

Head 206–Department of Cultural Affairs

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Head 206 - Department of Cultural Affairs for the year ended 31 December 2023 comprising the statement of financial position, as at 31 December 2023 and the statement of financial performance 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. The Summary Report containing my comments and observations on the financial statements of the Department was issued to the Accounting officer on 14 June 2024 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 03 July 2024 in terms of Section 11(2) of the National Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 to be read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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 as at 31 December 2023, and its financial performance and cash flow 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 (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 opinion.

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

The 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 as management determines 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department 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.

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:

- 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 Department'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 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 and Regulatory Requirements

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

- (a) The financial statements are consistent with the preceding year.
- (b) The following recommendations made by me on the financial statements for the preceding year had not been implemented.

Reference to the Paragraph of the Report relating to the Preceding Year	Recommendation not Implemented	Reference to the Paragraph in this Report
1.6.1(b) i	In terms of Paragraph 8.2 of the State Accounts Circular No.05/2023 dated 30 November 2023, 06 buildings, 02 vehicles with assessment value of Rs.5,000,000 and 05 lands in extent of 3.348 hectares which were not accounted for and owned by the Department as at the date of 31 December 2018 should be accounted for on a cost basis or at an assessment value.	1.6.1(b)
1.6.1 (a)	Action should be taken to make adjustments in the accounts, identifying the difference of Rs. 444,761 between the debit balance of the Advances to Public Officers Account “B” and the computer print outs of the Treasury that has existed since before the year 2004.	1.6.1 (a)

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Reconciliation Statement on the Advances to Public Officers Account

Audit Observation	Comment of the Accounting Officer	Recommendation
Action had not been taken to make adjustments in the accounts, identifying the difference of Rs. 444,761 between the debit balance of the Advances to Public Officers Account “B” and	The difference of Rs. 444,761 has existed since before the year 2004 is currently being checked and it was informed that action is being taken to complete that activity before preparing the accounts as at the	Action should be taken to make adjustments in the accounts identifying that difference.

the computer print outs of date of 31.12.2024.
the Treasury that has existed
since before the year 2004.

(b) Property, Plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>In terms of Paragraph 8.2 of the Guideline of the State Accounts No.05/2023 dated 30 November 2023, if there are non-financial assets that need to be further reported such assets should be properly identified and accounted for under the cost or the value assessed, action had not been taken to transfer and account for 06 buildings which are being utilized by the Department even by the year under review. Furthermore, action had not been taken to transfer the ownership and account for 02 vehicles with assessment value of Rs. 5,000,000.</p>	<p>It was informed that steps will be taken to account immediately after the ownership is transferred to the department and after obtaining the relevant assessment reports and will be reported to the audit and included in the final accounts of 2024.</p>	<p>Action should be taken to account for the assets which are being utilized by the Department after the ownership is transferred.</p>

(c) Lack of Evidence for Audit

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Although a name list has been submitted indicating that of 62 copies of Sinhala English summary Dictionary first half, each unit price amounting to Rs. 5,300 had been distributed as donations, written evidence of receipt of 43 copies amounting to Rs. 227,900 had not been submitted.</p>	<p>It is noted that to take action under a proper supervision to avoid this type of deficiencies in future.</p>	<p>Action should be taken to submit written evidence to the audit.</p>

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Due to improper completion of the expected work during the year, including Rs.150 million for refurbishment works of Art Gallery out of the total of provisions Rs.168.9 million had been allocated for 09 programmes of 02 capital votes and 04 recurrent votes Rs.164.98 million that is 97.7 percent out of allocated provision had not been utilized.	To get this work done by the Sri Lanka Navy, based on the observations of the Ministry, to the Cabinet Memorandum which has submitted on the date of 31.01.2024 the approval of the Cabinet of Ministers has been given by the letter dated 22.02.2024. Accordingly, it was informed that the provision of Rs.155 million allocated under the vote No. 206-02-03-16-2001 for the year 2024 will be fully utilized and the Government will benefit economically.	Action should be taken to properly utilize the annual provision.
(b) Although an estimate of Rs.16.185 million had been submitted to the Divisional and District literary festivals out of the provision of Rs.20 million has been allocated under the vote No. 206-2-02-2-1409 for the literary competition, actually being incurred Rs. 8.531 million the variance of difference of estimated amount and the actual expenditure ranged from 26 percent to 50 percent, preparing of overestimate amounting to Rs. 7.654 million was the reason for that.	The National literary festival has not been held on the insufficient amount of provision for holding a National literary festival and complying to the letter of Treasury Operational and due to preparing estimates taking the year 2022 estimate as a precedent it was indicate that overestimate being prepared and it was also informed that the instructions were given to the officers to make forecasts and prepare estimates according to the activities expected to be included in the action plan in the coming years.	Action should be taken to prepare estimates with a proper study.

