

Report of the Auditor General on Head 206 – Department of Cultural Affairs - Year 2016

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 2016 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 02 October 2017. 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 Reconciliation 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. 857.14 million and out of that, a sum of Rs. 750.97 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the Department amounted to Rs. 106.17 million 12.39 per cent. Details appear below.

Expenditure	<u>As at 31 December 2016</u>			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
-----	-----	-----	-----	-----
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	522.19	512.29	9.90	1.90
Capital	334.95	238.68	96.27	28.74
Total	857.14	750.97	106.17	12.39
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2.2 Advances to Public Officers Account

Limits Authorized by Parliament

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

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
23.00	22.99	9.50	13.41	70.00	58.17

2.3 General Deposit Account

The total of the balances in 03 Deposit Accounts of the Department amounted to Rs. 44.93 million as at 31 December 2016. Details appear below.

<u>Deposit Account No.</u>	<u>Balance as at 31 December 2016</u>
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	Rs. Millions
60000/0000/00/0002/0054/000	0.13
60000/0000/00/0013/0026/000	5.03

60000/0000/00/0016/0005/000	39.77
Total	<u>44.93</u>

2.4 **Audit Observation**

The Appropriation Account, and the Reconciliation Statements of the Department of Cultural Affairs for the year ended 31 December 2016 had been satisfactorily prepared subject to the Audit Observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant Audit Observations, out of the Audit Observations included in the Management Audit Report, appear in Paragraph 3.

3. **Material and Significant Audit Observations**

3.1 **Imprest Accounts**

The following observations are made.

- (a.) In terms of Financial Regulation 371 (5) amended by the Public Finance Circular, No. 03/2015, dated 14 July 2015, the "ad hoc" Sub-Imprests should be settled within a period of 10 days after completion of the intended purpose. However, a saving totalling Rs. 244,630 of the "ad hoc" Sub-Imprests amounting to Rs. 698,415 issued in 46 instances, had been settled after a delay.
- (b.) "Ad hoc" Sub-Imprests obtained in 3 instances, had been settled in cash after a delay of from 06 to 65 days.
- (c.) Overestimates had been prepared for "ad hoc" Sub-Imprests issued in 21 instances during the first 06 months of the year 2016. As such, the saving after utilization of the "ad hoc" Sub-Imprests on the intended purpose ranged between 20 per cent to 73 per cent of the estimated value.
- (d.) In terms of Sub-Section 2.6 of the No.2/2016 Office Directive, No. 2/2016 of the Department, dated 07 January 2016, the advance received should be spent in accordance with the estimate. Nevertheless, 12 instances were observed in which the expenditure had exceeded the estimated sum by 28 per cent to 170 per cent.

3.2 **General Deposit Account**

Action had not been taken in terms of Financial Regulation 571 on 45 deposits totalling Rs. 5,574,630 that had continued to exist over a period of 2 years.

3.3 Reconciliation Statement on the Advances to Public Officers Account

The following deficiencies were observed in the audit test check conducted on the reconciliation statement as at 31 December 2016 relating to the Advances to Public Officers Account bearing Item No. 20601.

- (a.) According to the reconciliation statement presented to audit, the total of the balances that remained outstanding as at that date, amounted to Rs. 306,411, and those balances had continued to exist over a period of from 01 - 05 years, but the follow-up action relating to the recovery of the said outstanding balances remained weak.
- (b.) A difference of Rs. 96,391 had been revealed as at 31 December 2016 between the debit balance of the Advance Control Account of the Department and the total of the summary of the classification of individual balances. Explanations had been given by the end of the year under review only for a sum of Rs. 3,600 from the said difference. Accordingly, the Department had failed to reconcile and settle the difference of Rs. 92,761 even up to the end of the year under review.
- (c.) An unreconciled balance of Rs. 444,761 continued to exist over many years, had existed between the Department books and the Treasury books as at 31 December 2016. The Department had failed to reconcile and correct that in terms of Financial Regulation 427.

3.4 Internal Audit

Although a post of internal auditor had been approved from 28 July 2011, that post remained vacant even as at 31 December 2017. The Internal Audit Unit of the Ministry of Internal Affairs, Wayamba Development and Cultural Affairs had conducted an audit on the Department, and only 03 internal audit queries had been issued in the year 2016.

3.5 Assets Management

The following deficiencies were observed in the audit test check conducted on the assets of the Department.

(a.) Idle and Underutilized Assets

A Mapper Drum set worth Rs. 85,833 issued to the National Art Gallery, had remained disused for a period of 08 years.

(b.) Conducting Annual Boards of Survey

Action had not been taken in terms of Financial Regulations on the excesses and shortages pointed out in the reports of the Board of Survey relating to the year 2015.

3.6 Unsettled Liabilities

Liabilities valued at Rs. 27.54 million continued for a period of less than one year had existed as at 31 December 2016.

3.7 Non-compliances

Non-compliances with Laws, Rules, and Regulations

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

Reference to Laws, Rules and Regulations -----	Value ----- Rs.	Non-compliance -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka ----- Financial Regulations 104 and 105		There had been shortages with respect to a guitar pedal of the type GT-10 issued to the National Art Gallery since the year 2011, and 12 items of musical instruments and equipment since the year 2001. However, action had not been taken in terms of Financial Regulations in that connection.
(b) Decisions of the Cabinet ----- Cabinet Decision, No. 211,688 04/0427/020/002, dated 12 May 2004		All the advertisements of the state institutions should be published in the state printed media institutions. However, the Department of Cultural

Affairs had published 05 newspaper advertisements relating to State Children's Drama Festival – 2016 in privately-owned printed media by making payments.

