

**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the Arts Council of Sri Lanka for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information 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 reported to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2023, 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 Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 opinion.

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

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 determine 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.

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 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 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 Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's 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 auditor's 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; and
- 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 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to the Laws, Rules and Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Paragraph (a) and (b) of sub Section (7) of Section 13 (8) of Finance Act.	Although replies should be given to the detailed report of the Auditor General for the year 2022 had been presented to the Chairman of the Council on the date of 30 May 2023 within 03 months, accordingly action had not been taken even by the date of this report.	It was informed that the action will be taken to give replies to the detailed report of the Auditor General within 03 months from the year ahead.	Action should be taken as per the provisions of the Act.
(b) Public Administration Circulars No. 09/2009 dated 16 April 2009, No. 09/2009 (i) dated 19 June 2009 and No. 03/2017 dated 19 April 2017	Although officers of all the public institutes should be used finger print machine to verify the arrival and departure without considering the number of cadre in an institute, the Board has not taken action accordingly.	A register of attendance and departure and a register of leave have been properly maintained by the Arts Council of Sri Lanka with an approval of the Executive Council and under the supervision of the secretary to the Arts Council of Sri Lanka.	Action should be taken to use a Finger Print machine as per the Circulars.

## 2. Financial Review

### 2.1 Financial Result

The operating results of the year under review amounted to a surplus of Rs. 259,079 and corresponding deficit in the preceding year amounted to Rs.523,304. Therefore, an improvement amounting to Rs.782,383 in the financial result was observed. The increase in total income including recurrent and capital grants receiving by Rs. 3,870,307 compared to the increase in total expenditure of Rs. 3,087,924 had been mainly attributed to this improvement.

### **3. Operating Review**

#### **3.1 Operational Inefficiencies**

<b>Audit observation</b>	<b>Management Comments</b>	<b>Recommendation</b>
(a) Although 10 sub councils had been established under the Arts Council of Sri Lanka in the year and provisions of Rs. 1,000,000 had been get approved for that, it has not been specifically identified which programme to be expected to implement under each sub council. As well due to provisions amounting to Rs. 100,000 had been allocated for the Council of Photography Consultancy which was not mentioned in the Section 12 of the Arts Council of Sri Lanka Act No. 18 Of 1952 but included in proposed amendments to the Act. And due to that the provision for that had been idle.	No answers have been given.	Action should be taken to specifically identify about the programmes to be expected to implement during the year and provisions should not be allocated for the proposed sub councils that are not mentioned in the Act.
(b) Although it was planned to print a quarterly magazine covering each arts field to fulfill the objectives of publishing bulletins, action had not been taken to issue the magazine on a quarterly basis and the e- version of the magazine as issue of the “January- March 2022” and printed magazine as issue of the October - December 2023 had been issued. Also this magazine could have printed with more advanced content covering every subject area, however it was not done accordingly.	The quarterly Art magazine has been launched in an electronic format (e- version) due to the high cost of printing and the increased use of social media. Accordingly it has been informed that a lot of objectives have been achieved that out of the provision allocated as per the Act.	Action should be taken to fulfill activities through a properly planned procedure.