

Report of the Auditor General on Head 206 – Department of Cultural Affairs – Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 206 – Department of Cultural Affairs for the year ended 31 December 2015 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 was issued to the Director of the Department on 26 July 2016. 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 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 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 and Public Finance 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 Account

Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.797.10 million and out of that a sum of Rs.752.51 million had been utilized by the end of the year under review. Accordingly, a sum of Rs.44.59 million or 5.59 per cent out of the total net Provision made for the Department had been saved. Particulars are given below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs. Millions	Rs. Millions	%
Recurrent	500.36	495.53	4.83	0.97
Capital	296.74	256.98	39.76	13.40
Total	797.10	752.51	44.59	5.59

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorised by Parliament

The limits authorised by Parliament for the Advances to Public Officers Account Item No.20601 relating to the Department and in actual amounts are given below.

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
21.25	16.67	11.65	12.44	60.00	47.34

2.3 General Deposits Accounts

Balances of 4 General Deposit Accounts under the Department as at 31 December 2015 totalled Rs.29.52 million. Particulars are given below.

Deposit Account Number	Balance as at 31 December 2015
	Rs.Millions
6000/0000/00/0002/0054/000	0.08
6000/0000/00/0013/0026/000	0.50
6000/0000/00/0016/0005/000	28.91
6000/0000/00/0018/0006/000	0.03
Total	29.52

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statement of the Department of Cultural Affairs for the year ended 31 December 2015 had been satisfactorily prepared subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. Significant and material audit observations included in that Management Audit Report are given in Paragraph 3.

3. Material and Significant Audit Observations

3.1 Non -maintenance of Books and Records

It was observed during the course of audit test checks that the following registers had not been maintained by the Department.

Type of Registers	Relevant Regulation
-----	-----
(a) Register of Fixed Assets	Treasury Circular No. 842 dated 19 December 1978.
(b) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 dated 28 November 2002.
(c) Register of Losses	Financial Regulation 110
(d) Register of Liabilities	Financial Regulation 214

3.2 Lack of Evidence for Audit

The accuracy of the fuel expenses of Rs.1,372,123 could not be established in audit due to non-submission of Daily Running Charts, Monthly Performance Summaries and other evidence in respect of pool Motor vehicles of the Department.

3.3 Replies to Audit Queries

Replies to two audit queries issued to the Department during the year under review had not been furnished even by 31 March 2016. The value of computable transactions related to those queries amounted to Rs.8,969,303.

3.4 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken in respect of 2 deposits valued at Rs.4,270,072 remained in the deposit account No.6000/0000/00/0016/0005/000 for more than 2 years as at 31 December 2015.

3.5 Reconciliation Statement of the Advances to Public Officers Account

Audit test check carried out in respect of the Reconciliation Statement of the Advance to Public Officers Account, Item No.20601 as at 31 December 2015 revealed the following deficiencies.

- (a) According to the Reconciliation Statement presented to audit the balances that remained outstanding as at that date totalled Rs.237,860. The follow up action on the recovery of those outstanding balances had been at a weak level.
- (b) A difference of Rs.444,761, between the last debit balance of the year according to the Control Account and the last debit balance of the year according to the Control Accountant 31 December 2015 and the last debit balance of the year according to the Treasury Computer Printouts was revealed. Action had not been taken even by the end of the year under review to reconcile the difference carried forward since the year 2014 and to rectify.
- (c) A difference of Rs.92,810 was revealed between the total of the summary of Individual Loan Balances Classification and the balance of the Loan and Advances Control Account of the Department as at 31 December 2015. Reasons for a sum of Rs.81,405 included therein had not been explained.

3.6 Good Governance and Accountability

Annual Performance Report

In terms of Public Finance Circular No.402 of 12 September 2002, the Performance Report prepared by the Department should be tabled in Parliament within 150 days after the end of the financial year. Nevertheless, the performance report for the year 2015 had not been tabled in Parliament even by 31 May 2016.

3.7 Assets Management

The following deficiencies were observed at the audit test check carried out in respect of assets of the Department.

- (a) Idle and Underutilised assets

Audit test checks observed that certain assets as classified below had been idle or underutilized.

Type of Assets	Number of Units	Value	Period of Idling or Underutilization
		Rs.	
Special Books on Literature	206	117,667	3 years
Musical Instruments	01	85,833	7 years

- (b) Conduct of Annual Boards of Survey

The following observations are made.

- (i) In terms of Public Finance Circular No.02/2014 of 17 October 2014, the Annual Board of Survey for the year 2015 should have been conducted and the reports

thereon should have been submitted to the Auditor General before 17 March 2016. Nevertheless, the Department had submitted only the reports of the Head Office on 08 April 2016. Such reports relating to Sinhala Dictionary Office, the Encyclopedia Office, the Arts Gallery, the Walisinghe Harischandra Museum, the Independence Square, the Ediriweera Sarathchandra Drama Training Research Institute, Jayanth Book Shop and Katuwawala Book Store had not been submitted to audit even by 02 May 2016.

