

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Central Cultural Fund (Fund) for the year ended 31 December 2020 comprising the statement of the financial position as at 31 December 2020 and 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 the provisions of the National Audit Act, No.19 of 2018 and the Finance Act, No.38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

I do not express an opinion on the financial statements of Fund. Because of the significance of the matters described in paragraph 1.5 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

I do not express an opinion based on the matters set out in paragraph 1.5 of this report.

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 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

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

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 judgement 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 Fund'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 Fund'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 Fund 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 Fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;

- Whether the Fund has performed according to its powers, functions and duties; and whether the resources of the Fund 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 Standards

Non-compliance with the reference to particular standard	Comments of the Management	Recommendation
(a) Even though the actuarial method should be applied in the calculation of the employee benefit obligation of the entity as per Sri Lanka Public Sector Accounting Standard 19, the actuarial method had not been used in the calculation of the provision for the gratuity of Rs. 730,392,632 as at 31 December 2020.	The calculation of the employee benefit had been carried out by using the actuarial method in 2024 and it had been informed that the adjustments should be performed in the accounts with effect from 2022.	The calculations should be performed in compliance with the terms of the standard.
(b) Though the current assets and current liabilities can't be set off as per the paragraph 48 of Sri Lanka Public Sector Accounting Standard 01, an amount of Rs.2,029,296 had been mentioned in the financial statements as debtor balance after set –off a debtor balance of Rs.2,442,405 belonging to one person to the creditor balance of Rs.413,109 of that person in the year under review.	It had been informed that the action will be taken to rectify the accounting error for set-off the creditor balance for debtor balance since 2025.	The financial statements should be prepared in compliance with the terms of standard.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Since the interest receivable for 2018 had not been accounted, receivable interest account had been understated by Rs. 916,438.	It had been informed that the interest receivable up to now had been accurately computed and accounted.	The income related to the year should be accurately accounted.
(b) Though the under-provision for audit fees of Rs.504,450 had been made in the year 2018 and 2019, the adjustments had not been made even in the year under review.	It had been informed that the steps will be taken to rectify through current accounts after examination.	The step should be taken to correctly account the expenses pertaining to the year.
(c) Even though the fixed deposit interest income is Rs.487,445,757 for the year under review in accordance with the calculation on the fixed assets carried out by the audit, it had been taken as Rs.488,449,366 in the statement of financial performance and consequently, the interest income in the year had been overstated by Rs.1,003,609.	It had been informed that the action will be taken to adjust in the current accounts having further examined the error of over calculation and accounting of interest income in relation to Dollar and rupee fixed deposits in the year 2020.	The income related to the year should be accurately accounted.

1.5.3 Documentary Evidence not made available for audit

	Subject	Amount Rs.	Audit evidence not provided	Comments of the Management	Recommendation
(a)	Balance of 10 special fund projects under non-current liabilities	8,786,148	Schedules, books and documents and files	It had been informed that the action had been taken to disclose this information in the preparation of the financial statements in the year 2021.	The books, files and schedules should be submitted to the audit.
	Balance of 05 foreign funded projects	4,757,900			
(b)	Investment income	545,988,781	Fixed deposit documents, fixed deposit certificates, renewal notices, schedules related to receivable interest income	It had been informed that the instructions had been provided to the bank to directly present the bank balance confirmations to the Audit Division.	The relevant written verifications should be presented to the audit.
	Receivable rupee fixed deposit interest	346,753,011			
	Receivable Dollar fixed deposit interest amount	34,789,220			
(c)	Works in progress	176,008,737	The schedules containing the details of estimated amount, certified value of work, and amount credited to the work in progress account in each year	A report included with detailed information such as the estimated cost for each task, the certified value of the work and the amount credited to the work in progress account for each task during the year has not yet been prepared, and it had been informed that the proceedings would be done to prepare it immediately.	The detailed schedules should be submitted to the audit.
(d)	Closing Stock Balance	150,200,943	Stock documents, stock valuation sheets, stock survey reports	It had been informed that a summary report relating to the stock balance as at 31.12.2020 had been mentioned on page 23 of the final accounts report 2020.	The evidences related to verify the balance should be submitted to the audit.