3.8 Performance

Observations on the progress of the Department in accordance with the annual budget estimate for the year 2016 and the Action Plan, are as follows.

(a.) Activities not Performed Adequately

Several instances in which the main activities of the Department had not been performed adequately, are as follows.

- (i) According to the project report on the establishment of a pool of artistes of art academics, the main objective thereof was the establishment of a pool of dancing and instrumental comprising 54 artistes for each district in view of fulfilling the district and regional requirements. Also, another objective was to establish the national dancing pool comprising 1000 artistes selected at district level. This project launched in the year 2012 had become idle by October 2017, and the audit had been informed by the Director of Cultural Affairs that the main reason thereto had been the inadequacy of financial provision.
- (ii) Of the provision made for the compilation of Volume VI of the Mahawamsa (1978-2010), a sum of Rs. 5.32 million had been saved by the end of the year 2016 indicating a physical progress as low as 47 per cent.
- (iii) The renovation of the John De Silva Memorial Theatre had been launched in the year 2011, and the revised cost estimate totalled Rs. 1,289 million as at 25 January 2016. The constructions should have been completed by two stages, and by 31 December 2016, a sum of Rs. 385.96 million had been spent. As such, the physical progress of the first stage had been 81 per cent, whereas the second stage had not been commenced. Extensive delays were observed in the renovation of the Theatre.

3.9 Deficiencies in Operating Bank Accounts

The following observations are made.

- (a.) Even by the end of the year under review, action had not been taken in terms of Financial Regulation 396 (d) on chques valued at Rs.777,834 and remained uncashed over a period of 06 months after being issued as at 31 December 2016.
- (b.) The unidentified receipts amounted to Rs. 5,900 whilst the unidentified payments amounted to Rs. 22,391 as at 31 December 2016. However, the Department failed even up to the end of the year under review to adjust and rectify the said receipts and payments.

3.10 Transactions of Contentious Nature

Contrary to Section 27 of Chapter III in the Procedural Rules, No. 1589/30 of the Public Service Commission, dated 20 February 2009, a sum totalling Rs. 450,299 comprising sums of Rs. 25,000, Rs. 233,051, and Rs. 192,248 paid in the years 2014, 2015, and 2016 respectively, had been paid to a person appointed to the post of “Training Instructor” which had not been included in the approved cadre.

3.11 Uneconomic Transactions

A space of about 1198 square feet had remained underutilized from the year 2015 up to October 2017 at the building with an area of 3653 square feet obtained on rent since January 2007 at a monthly rental of Rs. 260,000 for maintaining the encyclopedia office.

3.12 Unresolved Audit Paragraphs

The instances in which the deficiencies pointed out through the reports of the Auditor General relating to the Department had not been rectified, are as follows.

Reference to Auditor General’s Report

Subject Referenced

Year Paragraph No.

2015	3.12 (a) and (b)	The advance of Rs. 70,000 obtained by the coordinator of the Mahavansa office in the year 2014 for paying the allowances relating to the meetings of the Board of Compilation, had been credited to the personal bank account being operated at
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the Bank of Ceylon by the driver of the former director of the Department. Later, the coordinator had given a statement to the audit on 25 May 2015 that action had been taken to settle the advance by presenting a list of names of the members of the Board of Compilation of the Mahavansa office along with forged signatures. Despite being informed that action would be taken in the future by conducting a preliminary inquiry against the relevant officers, extensive delays were observed in the inquiries.

3.13 Management Inefficiencies

Due to reasons such as, failure to remit the contributions on time, failure to obtain the approvals required for the scheme, failure to specifically document the pension scheme, and failure to formulate methodologies to enroll beneficiaries with respect to the pension scheme named “Saraswathi” introduced in the year 2008 in favour of the artists recommended by the Department of Cultural Affairs, no provision had been made. Taking into account the limitation of contribution, likelihood of a group being deprived of pensions due to exceeding the age, and failure to include a higher percentage to the pension, the Department had failed to provide the benefits that should have been received by the artists from the said pension scheme. Furthermore, it had been stated that the main reason attributable to this situation was the lack of provision. But, the reason for not receiving provision was the failure in preparing a proper methodology. According to the matters mentioned above, it was observed that the inefficiencies in the management had caused the pension scheme to be unsuccessful.

3.14 Human Resource Management

Approved Cadre and Actual Cadre

The position of cadre as at 31 December 2016 had been as follows.

Category of Employee	Approved No.	Actual No.	No. of Vacancies	Excess No.
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(i) Senior Level	28	14	14	-
(ii) Tertiary Level	03	02	01	-
(iii) Secondary Level	599	538	61	-
(iv) Primary Level	87	108	-	21
(v) Other (Casual/Temporary/ Contract basis)	82	28	54	-
Total	<u>799</u>	<u>690</u>	<u>130</u>	<u>21</u>

The following observation is made.

Twenty one persons had been recruited in excess of the cadre approved for primary level, and salaries and allowances had been paid. However, approval had not been obtained thereon even up to the end of the year under review.