2.2 Incurring of Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
Although in terms of the Financial Regulation 211 (i) and Financial Regulation 447 all liabilities should be noted in the register of liabilities as soon as they are incurred, a total of Rs.283,354 had been paid in the year 2024 regarding 06 recurrent votes in the year 2023 action had not been taken to note in the register of liabilities and commitments enter into the annexure (iii) of the statement of liabilities in the financial statement.	Due to various practical circumstances these vouchers were delayed in submission before the preparation of the December 2023 accounts. Therefore they have not been included in the register of liabilities 2023 however it was informed that the value of Rs. 283,354 has been properly shown as prior year commitments in column 14 of the vote ledgers relating to the year 2024.	Action should be taken to note in the register of liabilities as soon as they are incurred and enter into the statement of liabilities in the financial statement.

2.3 Certification of Accounting Officer

Accounting Officer should certify the following matters in terms of provisions set out in Section 38 of the National Audit Act, No.19 of 2018. However, it had not been done accordingly.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) The Chief Accounting Officer and the Accounting Officer shall ensure that the department maintains an effective internal control system for financial control and that the effectiveness of the system shall be reviewed periodically and necessary changes shall be made accordingly to make the system effective and those reviews should have been done in writing and a copy of the same should have been submitted to the Auditor General nevertheless, proof of such reviews being done had not been submitted to the audit.	It was informed that requests have been made in many occasions to fill the vacancies existing in the post of Accountant and the post of Internal Auditor in the cadre of the Department.	Action should be taken in terms of the provisions of the Section 38 of the National Audit Act, No.19 of 2018.

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| (ii) | It should be ensured that answering all the audit queries within the specified time as required by the Auditor General by the Chief Accounting Officer and the Accounting Officer, as per the paragraph 3.3 of the report answers had not been given to the audit queries. | Due to the temporary absence and retirement of the officers under the existing circulars, there has been a delay in providing answers to these audit queries, and it was informed that 15 audit queries issued in relation to the year 2023 the answers have been provided within the year itself and steps required have been taken to avoid such delays in the future. | Action should be taken in terms of the provisions of the Section 38 of the National Audit Act, No.19 of 2018. |
| (iii) | Although the Chief Accounting Officer and the Accounting Officer shall ensure that an effective mechanism exists to conduct an internal audit, according to the observations mentioned in the paragraph 4.1 of the report that requirement has not been fulfilled. | Action will be taken to prepare a powerful internal control mechanism under an Internal Auditor and accordingly to minimize the audit queries. | Action should be taken in terms of the provisions of the Section 38 of the National Audit Act, No.19 of 2018. |

2.4 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with Laws, Rules and Regulations were observed in the audit test checks are being analyzed as follows.

	Observation Reference to Laws, Rules and Regulations	Value Rs.	Non- compliance	Comment of the Accounting Officer	Recommendation
(a)	Establishment Code of Democratic Socialist Republic of Sri Lanka				
(i)	Section 13.3 of Paragraph II		Although an acting appointment should be made only as a temporary	It was informed that requests have been made in many occasions to fill the vacancies existing	Action should be taken in accordance with the provisions of the Establishments Code.

