

Head 401 – State Ministry of National Heritage, Performing Arts and Rural Arts Promotion

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of National Heritage, Performing Arts and Rural Arts Promotion for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020, the statement of financial performance and cash flow statements 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. The summary report including my comments and observations on the financial statements of the State Ministry of National Heritage, Performing Arts and Rural Arts Promotion was issued to the Accounting Officer on 06 October 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relating to the State Ministry in terms of Section 11(2) of the Audit Act, was issued to the Accounting Officer on 04 October 2021. This report is presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with 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 of the State Ministry of National Heritage, Performing Arts and Rural Arts Promotion give a true and fair view of the financial position of the State Ministry as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities for the Financial Statements are further described in the Auditor's Responsibilities section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

As per Section 16(1) of the National Audit Act, No. 19 of 2018, the State Ministry 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 State Ministry.

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

1.4 Auditor's Responsibilities for the Audit of 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 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 an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 State Ministry's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer/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

I express the following matters in accordance with Sub-section 6 (1) (d) of National Audit Act, No. 19 of 2018.

As the State Ministry has been established by the Gazette Extraordinary Notification No.2187/27 of 09 August 2020, I cannot state that the financial statements are consistent with the financial statements of the preceding year in accordance with Sub-section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

1.6 Comments on Financial Statements

1.6.1 Receipt of Income

Audit Observation	Comments of the Accounting Officer	Recommendation
----- Non-taxable income and other receipts amounting to Rs.3,334,850 had neither been included in the statement of financial performance nor submitted through ACA-1 Format.	----- The ACA-1 Format through which non-tax income and other receipts should be included in the statement of financial performance, had not been included in the statement of financial performance by omission. The income of Rs.3,334,850 which should be entered therein has been mentioned under other receipts in the ACA-F Format.	----- The income should be accurately shown in the financial statements.

1.6.2 Non-income Receipts

Audit Observation	Comments of the Accounting Officer	Recommendation
----- Non-income receipts of Rs.3,893,593 had been indicated instead of non-taxable income and other receipts of Rs.3,334,850, thus understating Treasury imprest receipts by Rs.558,743.	----- Treasury imprest receipts amounting to Rs.558,743 had been erroneously accounted under other receipts without mentioning under Treasury imprests.	----- Income and imprest receipts should be accurately indicated in financial statements.

1.6.3 Imprest Adjustment Account

The following deficiencies were observed relating to the Imprest Adjustment Account.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The imprest balance had been shown as Rs.470,997,434 before making adjustments of Rs.471,556,177, thus understating the said balance by Rs.558,743.	As Treasury imprest receipts of Rs.558,743 had been accounted under other receipts in the ACA-F Format, the said amount has been included in the imprest balance before making adjustments.	Imprests should be accurately indicated in financial statements.
(b) Out of other Expenditure Heads amounting to Rs.450,860,602, debits had been shown as Rs.448,224,342, thus understating the said balance by Rs.2,636,260.	Has not commented.	-do-
(c) Deposit receipts amounting to Rs.23,817,234 had been shown as Rs.23,824,684, thus overstating the said balance by Rs.7,450.	-do-	-do-

1.6.4 Cash Flow Statement

The following deficiencies were observed relating to the cash flow statement.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Even though the value of cash flow generated from operating activities was Rs.105,974,850, the said value had been shown as Rs.106,533,594, thus overstating the said cash flow by Rs.558,744.	Monies generated from operating activities has been shown as Rs.106,533,594. Moreover, Treasury imprest receipts of Rs.558,744 has been included therein.	Cash flows should be accurately indicated in financial statements.
(b) Personal emoluments and operating expenses amounted to Rs.65,253,599 under the cash flow incurred for operating activities. However,	Has not commented.	-do-

it had been indicated as Rs,65,402,556, thus overstating the said cash flow by Rs.148,597. Moreover, the cash outflow had not been classified and shown as well.