- (ii) Action in terms of financial regulations had not been taken on the shortages, excesses pointed out and other recommendations made in the Board of Survey reports relating to the National Arts Gallery as at 31 December 2012.

3.8 Unsettled Liabilities

The following observations are made.

- (i) The unsettled liabilities of the Department less than one year old as at 31 December 2015 amounted to Rs.22,404,771.
- (ii) Contrary to the provision in the Financial Republic 94 (1), liabilities exceeding the savings under 16 objects had been incurred.

3.9 Non – compliance

Non-compliance with Laws, Rules and Regulations

Instances of non-compliances with the provisions in the Laws, Rules and Regulations observed at audit test checks are analyzed below.

Reference to Laws, Rules, Regulations, etc.	Value	Non-compliance
-----	-----	-----
	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 104(1), 104 (2)	73,000	Action in terms of Financial Regulation had not been taken in respect of a GT-10 Guitar paddle issued to the Arts Gallery in the year 2011 and misplaced in the same year.
(b) <u>Public Administration Circulars</u> Paragraph 7 of Circular No.162 dated 01 April 1980.	171,666	Without establishing the arrival and departure and the work performed by the Training Instructor of the Staff Dance Ensemble, instructors allowances had been paid for 7 months.

3.10 Performance

According to the Project Report prepared for the establishment of the Katunayake Reserve, its main objective was to build up a Dancing/ Instrumental Music Reserve consisting of 54 Artistes. Similarly, the buildup of a National Dancing Reserve of 100 Artistes selected at the district level had been an objective. Even though nearly 3 years had elapsed after the commencement of the Project, the Reserves of 54 Artistes attached to the National Arts Gallery and of 45 Artistes attached to the Jathika Kala Nikethanaya, Kandy only had been established. The Dancing Reserve consisting of 1,000 Artistes at district level had not been established even by 30 May 2016.

3.11 Transactions of contentious nature

Certain transactions carried out by the Department had been of contentious nature. A few such transactions revealed at audit test checks are detailed below.

- (a) Contrary to the Section 27 of Chapter iii of the Procedural Rules of the Public Service Commission No.1589/30 dated 20 February 2009, a person had been recruited to a post of Training Instructor, not included in the approved cadre and a sum of Rs.171,666 had been paid for the period from December 2014 to June 2015.
- (b) A formal letter of appointment had also not been given in terms Appendix 2 of Volume 1 of the above Procedural Rules.

3.12 Irregular Transactions

Instances of certain transactions carried out by the Department without authority were observed. A few instances so observed are given below.

- (a) Four musicians per program had been participated for the 5 programs organized by external parties from 26 to 30 December 2014. The Department had spent a sum of Rs.743,870 comprising Rs.200,000 at the rate of Rs.10,000 per Artiste per programme and Rs.43,870 as entertainment expenses without the formal approval.
- (b) Without obtaining the prior approval of the Director General of Establishments in terms of Sections 1.1 and 1.2 of Chapter IX of the Establishments Code, 5 officers belonging to the permanent cadre of the Department had been deployed as Instructors of the Dancers' Reserve. Instructors allowances of Rs.216,000, Rs.351,000 and Rs.99,000 had been paid to those 5 officers in the years 2013, 2014 and 2015 respectively.

3.13 Transactions of the Nature of Financial Irregularities

Particulars of transactions of fraudulent nature revealed at audit test checks are as follows.

- (a) The Co-ordinator of the Mahawansa Office had taken action to credit the advances of Rs.70,000 obtained for allowances and entertainment of members of the Editorial Board of the Mahawansa Office to the private account of the Director of the Department.
- (b) Payment of allowances to the members of the Mahawansa Office should be made either by the Shroff of the Department or through cheques written in his name. However, such allowances had been paid to the Coordinator of the Mahawansa Office from the sub - imprest in terms of Financial Regulation 371. In settling those advances, that officer had settled, a sum of Rs.32,000 by fake bills and Rs.28,000 by placing forged signatures against the names of the officers who had participated in the meetings.

3.14 Human Resources Management

Approved Cadre and Actual Cadre

Cadre position as at 31 December 2015 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
(i)	Senior Level	26	14	12	-
(ii)	Tertiary Level	03	02	01	-
(iii)	Secondary Level	524	481	43	-
(iv)	Primary Level	87	74	13	-
(v)	Others (Contract Basis)	82	43	49	10
	Total	722	614	118	10