

Head 206 – Department of Cultural Affairs

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Cultural Affairs for the year ended 31 December 2018 comprising the statements of financial position as at 31 December 2018 and statements of financial performance and cash flow statement for the year then ended 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 provisions of the National Audit Act, No. 19 of 2018. In terms of Sub-section 11(1) of the National Audit Act, No. 19 of 2018, the summary report including my comments and observations on the financial statements of the Department of Cultural Affairs was issued to the Accounting Officer on 06 June 2019. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 10 June 2019 to the Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Cultural Affairs as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Responsibilities for the Audit of the Financial Statements section of my I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibility of the Chief Accounting Officer and Accounting Officer for the Financial Statements

The Chief Accounting Officer and Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Department.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Chief Accounting Officer and Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carry out.

1.4 Auditor's Responsibility for the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. Also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

As required by Sub-section 6 (d) of the National Audit Act, No. 19 of 2018, I state the followings.

- As there was no requirement of preparation of financial statements by the Department for the preceding year, recommendations on financial statements had not been made by the Department.
- As there was no requirement of preparation of financial statements by the Department for the preceding year, I could not state that the financial statements of the year under review are consistent with the preceding year.

1.6 Comments on Financial Statements

1.6.1 Presenting Accounts

Audit Observation	Recommendation	Comments of Accounting Officer
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Annual Financial Statements ----- Even though Annual Financial Statements were to be presented to the Auditor	Annual Financial Statements must be presented in compliance with Circular provisions.	The delay had been caused due to the Treasury changing formats and Circulars from time to time.

General before 28 February 2019 in terms of Public Accounts Circular No. 267/2018 dated 21 November 2018, they were presented to be audited, on 23 April 2019 with a delay of 1 months and 23 days.

1.6.2 Non-compliance of Financial Statements with Circular Provisions

Audit Observation	Recommendation	Comments of Accounting Officer
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Even though the information contained in financial statements must be in compliance with the Treasury Records, due to the Department not taking into account the values of 4 votes, there was a difference of Rs.30,513,101 between the Treasury records and financial statements.	The information contained in financial statements must be compared with the values in Treasury Records.	Measures will be taken in the future when preparing accounts to correct these errors.

1.6.3 Accounting Deficiencies

The followings were observed.

- (a) Statement of Financial position
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The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
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- (i) Even though in terms of paragraph 8.2 of the Director General's State Accounts No. 267/2018 dated 21 November 2018, if there are non-financial assets that should be further reported, they must be properly identified and accounted according to the cost, or where the cost is unidentifiable, according to the estimated value, 6 buildings, 14 vehicles which cost Rs.53,400,000 and 3 vehicles of which the cost was not mentioned were not accounted.
- (ii) Assets amounting to Rs.77,609,296 acquired during the year under review was not mentioned in the financial statements
- (iii) Cost value of 28 units of furniture and equipment that were auctioned during the year under review was not mentioned under disposal of assets in the non-financial assets statement.
- All non-financial assets owned by the Department should be identified, and accounted based on cost or estimated value.
- All vehicles have been valued by the Valuation Department and will be accounted after the necessary details are received.
- Fixed assets purchased during the year should be correctly accounted.
- Assets disposed in a year should be deducted from the balance of the fixed assets.
- As per the oral instruction by the Department of State Accounts, fixed assets were scrapped fully and recorded for the month of November based on verified statistics.
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(b) Cash Flow Statement

Audit Observation	Recommendation	Comments of Accounting Officer
(i) Non-cash transactions were included in the expenses in cash flow which generated from the operational activities and investment activities in the Cash Flow Statement as of 31 December 2018.	When preparing cash flow statements, only the effect of cash received and cash payments during the year should be represented.	Included in the account together with cross-entries.
(ii) Although the net cash flow generated from the operational and investment activities in the cash flow statement must be zero as at 31 December 2018 it was stated as Rs.88,278,920.	The sum of net cash flows generated from operational investment and financial activities must be zero.	Included in the account together with cross-entries.