- (c) Deposit receipts amounting to Rs.3,797,142 had been shown as Rs.3,789,692 under cash flows generated from financial activities, thus understating the said cash flow by Rs.7,449. -do- -do-

1.6.5 Non-maintenance of Registers and Books

It was observed during audit test checks that the State Ministry had not maintained certain following registers while certain other registers had not been maintained in the proper and updated manner.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) In terms of Financial Regulation 891 (1), a Security Register containing information of all officers required to give security, had not been prepared.	A Security Register had not been maintained due to the unavailability of adequate officers for discharge of duties and deployment of graduate trainee officers in duties as a result of the State Ministry being newly established in 2020. It is kindly informed that action will be taken to maintain the said registers in future.	In terms of Financial Regulation 891(1), a Security Register containing information of all officers required to give security should be maintained.
(b) In terms of Financial Regulation 214, a Record of Liabilities had not been maintained.	It is kindly informed that action will be taken to maintain the said register in future.	In terms of Financial Regulation 214, liabilities should be recorded in a Record of Liabilities so as to be regularly examined.

- (c) In terms of Financial Regulation 502, all loan balances of employees should be entered in the Members' Loan Register (CC-10). However, a distress loan balance amounting to Rs.225,390 had not been entered therein.
- The relevant loan balance amounting to Rs.225,390 is entered in the Loan Register of 2021. This loan balance is being recovered from January 2021.
- In terms of Financial Regulation 502, loan balances of all employees should be entered in the Members' Loan Register.

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>(a) A building had been obtained to operate the institute named Inter Statutory Board for the Protection of Kandyan Heritage functioning under the State Ministry from 07 October 2020. Expenditure on rental lease therefor amounting to Rs.6,640,000 from April to November 2020 had been incurred by State Ministry Lease Rental and Local Authorities Tax Object Code No.401-01-02-1404 on the approval of the Additional Secretary.</p>	<p>It has been notified by letter No.PS/CSA/00/1/6/1 dated 07.10.2020 of the Secretary to the President, to implement this institute under the purview of the State Ministry of National Heritage, Performing Arts and Rural Arts Promotion. Provision relating to capital and recurrent expenditure relevant to this institute for the year 2020 has been allocated by the Department of Budget under the State Ministry of National Heritage, Performing Arts and Rural Arts Promotion. Accordingly, payment of expenses including outstanding payments of the institute comprising building rentals under provision made by the Department of Budget, have been carried out by the State</p>	<p>Action should be taken to settle the expenditure incurred through the Object of the State Ministry from the relevant institution.</p>

Ministry of National Heritage, Performing Arts and Rural Arts Promotion.

- (b) The expenditure of Rs.689,054 on cleaning relating to December 2019 of the Ranminitenna Tele Cinema Village assigned to the Ministry of Housing and Cultural Affairs, had been paid by the State Ministry and action had not been taken to settle the relevant expenditure from the said Ministry.
- The aforesaid payments had not been made due to an issue in provision during the period in which the Mahinda Rajapakse National Tele Cinema Park was under the purview of the Ministry of Information and Mass Media and the said payments have been assigned to the Ministry of Housing and Cultural Affairs by December 2019. Nevertheless, The sum of Rs.689,054 payable for supply of cleaning services relating to the aforesaid period, had not been paid. The said voucher has been submitted to the Mahinda Rajapakse National Tele Cinema Park as an unpaid bill at the time of the Mahinda Rajapakse National Tele Cinema Park came under the State Ministry of National Heritage, Performing Arts and Rural Arts Promotion. Accordingly, the sum of Rs.689,054 mentioned in the aforesaid voucher payable to the relevant institution has been paid through recurrent expenditure made for the institute for the year 2020.
- Action should be taken to settle the expenditure from the relevant Ministry.
- (c) The total net provision amounting to Rs.450,000 and Rs.150,000 made for 2 Objects had been saved. Not even an attempt has been made to commence the activities such as rehabilitation and development of buildings and
- This Ministry has been established by Gazette Extraordinary No.2187/27 dated 09.08.2020. This situation has arisen due to reasons such as the Covid pandemic prevailed in the year 2020, lack of officers
- Provision should be made only as required.

rehabilitation and and due to deploying improvement of machines Graduate Trainee Officers respectively for which the instead of Management relevant provision had been Assistant Officers. made. Further, establishment as a new Ministry, Covid 19 pandemic and lack of human and physical resources had been given as the reasons for provision saved.