(e)	Balance payable to Road Development Authority	25,169,515	The details to verify as payable balances	This is a balance existing since the year 2013. Since it has been difficult to find detailed information in this connection, it had been informed that the steps would be taken to hand it over to the Internal Audit Division to investigate and report on the matter.	The details relevant to the verification as a payable balance should be submitted to the audit.
(f)	Fixed Assets Differed Revenue	21,000,000 1,050,000	Fixed Assets Schedule related to the differed revenue	It had been informed that a document prepared in relation to the deferred revenue had been submitted under pages 43-48 of the Schedule Book.	The schedules should be submitted specifying the buildings subject to the deferred revenue.
(g)	Contract Retentions Refundable Tender Deposits Ticket Sales Advances	12,594,892 9,205,208 52,881,696	Schedules	It had been informed that the detailed schedules would be provided with the accounts from the upcoming years.	The detailed schedules, including relevant contract agreements and payment guarantee terms, etc., and the schedules relating to other deposits, should be submitted for audit to verify the accuracy of the contract retention value.

(h)	Rental income shown under other income	10,052,991	Income documents, schedules	The income earned from renting out tourist bungalows in Anuradhapura, Polonnaruwa and Kataragama, the income earned from renting out halls in the Apegama premises, which was then under the Central Cultural Fund and the income included in the salaries of the officers of the institution, including the value of official houses. It had been informed that a copy of the relevant general ledger account is attached herewith.	Sufficient schedules should be submitted for audit.
	Other revenue	1,347,086			
(i)	Fixed Deposit Investments	6,465,740, 201	Fixed Deposit Documents Original of the Fixed Deposit Original	It had been informed that the bank has been instructed to forward the bank balance confirmations directly to the audit division.	Relevant written evidence should be submitted to verify the value.
(j)	Bonus ticket revenue deducted from ticket revenue Refunded ticket revenue	6,099,730 667,674	Detailed schedules including ticket code numbers	It had been informed that a summary of the number of bonus tickets issued for the year 2020 is provided on page 32 of the final accounts.	Detailed schedules should be submitted to the audit.
(k)	Doubtful debt provision balance during the year under review	3,396,573	Relevant Information as calculated	This balance includes under-allocated balances since 2012. Accordingly, it had been stated that it was difficult to find sufficient information to specifically identify these balances and further investigation would be conducted and efforts would be made to make the relevant accounting corrections in the future.	Information relevant to calculating doubtful debts should be submitted to the audit.

(l)	Miscellaneous debtor balance	2,029,296	Debtor register, detailed schedules	It is difficult to find sufficient information to prepare a detailed schedule for this balance. This balance includes outstanding debts from before 2010 and it had been stated that the files containing that information are currently difficult to find.	Relevant written proof should be submitted to prove the balance.
(m)	The Challengerlanka account balance and Court deposit balance, which have been lasting for 4 years, are listed under Long-term receivables.	1,382,054 44,533	Detailed schedules	It had been informed that the balance shown as Court Deposits is a very old balance and detailed information regarding it is currently difficult to find.	Relevant written evidence to support the balances should be submitted for the audit.
(n)	The value of the dishonoured cheques shown as the balance due under current liabilities	224,700 75,296,799			
	Value to be paid to construction institutions		Schedules	Actions will be taken to examine the amount of Rs. 224,700 in respect of cancelled cheques. It had been informed that the contract document containing information regarding the balances payable to the construction institutions and the related documents can be submitted to the audit if required.	Actions should be taken to submit the schedules for audit.