1.6.4 Reconciliation Statement for Advance Accounts of Government Officials

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
(a) There was a difference of Rs.444,761 between debit balance of government officials advance account and debit balance as per the Treasury Computer Records as of 31 December 2018. The reasons to this difference which existed since prior to 2004 were not explained.	If there is a difference between the debit balance according to Advance Control Account and Treasury Computer Prints, it must be explained in terms of State Accounts Circular No. 256/2017 dated 05 July 2017.	It is difficult to find, as necessary information is not available.
(b) There was a difference of	The difference between	Necessary actions will be

Rs.450,507 between the sum of the Individual Balances Classification Summary and the Departmental Control Account must be identified and settled. Individual Balances taken once the difference is found.

Rs.95,908 were not explained. the Departmental Control Account and out of this amount reasons for the difference in Rs.95,908 were not explained.

- (c) Rs.239,639 of loan and advance balances of 4 officials and employees who transferred, retired and left employment during the past year was not included in the list of Individual Balances. All outstanding debt balances should be listed on the list of Individual Balances. As the Department does not have the necessary information in its sources, necessary actions will be taken once the information is found.

1.6.5 Non-maintenance of books and registers

Audit Observation	Recommendation	Comments of Accounting Officer
(a) Register for checks, money orders received	Checks, money orders Register has not been maintained in terms of Financial Regulation 451.	The register should be maintained in terms of financial regulations. Necessary action will be taken to correct the deficiencies.
(b) Security Register	There was no record of bail officers and employees maintained in terms of Financial Regulation 891(1).	A Security Register must be maintained on bail officers. Identification of bail officers and the amount to be deposited according to posts have been forwarded to the Director of Institute and necessary actions will be taken once the information

is received.

(c) Vehicle Listing Register

A Vehicle Listing Register has not been maintained in terms of Financial Regulation 1647(e).

A Vehicle Listing Register must be maintained in terms of Financial Registration 1647(e).

Action has been taken to maintain a Register since the year 2019.

1.6.6 Certification to be done by the Accounting Officer

Even though following matters are to be certified by the Accounting Officer as per Section 38 of the National Audit Act, No.19 of 2018, actions have not been taken accordingly.

Observation	Recommendation	Comments of Accounting Officer
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(a) The accounting officer shall ensure that the Department has developed an effective internal control system for financial control, and that the effectiveness of the system should be reviewed periodically and that necessary modifications should be made to ensure the effectiveness of the system. However, it has not been submitted to the Auditor General that such a review was conducted.	Actions must be taken in terms of Section 38 of the National Audit Act, No.19 of 2018.	Actions will be taken to correct the deficiencies.
(b) Even though the Chief Accounting Officer and the Accounting Officer must ensure that annual and other financial statements are prepared	-Do-	The delay has been due to the Treasury changing Forms and Circulars from time to time. The last Circular has been issued on 26 March 2019.

within the required time and in addition the Chief Accounting Officer must be responsible to present the annual reports of the entity to the parliament that are audited, due to the Audit Observations made in paragraph 3.1 of the report, those needs have not been met.

(c) Even though the Chief Accounting Officer and the Accounting Officer must ensure that there is an effective system to properly implement an internal audit function, due to observations made in paragraph 4.1, those needs have not been met.

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Relevant requests have been made. Further actions are beyond our control limit.

1.6.7 Non-compliance with Laws, Rules and Regulations

The following observations are made.