2.2 Entering into Liabilities and Commitments

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) According to the statement of commitments and liabilities of the year under review, a balance of Rs.2,343,304 had been indicated relating to 18 Objects. However, it was observed in audit test checks that a sum of Rs.2,097,478 had been paid under 4 Recurrent Objects in the months of January and February 2021 relating to the year 2020, in addition to the said liabilities. Accordingly, total commitments and liabilities had been understated by Rs.2,097,478 in the financial statements.	It is kindly informed that commitments and liabilities received up to the time of preparation of the account had been included and commitments and liabilities received in between the said period had not been included.	All payable values should be included in the statement of liabilities.
(b) Liabilities of Rs.138,131 and Rs.483,491 had been entered into exceeding savings of provision amounting to Rs.203,575 and Rs.30,500 relating to 2 Recurrent Objects and 1 Capital Object respectively, contrary to Financial regulation 94(1).	It is kindly informed that the said commitments have been entered into in terms of Financial regulation 94(02).	Action should be taken to refrain from entering into liabilities exceeding savings of provisions in terms of Financial Regulations.

2.3 Certification of the Accounting Officer

Even though the Accounting Officer should certify in respect of the following matters in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018, action had not been taken accordingly.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) The Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out. Moreover, the said reviews should have been in writing and a copy thereof furnished to the Auditor General. However, statements that such reviews were carried out, had not been made available to Audit.	It is kindly informed that the relevant activities were delayed due to the dearth of human resources and that action will be taken to submit the said documents on the due date.	Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.
(b) The Chief Accounting Officer and the Accounting Officer shall ensure that all audit queries be answered within the specified time as required by the Auditor-General. However, in terms of paragraph 3.2 of the report, replies had not been made for the 04 Audit Queries issued to the Accounting Officer.	It is kindly informed that the relevant activities were delayed due to the dearth of human resources and that action will be taken to submit the said documents on the due date.	-do-

- (c) Even though the Accounting Officer shall ensure that an effective mechanism exists to conduct an internal audit, according to observations mentioned in paragraph 4.1 of the report, no necessary arrangements had been made to appoint an Internal Auditor or to carry out an internal audit. An Internal Auditor has not been included in the approved cadre of the Ministry and it is kindly informed that action will be taken to create the said post in future in terms of Financial Regulation 71. -do-

2.4 Non-compliance with Laws, Rules and Regulations

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

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
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(a)	Financial Regulation 756(6) as amended by Public Finance Circular No.01/2020 of 28 August 2020	Verification of stores and assets had not been conducted for the year 2020 and reports thereon had not been submitted to the Auditor General.	Activities of Verification of stores and assets have not been carried out as this is a newly established Ministry in the year 2020 and due to the dearth of officers. It is kindly informed that action will be taken to avoid this situation in future.	Action should be taken in terms of Financial Regulations.
(b)	Public Administration Circular No.2019/25 of 30 December 2019	Special advances of Rs.4,000 issued to 9 employees for the year 2020 were further recoverable as at 31 December 2020.	Special advances of Rs.4,000 issued to 9 employees for the year 2020 have been recovered by now.	Action should be taken in terms of circular provisions.

(c)	Treasury Circular No.842 of 19 December 1978	A Register of Fixed Assets had not been maintained.	A Register of Fixed Assets has not been maintained. It is kindly informed that action will be taken to avoid this situation in future.	Action should be taken in terms of circular provisions.
(d)	Letter No.SA/AMP/Deposit/Transfer of 09 January 2020 of the Director General of State Accounts	The National Performing Arts Centre (Nelum, Pokuna Theatre) vested in the Ministry by the Gazette Extraordinary No.2187/21 of 09 August 2020, should be considered as a separate project as per the instructions of the Director General of State Accounts. Action had not been taken to make necessary provision by the budget for maintenance thereof and to credit the income earned to an appropriate Expenditure Head in consultation with the Department of Fiscal Policy and transactions had been carried out by Deposit Account No.6000-0-0-020-009-0.	It is kindly informed that action will be taken in future to obtain instructions of the Director General of State Accounts.	Action should be taken as per the instructions of the Director General of State Accounts.