			remedy until a permanent Accountant and appointment is the post of made, the post Internal Auditor of Accountant in the cadre of the in the Department. Department which has been vacant since the month of October 2020 had been kept on an acting basis.
(ii)	Sections 4.2, 4.5, 4.6 and 6.3 of Paragraph XXIV	846,073	Proper measures had not been taken to recover the outstanding debt balances due from 54 officers of deceased, vacated of posts, interdicted, and transferred out for more than 05 years.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i)	Financial Regulations 188 and 189	696,139	Action had not been taken in terms of the Financial Regulations regarding 25 cheques which had been deposited from 2017 to June
			It was informed that measures had been taken to recover the outstanding debt balances during the year 2023 as well as up to the date.
			Action should be taken in accordance with the provisions of the Establishments Code.
			The value of Rs.82,125 of deposits out of the deposits have been existed within the period from 2017 to 2019, has been corrected the accounting
			Action should be taken in accordance with the provisions of the Financial Regulations.

		2019 but not realized.	during the month of December 2023, and the balance cheques were withdrawn from the income and submitted to the approval of the General Treasury for necessary measures to correct. It was informed that prompt action will be taken for the relevant corrections after receiving the approval.		
(ii)	Financial Regulations 371 and Paragraph 9 of Public Finance Circular No. 01/2020 dated 28 August 2020	591,160	Although the imprest should be reimbursed immediately after the completion of the job assigned, a period ranging from 5 days to 130 days had been taken to settle the imprest.	A ledger is being maintained when issuing and settling sub imprest, it was informed that as per shown by you steps have been taken to update that register by now and o mention the number of paying voucher and the settlement voucher.	Action should be taken in accordance with the provisions of the Financial Regulations.
		2,317,700	Imprest had been issued in 74 instances where advances were not settled.	Answers have not been given.	Action should be taken in accordance with the provisions of the Financial Regulations.

(iii)	Financial Regulations 571	4,120,526	Action had not been taken to obtain the money has been retained out of contracts during the period from the year 2015 to the year 2019.	It was informed that necessary action will be made to credit to revenue after followed up in future the contract money that had not submitted to pay and not recommend during the period from 2015 to 2019.	Action should be taken lapsed deposits to revenue.
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2.5 Operating of Bank Accounts

Audit Observation	Comment of the Accounting Officer	Recommendation
The amount of Rs. 810,606 had been directly paid by the bank in 29 instances during the period from the year 2017 to December 2019 had been adjusted to the revised cash book as unrecognized payments without taking action to identify them.	It was informed that necessary actions are being taken to settle those payments have been made by the bank during the period from the year 2017 to 2019.	Action should be taken to correct soon as identifying the payments have been directly made by the bank.

3. Operating Review

3.1 Failure to Perform Tasks

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although Rs. 20 million had been provisioned for the National Literary Festival, State Literary Festival and the promotional programmes relating to that, only the State Literary Festival, Divisional and District Literary Festivals and promotional programmes had been held incurring Rs. 18 million out of that and National Literary Festival had not been held.	Due to complying to the letter No. TO/BEI/04/01/01/(2023-101)and dated 12.09.2023 had been sent by the Department of Treasury Operational a provision of Rs.1,870,762 had been remained due to the impossibility to hold the National Literary Festival. However it was informed that the judging of the	Action should be taken to utilize the money allocated for the programmes with maximum effectiveness.

National Literary competition for the year 2023 is ongoing these days.

- (b) Although it has been planned to fulfill 10 activities from Rs. 66 million under the National Art Festival in the year under review, out of that State Dance Festival to which Rs. 8.7 million provision allocated and Divisional cultural associations and Kalayathana to which Rs. 1.8 million provision allocated two activities which had not been held even in previous two years, had not been implemented. And also for the State Music Award Ceremony which provision was being allocated even in previous two years, Rs. 2.05 million and Rs. 2 million respectively and were not being held, even in the year under review provision of Rs. 6 million was being allocated and in that activity and the State Television Award Ceremony which was being allocated provision of Rs. 6 million only the judgment activities had been done incurring Rs. 1.4 million.
- Although all the activities had been organized to hold ceremonies of State Dance Festival, State Music Award Ceremony and State Television Award Ceremony, it was informed that these ceremonies were not being held on the letter dated 12.09.2023 of the Department of Treasury Operational and the instructions had been given.
- Action should be taken to utilize the money allocated for the programmes with a maximum effectiveness.
- (c) Mentioning that it was insufficient the provision of Rs. 3 million which was being allocated for the project of Authors' Aid, without being held that programme it was planned to print manuscripts which were won the National manuscripts Competition relating to the year 2021 and 2022, that programme also had
- Mentioning that it was insufficient the provision of Rs. 3 million which was being allocated for the project of Authors' Aid, without being held that programme it was planned to print manuscripts which were won the National manuscripts Competition relating to the year 2021
- In preparing plans, should be prepared plans as per the provisions are adequate.