Observation	Recommendation	Comments of Accounting Officer

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

(i)	Section 4 of the	311,957	No outstanding	Must act in terms	There is an
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	Chapter XXIV		debt balance of Section 4 of the Chapter XXIV of the Establishment Code. has been charged from the dead, officers who have been suspended, officers who have left work for more than 5 years.	of Section 4 of the Chapter XXIV of the Establishment Code.	inability to charge debt balances due to the Department not having information on outstanding debt balances for more than 5 years
(ii)	Section 3.7 of the Chapter XXIV	24,652	Interest rates for 52 officers were not charged for a period of 9 to 131 days during the sample inspection.	Must act in terms of Section 3.7 of the Chapter XXIV of the Establishment Code.	Steps will be taken to charge the required interest amount from the date of payment of the loan.
	(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i)	Financial Regulations 214	-	The Liability Register was not checked to ensure that the money was available and the bills were settled promptly.	Must act in accordance with the Financial Regulations 214.	Steps will be taken to correct the deficiencies.
(ii)	Financial Regulations 565(4)	-	A new ledger has not been opened for several years even though a	Must act in accordance with the Financial Regulations 565(4)	A new Deposit Ledger has been opened from the year 2019 onwards.

new Deposit Ledger must be opened for each financial year.

(c) Paragraphs 1.1.6 and 1.1.7 of the Budget Circular No. 118 dated 11 October 2004

90,568

Even though credit balance of the officials who have transferred should be recovered within 2 months, credit balance of 23 officials have not been settled for over 5 years.

Must act in accordance with paragraphs 1.1.6 and 1.1.7 of the Budget Circular No. 118 dated 11 October 2004.

It has been due to the delay in payment of salary details pertaining to the settlement.

(d) Paragraph 3 of State Accounts Circular No. 256/2017 dated 05 July 2017

Government Officials' Advance Accounts and Annual Reconciliation Statements were not prepared according to Forms 3.2 to 3.10 and Form No. 5.

Must act in accordance with the State Accounts Circular.

Action will be taken to prepare it according to the prescribed format.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Recommendation	Comments of Accounting Officer
Due to over provisions being provided for 18 votes, once the allocation for such votes are utilized, remainder had been ranged between 20 percent to 100 percent.	An accurate cost estimate should be prepared in terms of Financial Regulations No.50	Steps will be taken to correct the deficiencies.

2.2 Liabilities and Commitments

Audit Observation	Recommendation	Comments of Accounting Officer
Even though the Balance of Liabilities is Rs.6,303,479 according to the Financial Statements, as per the Payment Vouchers of January and February 2019, an expenditure of Rs.5,076,153 relevant to 2018 has not been entered into the Liability Register.	The Liability Register should be properly updated and the Financial Statements must be prepared in terms of them.	Actions have been taken to inform the officials to correct the deficiencies in 2019.

2.3 Deposit Balances

Audit Observation	Recommendation	Comments of Accounting Officer
Even though actions should be taken in terms of Financial Regulation 571 with regard to all deposits	Must act in terms of Financial Regulation 571	Government Revenue has not been credited so far and actions will be taken to do so from 2019 onwards.

that have exceeded 2 years from the date of deposit, it has not been done with regard to Tender Deposits of Rs.89,000 which has been deposited for 2 to 4 years and deposits payable to third parties of Rs.1,773,504 for 02 to 05 years.

2.4 Operation of Bank Accounts

Audit Observation	Recommendation	Comments of Accounting Officer
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Reconciliation Statement in relation to March to December 2018 has not been prepared as of 31 May 2019.	Must act in terms of Financial Regulation 395 (b) and Financial Regulation 395 (c)	No comments have been made.

3. Operational Review

3.1 Annual Performance Report

Audit Observation	Recommendation	Comments of Accounting Officer
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The performance report relating to the year under review had not been tabled in the Parliament within 150 days after the end of the financial year in terms of Public Finance Circular No. 402 of 12 September 2002.	Must act in terms of Circular instructions.	Steps will be taken to correct the deficiencies.

4. Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of Accounting Officer
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Even though the Post of Internal Auditor had been approved from 28 July 2011, the post remains vacant as at 31 August 2019.	An internal audit unit must be established within the Department in terms of Financial Regulation 133.	Relevant requests have been made. Further actions are beyond our control limit.