1.6 Accounts Receivable and Payable

1.6.1 Advances

Audit Observation	Comments of the Management	Recommendation
Under the projects implemented through the Fund, advances had been granted to external parties and contractors by the Fund's officers for the execution of project activities. As at 31 December 2020, the total outstanding advances amounted to Rs. 546,307,765. Of this amount, Rs. 16,237,849 had remained outstanding for	Out of the total sum of Rs. 546,307,765, an amount of Rs. 436,267,817 had been paid under the Sisudaham Sevana Project, which was initiated in 2019 for the conservation of Dhamma schools and temples. A portion of this amount has	Information relating to the outstanding advances should be submitted to audit.

over 05 years and the Fund had not taken action to settle these balances, and information regarding the current status of these outstanding amounts was not made available for audit.

since been settled. It was further informed that the outstanding balances exceeding 05 years would be examined and that necessary follow-up actions would be taken expeditiously to recover and settle those advances.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
Financial Regulation 316	Although items of monetary value such as cash, stamps, and tickets should be kept securely in a specially designated vault, safe, repository or other secure location, printed tickets temporarily stored at the printing press after completion of printing, as well as printed tickets kept in the Fund's main store, had not been secured in such a manner.	Due to the lack of adequate facilities at the Head Office, the printed tickets have been safely stored within the Head Office store. As arrangements are currently being made to relocate the Head Office to a more spacious premises, necessary steps will be taken at that stage to obtain a more secure location for the Head Office store. Adequate facilities will be provided to ensure the safer storage of printed tickets.	Items of monetary value should be securely stored in accordance with the Financial Regulations.

2. Financial review

2.1 Financial result

The operating result of the year under review amounted to a deficit of Rs. 227,868,487 and the corresponding deficit in the preceding year amounted to Rs. 126,746,674. Therefore a deterioration amounting to Rs. 101,121,813 of the financial result was observed. The reason for the deterioration was mainly attributable to decreases in ticket revenue, replica sales, publication income, and printing income by Rs. 2,487,833,071, Rs. 6,518,074, Rs. 1,658,574, and Rs. 5,737,164 respectively. In addition, increases in finance costs and gratuity expenses by Rs. 19,897,272 and Rs. 56,636,505 respectively had also significantly contributed to the financial result.

3 Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The Ministry of Culture had instructed the Central Cultural Fund to pay priority attention to the construction of a roof for the Reclining Buddha statue, which was made of weak rock and had been subjected to physical and chemical corrosion due to exposure to sunlight and rain. After granting the approval for that by the Department of Archaeology the contract for the construction of a roof for the Reclining Buddha statue was awarded to the construction company on 04 November 2019 without a written agreement subsequent to the procurement process for a value of Rs. 1,941,433 to be completed within 150 days. Although bills worth Rs. 874,019 had been submitted by 21 April 2025, the date of audit, the construction work of this project had been stalled due to non-payment, and although 5 1/2 years had passed, steps had not been taken to complete the construction. Furthermore, although provision amounting to Rs. 4,000,000 had been allocated for this in the work plan for the year 2024, steps had not been taken to complete the relevant work by 31 December 2024.	The work on site has been submitted before the agreement is signed. However, due to further delay in signing the agreement, the payments mentioned herein have not been made. However, the Central Cultural Fund has re-prepared proposals to carry out these works. Since this roof needs to be constructed to prevent the degradation of this statue, advice was obtained from the Construction Related Institute (ICTAD) in this regard and in accordance with that advice, a Board paper has been prepared to delegate authorization to the current Director General to sign a new agreement. After signing that agreement, a Board paper has been prepared for getting the approval of the Board of Directors to make payments for the work performed according to the old contract, terminate the contract and select a new contractor to perform the work. Accordingly, it was informed that it is anticipated to carry out this work after resolving these issues and making the old payments.	Existing problems should be resolved without delay and the relevant tasks should be completed.
(b) The building of the International Information Centre belonging to the Fund, located near the Sri Dalada Maligawa, had been handed over for the needs of the Sri Paththini Devalaya, Kandy, for the period from 23 July 2017 to 16 August 2017, as per the request of the Senior Additional Secretary to the President bearing No. PS/DSP/RAV/01/10/KP dated 14 July 2017. Since steps had not been taken to return the building to the Fund by 31 December 2025, the services provided by the Centre, such as providing free information to local and foreign tourists, conducting free audio-visual programmes, selling books and replicas related to culture, and conducting educational programmes related to Sri	Despite written requests made for several occasions, the Pattini Devalaya has not released this building to us. The furniture, etc. along with this building have also been forcibly detained by the Pattini Devalaya. Therefore, it has not been possible to fulfil the social mission carried out through this building. It was discussed extensively at the meeting of the Governing Board on 17 May 2025. At that occasion, the Director General of the Department of Archaeology had agreed to intermeditate in this regard and to take over this building and hand it over to the Central Cultural Fund. Accordingly, it was informed that a	The building should be vacated and the relevant social mission should be fulfilled.