not been implemented on non-receiving of imprest.

and 2022, that programme also had not been implemented on non-receiving of imprest, relevant activity was impossible to done. It was informed that the procurement procedures for this activity are being carried out by now in the year 2024.

3.2 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
10972 books had been purchased under the project of Authors' Aid, from the year 2018 to the year 2022 and also balance of 49,532 number of 166 types of department publication books which included trilingual and printed for sale valued Rs. 27,867,824 and total of 60,504 books were remained as per the stock records, a verification had not been physically done categorizing properly those books.	In taking actions to do proper counting by categorizing properly those books according to the number of cadre and management of expenditure certain difficulties had arisen, however it was informed that action will be taken to physically count through a properly appointed committee.	Action should be taken to identify the balance physically remain, properly categorizing all the books were in the stores.

3.3 Failure to reply Audit queries

Answers for the audit queries mentioned below issued to the department had not been send even by the date of 18 June 2024.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Payment of advances - 2023	Due to the temporary absence and retirement of the officers under the existing circulars, there has been a delay in providing answers to these audit queries, and it was informed that 15 audit queries issued in relation to the year 2023 the answers have been	Action should be taken to reply all the audit queries within the period mentioned.

provided within the year itself and steps required have been taken to avoid such delays in the future.

- (b) Check the revenue of the books sales center of the department -2023
- (c) Check the annual board of survey activities -2023
- (d) Check the draft performance report, annual action plan, quarter progress report-2023
- (e) Audit of the financial statements-2023

3.4 Management Weaknesses

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) In the procurement procedure had been done for the first time for printing of manuscripts won in the National Manuscripts Competition held in the year 2016, the opportunity to print 3000 manuscripts at an amount of Rs.364,650 had been hold due to the irregularities had occurred in that procurement process and in the second bid calling in the month of January 2023, 3000 manuscripts had been done paying Rs.1,079,500 after 7 years. Accordingly due to the loss of the first opportunity to get done Rs. 714,850 of financial loss had to bear.</p>	<p>The time period for printing of winning manuscripts in the year 2016 in the year itself has been insufficient. Accordingly unable to print before the end of the year 2016, although this activity should be fulfill in the year 2017 in the non-availability of provision for this, although the procurement procedure has been started to fulfill this activity in the year 2018, it was informed that the printing activity has been delayed due to various reasons.</p>	<p>Action should be taken to make provision planned.</p>

- (b) Although the building had been handed over completing the refurbishment activities with a delay of 3 years that is on the date of 24 November 2018 by the Contractor related to the development of refurbishing phase 1 of the Jhon De Silva Theater, the amount of Rs.38,658,734 of liquidated damages charged had been repaid to the contractor without proper approval and reasonable confirming of matters and it was informed on the date of 10 May 2021 to the contractor to repay that amount, that amount had not been recovered even up to the year under review.
- Matters regarding this forwarded to the department of Attorney General and it was informed that calling both parties for the Sri Lanka National Arbitration Center in the future.
- Prompt action should be taken to recover the money.

4. Good Governance

4.1 Internal Audit

Audit Observation	Comment of the Accounting Officer	Recommendation
As per the Section 40(1) of the National Audit Act action had not been taken to establish Internal Audit Section appointing an Internal Auditor.	It was informed that requests have been made in several occasions to get completed the vacancies of the post of Internal Auditor and the Accountant in the approved cadre of the Department.	Action should be taken as per the provisions of the Act.