2.5 Irregular Transactions

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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The Nelum Pokuna Theatre had been under the purview of this State Ministry since 09 August 2020 and the Peliyagoda Stores Complex belonging to the Urban Development Authority,	The equipment relating to the refurbishment of the National Performing Arts Centre (Nelum, Pokuna Theatre) is kept in the Peliyagoda Stores Complex belonging to the Urban	Action should be taken to enter into a written agreement for obtaining the stores complex and as well to recover the fine and increased

in which equipment necessary for use in the Theatre is kept, had been obtained on a monthly rental of Rs.236,745 for a period of 03 years from 01 August 2017 up to 31 July 2020. Even though the State Ministry had paid a sum of Rs.11,743,287 as outstanding lease rentals up to September 2020 relating to the stores complex, no agreements had been entered into with the Urban Development Authority therefor. When paying outstanding lease rentals without entering into a written agreement, a fine of Rs.355,395 had been paid. Moreover, the monthly rental of Rs.236,745 remained up to July 2020 had been increased up to Rs.724,125 from August 2020 representing 306 per cent.

Development Authority. A lease agreement on monthly rentals had not been signed during the period from 01.08.2017 to 30.09.2020. However, the payment relating to the outstanding amount could be made due to proper assignment of the responsibility of equipment stored, in the Urban Development Authority and taking action to enter into agreements for obtaining facilities of the stores complex by the then Secretary to the Ministry, Mr.S.T.Kodikara and as a result of being a Government institute as well. No agreement had been prepared by the Presidential Secretariat and Ministry of Buddha Sasana, Religious and Cultural Affairs under which the Centre functioned at the time of obtaining the said Peliyagoda Stores Complex and during the period from November 2019 to August 2020 respectively. Nevertheless, the agreement has been prepared by the Urban Development Authority together with the Ministry by now and further, it is kindly informed that action will be taken to prepare the said agreement so as to take effect from the inception and to sign the same within the next two weeks.

rental paid therefor.

2.6 Operation of Bank Accounts

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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Action had not been taken even up to the date of audit to identify and rectify unidentified payments of Rs.227,250 indicated in the Bank Reconciliation Statement of December 2020.	It is kindly informed that activities of computerizing all Bank Reconciliation Statements and rectification of unidentified payments are being carried out presently.	Action should be taken to identify and rectify unidentified payments.

3. Operating Review

3.1 Annual Performance Report

The Annual Performance Report should have been prepared as per the format indicated in Guideline 14 issued by the Department of Public Finance in terms of paragraph 10.2 of Public Finance Circular No.2/2020 of 28 August 2020. The following observations are made in that connection.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The vision of this State Ministry has been established as “Sustainably Developed Sri Lanka” and it had not been established relating to the role, responsibilities and objectives of the State Ministry.	According to the Gazette Notification issued relating to the establishment of the Ministry, action will be taken in future to revise the vision of the Ministry.	The vision should be established relating to the role, responsibilities and objectives of the State Ministry.
(b) “Deye Urumaya Daruwantai” Programme and Project for the Conservation of Indigenous Folk Culture had been identified as performance indicators. Provision of Rs.1,200,000 had been allocated under Object Code 401-2-3-2401 for training the staff required for implementing the “Deye Urumaya Daruwantai” Programme. However, only provision of Rs.169,464 had been utilized thereof. Even though functions relating to achievement of indicators had not been performed, indicating the actual output as 75 per cent of the expected output had been contentious. The physical performance of the indicator for the Project for the Conservation of Indigenous Folk Culture had been indicated as 100 per cent. Nevertheless, neither provision	<u>Indicator 1 - “Deye Urumaya Daruwantai” Programme</u> Organizing lectures targeting school children, under the “Deye Urumaya Daruwantai” Programme is a project implemented, submitting proposals by the Ministry of Buddha Sasana, Religious and Cultural Affairs. A sum of Rs.1.2 million had been allocated by budget provision on 09.08.2020 in the establishment of this State Ministry under the Object Code 401-3-3-2401 of this Ministry. Accordingly, it had been initially planned to implement the said Project in the same manner in which it was implemented by the Ministry of Buddha Sasana, Religious and Cultural Affairs for the last quarter of	Action should be taken to perform functions relating to achievement of performance indicators and to prepare the performance report accurately.

were allocated nor functions performed relating thereto.

2020 as well. Nevertheless, as schools were closed due to the COVID 19 pandemic, implementation of this Project was difficult. Subsequently, as per instructions of the Secretary to the Ministry, action had been taken to provide sets of Hewisi Drums to children of Dhamma Schools under this Project with the intention of improving the appreciation of arts in children as well as continuing traditional cultural features. Accordingly, procurement activities and selection of Dhamma Schools were implemented up to the final phase and the Ministry of Buddha Sasana, Religious and Cultural Affairs had consented to provide the assistance of necessary resource persons. However, provision had to be returned to the Treasury as the year ended.