Lankan culture and heritage, had not been provided for a period of 07 years. Furthermore, the assets of the Fund of over Rs. 5 million in the building of the Information Centre were also idle and underutilized.

- (c) The construction of the Nelligala International Buddhist Center Resting Hall was commenced in 2019 by the Central Cultural Fund at a cost of Rs. 43,942,030 for materials and by engaging the labor of the Sri Lanka Army. The construction of the resting hall had been halted midway in 2020 with 40 percent progress, and even though almost 05 years had passed by the audit date of 06 February 2025, the construction of the resting hall had not been completed. As a result, the audit observed that there was a risk to the strength of the building due to the corrosion of the wires used for the structural frame due to exposure to rainwater, and that additional costs would have to be incurred for those conditions during future construction work.

written request has also been sent to the Department of Archaeology in this regard.

The construction work of the Buddhist Center by the Kandy project had been carried out up to the first floor concrete floor by the Sri Lanka Army and Navy workforce, which is a policy decision taken by the head office to procure materials in the year 2020. The Board of Governors had decided to temporarily suspend the construction activities of all projects of the Central Cultural Fund for the sake of the survival of the institution due to the deteriorating financial situation of the institution. Accordingly, its activities also had to be suspended. Steps had been taken by the relevant institution after the construction had been stopped to protect the exposed wire parts of the building by applying anti-fouling paint. It had also been informed that there would be no problem with the structural stability of the constructions carried out so far.

The Governing Body should make an immediate decision on the actions that should be taken regarding the temporarily suspended projects.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observations	Comments of the Management	Recommendations
<p>Even though the financial statements relating to the fund should be submitted to the Auditor General within 02 months of the end of the accounting year in terms of Financial Regulation 877(2)(d) as amended by paragraph 15 of Public Accounts Circular No. 01/2020 dated 28th August 2020 and the financial statements for the year 2020 had been submitted on 7 July 2025 after a delay of almost 4 years and 6 months, the draft performance report had not been submitted.</p>	<p>It was reported that there were continuous delays due to the delay in submitting the financial statements for audit since year 2018.</p>	<p>The financial statements should be submitted for audit within 2 months of the end of the accounting year as per the relevant circular instructions.</p>

4.2 Tabling of the Annual Performance Report in Parliament

Audit Observations	Comments of the Management	Recommendations
<p>Even though the Annual Performance Report, including the Auditor General's Report, should be tabled in Parliament within 150 days (180 days as per the Public Finance Management Act No. 44 of 2024) of the end of the financial year in terms of Financial Regulation 877(2) (e) as amended by paragraph 15 of Public Accounts Circular No. 01/2020 dated 28 August 2020, the reports for the years 2018 and 2019 had not been tabled in Parliament by 31 December 2025.</p>	<p>The 2017 performance report has been sent to the Ministry for tabling in Parliament. The 2018 annual report has been sent to the Secretary to the Ministry for approval. It has been informed that the report has been delayed due to the delay in obtaining approval for the final accounts of the year 2019.</p>	<p>Action should be taken according to the circulars.</p>