

## Arts Council of Sri Lanka - 2022

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### 1. Financial statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the Arts Council of Sri Lanka for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in equity, and cash flow statement for the year then ended and notes to financial statements including a summary of significant accounting policies, 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 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Council as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### 1.2 Basis for Qualified Opinion

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My opinion is qualified based on the matters described in paragraph 1.5 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### 1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Council 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 Council.

#### 1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the Financial Statements)

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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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- 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.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Council and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council;
- Whether the Council has performed according to its powers, functions and duties;

- Whether the resources of the Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observations on the Preparation of Financial Statements

### 1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standard

Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
A comparison between the budgeted values and actuals had not been included in the financial statements, nor had reasons for the differences between the budgeted and actual values been given contrary to Paragraph 14 of Sri Lanka Public Sector Accounting Standard 15.	This was attributed to the reason that the executive council existed at the time of preparing the budget, had been replaced with a new executive council in November 2022.	Provisions of the Standard should be followed.

### 1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
a) A value of Rs. 61,469 had been shown under credits in the trial balance as being the close of annual accounts, but such an account had not existed as per the ledger. Although a sum of Rs. 22,281 had been adjusted to the statement of changes in equity, the method of computation and reasons for doing so, had not been explained.	Presented after being corrected through the trial balance.	Action should be taken that correct values are accounted for properly.
b) The interest income on fixed deposits for the year 2022 amounted to Rs. 103,316, but that value had been understated by Rs. 78,316 in the statement of financial performance thus showing the sum of Rs. 25,000.	In case of any error, corrective measures will be taken thereon in presenting accounts in the year 2023.	Should be accounted for correctly.

Although an interest income of Rs. 92,179 remained receivable as at 30 December 2022, but that value had been understated by Rs. 77,179 in the statement of financial position thus showing Rs. 15,000.

- c) A sum of Rs. 43,458 had been estimated as expenditure on gratuity for the year 2022, but that value had been adjusted as Rs. 70,960 to the statement of financial performance.
- Presented after being corrected through the trial balance.
- Should be accounted for correctly.

### 5.3 Lack of Documentary Evidence for Audit

Subject	Amount	Audit Evidence Not Presented	Comment of the Management	Recommendation
Stock of publications	Rs. 1,175,483	Due to failure in mentioning the unit cost of the September and December, 2014 issues of the "Kala" magazine, and selling price of the publication named "Buddha Prathima Nirmana Kalawa", accuracy of the stock valued at Rs. 1,175,483 shown in the statement of financial position as at 31 December 2022, could not be verified in audit.	It is informed that corrective measures will be taken when presenting accounts for the year 2023.	Action should be taken to furnish the information required by Audit.
Allowances for resource persons.	270,000	A sum totalling Rs. 210,000 had been paid for 02 "Shanthikarma" programmes whilst a sum of Rs. 60,000 had been paid to 03 artists	The resource persons participating in those workshops are experts in their respective subjects. Obtaining their	Action should be taken to obtain approval of the Department of Public Enterprises to pay allowances.

relating to the drama service under workshop. The basis provisions of the on which those artists existing had been selected, Government was not revealed to Circulars, became the Audit. difficult. Furthermore, approval of the Department of Public Enterprises should have been obtained for paying allowances to the resource persons, but information in that connection was not revealed.

#### 1.6 Non-compliances with Laws, Rules, Regulations, and Management Decisions

Reference to Laws, Rules, and Regulations etc.	Non-compliance	Comment of the Management	Recommendation
a) Section 12 of the Arts Council of Sri Lanka Act No. 18 of 1952.	Progress relating to the decisions taken at the meetings of consultancy committees, had not been informed to the Council, and the Council too had not taken follow up action in that connection. Furthermore, it was not clearly specified in the Act on the functionality, duties and responsibilities of the consultancy committees.	The executive committee gave its consent to formally take follow up action on the progress of meetings of the consultancy committees.	Action should be taken in accordance with provisions of the Act.
b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(i) Financial Regulation 445 (i)	A personal emoluments register had not been maintained.	Corrective measures will be taken when presenting accounts for the year 2023.	The Financial Regulations should be followed.

- (ii.) Financial Regulation 264 (i) A sum totalling Rs. 72,300 had been spent on 03 programs, but bills had not been furnished for those expenses. Corrective measures will be taken in due course. The Financial Regulations should be followed.
- c) Treasury Circular, No. 842 dated 19 December 1978. A Register of Fixed Assets had not been maintained by the Council. Corrective measures will be taken when presenting accounts for the year 2023. The Circular should be followed.

## 2. Financial Review

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### 2.1 Financial Results

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Operating result of the year under review was a deficit of Rs. 369,171 as compared to the corresponding deficit of Rs. 3,176,242 for the preceding year, thus observing an improvement of Rs. 2,807,071 in the financial result. This improvement had mainly been attributed by the decrease in administrative and institutional expenses by Rs. 6,108,331, expenses on workshops, programs and financial sponsorships by Rs. 2,222,062 and recurrent receipts by Rs. 3,437,612.

## 3. Operating Review

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### 3.1 Operating Inefficiencies

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Audit Observation	Comment of the Management	Recommendation
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a) It was scheduled to conduct 06 workshops in the year 2022 comprising 02 performance items from each area of music, dance and dramas centered around all the cultural centers, "Kalayathana" and Divisional Secretariats. Nevertheless, only 05 programs had been conducted.	The resource personnel contributing to those workshops are experts in their subjects, and there were difficulties in obtaining their services under existing provisions of Government Circulars.	Action should be taken to execute the scheduled activities.

- b) Although 11 sub-committees had been established under scope of the Arts Council of Sri Lanka, programs to be conducted thereunder had not been scheduled and included in the revised Action Plan. As such, it was observed that those sub-committees had not contributed to conduct awareness programs on national value of each field of arts.
- While providing the assistance of sub-committees for every programme and project, the projects are implemented with consultancy from experts in their respective areas.
- The programmes scheduled should be included in the Action Plan.