to these Projects had not been submitted to the National Planning Department and approval had not been obtained as well.
- (ii) Although the above mentioned activities should be made through open competitive bids in terms of Government Procurement Guideline 3.2.1, such action had not been taken accordingly. In spite of the fact that the Cultural Department does not possess adequate employees and equipment facilities, the above construction had been made on the basis of purchasing direct labour and direct material, contrary to Government Procurement Guideline 3.7.

- (iii) Although there should be some basis for deciding the procurement requirement in terms of Guideline 2.3.1 of the Code of Government Procurement Guidelines, expenditure had been incurred for constructions without introducing methodologies for basic requirements such as maintenance of this Ballet Training Institute, scheme of recruitment, financial administration and establishment administration.
- (iv) A Procurement Plan or a Procurement Time Table was not available in terms of Government Procurement Guideline 4.2 for this. While a Total Cost Estimate including all associated expenses had not been prepared by the Department, properly prepared plans and bills of quantities too were not available. Similarly, work done reports and payment bills had not been recommended by a qualified Engineer in terms of Financial Regulation 237 (a) and constructions had not been subject to supervision by a qualified Technical Officer.
- (v) It was observed that Bid Documents obtained, deviating from Government Procurement Guidelines for 4 procurement works valued at Rs.2,841,670 relating to this construction were informal and false.

(b) Transactions without Authority

Following observations are made.

- (i) Although sums amounting to Rs. 3,064,083 and Rs. 6,607,437 had been spent respectively during the years 2013 and 2014 for conducting Rupavahini State Tribute Awards Festival, provisions had not been obtained in Annual Budget Estimates. Provisions made available to hold the National Arts Festival had been utilized for this without provisions being obtained.
- (ii) Cost Estimates amounting to Rs.377,700,000 had been approved by the Cabinet of Ministries for Modernization of John de Silva Memorial Ballet Hall and reconstruction of the National Arts Gallery. The Relevant contract had been assigned for a sum of Rs.432,977,817 (inclusive of VAT) on 04 November 2014. Further, approval of the Cabinet of ministries had not been obtained for the sum of Rs.110,277,817 which exceeded the Estimated limit. While a total Cost Estimate had not been prepared for the Project and approval had not been

obtained, when cost of the Project went up, a revised estimate had not prepared and approval had not been obtained.

4.16 Un-economic Transactions

Details relating to un-economic Transactions revealed in audit sample checks are shown below.

- (a) The sum of Rs.2,837,840 paid to a University for the reparation of plans and the sum of Rs.217,000 paid to obtain test reports had become un-economic transactions due to abandonment of the National Art Gallery Reconstruction Project.

- (b) A building had been obtained on monthly rental basis with effect from January 2007 to maintain the Encyclopedia Office controlled by the Department. Following observations are made in this connection.
 - (i) A space of about 1138 square feet remained under-utilized out of that building consisting 3653 square feet, since date of taking on rent.

 - (ii) While Rs.250,000 had been paid as rent per month, during the period from the year 2007 to May 2013, Rent at the Rate of Rs.260,000 per month had been paid from June 2013 to May 2015. Accordingly, the sum of Rs.7,940,042 paid during the period from the year 2007 to May 2015 for this space had become un-economic expenditure.

 - (iii) Although the monthly lease rent of this building according to the recommendation of the Government Valuer was Rs. 175,000 during the year 2007, due to payment of a monthly rent of Rs. 250,000 from January 2007 to June 2013, state funds amounting to Rs. 5,400,000 had been overpaid.

4.17 Human Resources Management

Approved Cadre and the Actual Cadre

Cadre position as at 31 December 2014 was as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	28	11	17
(ii)	Tertiary Level	3	2	1
(iii)	Secondary Level	524	457	67
(iv)	Preliminary Level	167	118	49
		-----	-----	-----
	Total	722	588	134
		=====	=====	=====

Following observations is made.

Department had not taken action to fill 134 vacant posts by end of the year under review. It was 18 per cent of the approved cadre. Similarly, out of the approved cadre of 28 of the Department at senior level, existence of 17 vacancies had direct effect causing an adverse position on the administration of the Department.