Even though a financial progress could not be achieved, the physical progress has been indicated as 75 per cent as a result of all other matters necessary for implementing the Project were complete.

Indicator 2 - Project for the Conservation of Indigenous Folk Culture

Object Code 401-2-3-1509

Provision made as maintenance expenditure of Dambana Indigenous Folk

Heritage Centre has been allocated for payment of salaries of the Dambana Indigenous Folk Heritage Centre. The said payment is made subject to a maximum of Rs.125,000 per month. Accordingly, payments from August to December 2020 have been made under this Ministry. These provisions were made under the Object of the Ministry in the establishment of the State Ministry. As the said provision allocated as maintenance expenditure of the Dambana Indigenous Folk Heritage Centre is used only for the payment of salaries, it had not been taken under development projects.

The progress of provision under Object Code 401-2-3-2001 Conservation of Indigenous Folk Villages had been indicated as 100 per cent. As the part of works due to be completed thereof during the year 2020 was complete, the physical progress was indicated as 100 per cent in the Performance Report.

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| (c) Action had not been taken to identify Sustainable Development Goals. | As this Ministry has been established by an Extraordinary Gazette Notification No.2187/27 dated 09.08.2020, no new projects were implemented. Only the projects commenced by the Ministry for implementation through the National Heritage Division of the Ministry of | Action should be taken to identify Sustainable Development Goals and to indicate them in the Performance Report. |
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Buddha Sasana, Religious and Cultural Affairs, were implemented.

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| (d) | The approved cadre, actual number of employees and the number of vacancies stood at 62, 20 and 40 respectively. However, in the above paragraph, it had been indicated as 58, 21 and 37 respectively. | The approved cadre, actual number of employees and the number of vacancies have been indicated as 58, 21 and 37 respectively due to printing errors. It should be corrected as 62, 22 and 40 respectively. | Action should be taken to correct the Performance Report. |
| (e) | It was observed in audit that 7 requirements indicated as complied with, in the conformity report, were not complied with. | As it is a new Ministry established by the Gazette Extraordinary Notification No.2187/27 dated 09.08.2020, the functions of the Ministry were performed amidst difficulties such as dearth of required staff, lack of office equipment and lack of space in the office premises. Moreover, a rough Action Plan has been prepared for facilitating the functions of the Ministry. | Action should be taken to correct the Performance Report. |

3.2 Unreplied Audit Queries

Description on Audit Query	Comments of the Accounting Officer	Recommendation
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Replies had not been submitted even by 04 October 2021 for 04 Audit Queries issued to the Ministry.	It is kindly informed that matters were delayed due to dearth of human resources and action will be taken to submit on due date in future.	Action should be taken to answer all audit queries within the specified time as required in terms of provisions in the National Audit Act.

3.3 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though the Gramodaya Folk Art Centre was vested in the State Ministry by Gazette Notification No.2187/27 dated 09 August 2020, the State Ministry had not taken action to establish the Centre legally. The approval of the Department of Management Services for the staff of 24 decided as required for the Centre and Schemes of Recruitment had not been made available to Audit.	Replies have not been submitted.	Action should be taken to establish the Gramodaya Folk Art Centre legally and to obtain approval for the staff.

4. Good Governance

4.1 Internal Audit

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
In terms of Section 40 of the National Audit Act, No.19 of 2018, neither plans had been prepared for an internal audit nor an internal auditor appointed to carry out an internal audit.	An Internal Auditor has not been included in the approved cadre of the Ministry and it is kindly informed that action will be taken in future to create the said post by Financial Regulation 71.	Prompt action should be taken to appoint an Internal Auditor and to carry out an internal audit.

5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Vacancies in 40 posts comprising 05 in the Senior Level, 03 in the Tertiary Level, 23 in the Secondary Level and 11 in the Primary Level existed, in the approved cadre of the State Ministry which stood at 62. Moreover, 19 graduate trainees unapproved by the Department of Management Services had been deployed in the service.	Letters have been submitted to relevant institutions for filling the vacancies in the approved cadre. No request was made for graduate trainees and they have been attached to the State Ministry by the Divisional Secretariats. The salaries of those officers are paid by Divisional Secretariats.	Necessary steps should be taken to fill vacant posts by considering the service requirement and action should be taken within the approved cadre.