

## Central Cultural Fund - 2018 and 2019

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The audit of the operational activities of the Central Cultural Fund for the years 2018 and 2019 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.

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

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In terms of Section 16 (1) of the National Audit Act No. 19 of 2018, every auditee entity shall maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared in respect of such entity. In terms of Section 16 (2) of the Act, annual financial statements approved by the Board of Governors in relation to every auditee entity along with the annual performance reports of the entities shall be submitted by the Chief Accounting Officer to the Auditor-General within such period as may be provided by rules. In terms of Section 38 (1) (d) of the Act, it should be ensured that the annual reports and other financial statements are prepared within the required time periods and in addition to that, the Chief Accounting Officer shall be responsible to submit the annual reports pertaining to the auditee entity to Parliament. However, financial statements of the years 2018 and 2019 approved by the Board of Governors to be submitted to Auditor General within 60 days after the end of the financial year in terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003 and Treasury Circular bearing No. 01/2004 of 24 February 2004, had not been submitted to the audit even by the date of this report.

## 02. Audit Observations

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### 2.1 Non- compliance with Laws, Rules, Regulations and Management Decisions

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Reference to Laws, Rules and Regulations	Particulars	Comment of the Management	Recommendation
(a) Central Cultural Fund Act No. 57 of 1980			
(i) Section (4) (d)	Even though it is possible to enter into or perform, either directly or through officers and servants or agents authorized in writing in that behalf by the Board, all such contracts and agreements as may be necessary for exercise, performance and discharge of powers, duties and functions,	Replies have not been sent.	The Fund shall comply with the Provisions of the Act.

and in carrying out the objectives of the Fund, the Director (Administration Human Resource Development) of the Fund had signed an agreement with the approval of the Chief Administrative Officer of the Fund on 13 February 2019, in contrary to that, to maintain the Head Office of the Fund at Terminal “D” of Sethsiripaya Phase II.

**(ii) Sub section 04 (g)**

The Fund had not formulated rules with the procedure that should be adopted from the initiation of the Fund up to date for the accomplishment of the objectives such as the development of cultural monuments within the Cultural Triangle and other such cultural monuments in any area, other than the Cultural Triangle, for the advancement of religion or the maintenance of religious places, rites and practices, for the making of awards to persons who have served the nation in the cultural and religious fields and to provide financial assistance to artists.

Admitted.

Rules should be formulated by the Fund to achieve the objectives stipulated in the Fund Act.

**(iii) Subsection 8 (c)**

Action had not been taken to promote religious activities abroad within the years 2018 and 2019.

Admitted.

It is the responsibility of the Board of Governors to formulate the necessary rules in terms of 4 (g) of the Act to promote religious activities abroad.

**(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

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| <p><b>(i) FR 139 (4), FR 139 (5) and FR 389</b></p>  | <p>The Fund had provided cheques, related to the grants worth Rs.9,718,179 that should be given to the Divisional Secretaries and external parties, to the employees of the Staff of the Line Ministry, in 37 occasions during the year 2019 for the advancement of religion or the maintenance of religious places, rites and practices, without getting a proper receipt and without verifying the identity of the relevant recipients in the payment and handing over of cheques.</p> | <p>Arrangements have been made to send cheques through the officers of the Ministry as financial assistance should be expeditiously provided for the cremations and festive processions.</p> | <p>At the time of writing the cheques and handing over of the relevant cheques, action should be taken in compliance with the Financial Regulations and the relevant money should be credited to the account of the payee.</p>                           |
| <p><b>(ii) FR 881</b></p>  | <p>Even though it is required for an officer appointed to a post carrying security to furnish security within two months from the date of appointment or transfer to such post, 11 ticket sellers recruited in March and May 2018 had not furnished securities even by 25 of January 2019.</p>   | <p>Replies have not been sent.</p>   | <p>Action should be taken to make an officer appointed to a post carrying security to furnish security within the prescribed time and attention should be paid to take other possible alternative measures to detect possible frauds in this regard.</p> |
| <p><b>(c) Section 9.1 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka</b></p> | <p>Although the prior approval of the Cabinet of Ministers is required to re-employ a person who had retired from the public service to a Post in the Public service or to a public corporation, the Fund had recruited 03 officers over the age of 60 by 31 December 2019</p>   | <p>Replies have not been sent.</p>   | <p>Prior approval of the Cabinet should be obtained to re-employ a person who has retired from the public service.</p>   |

without obtaining such approval.

**(d) Public Enterprise Circulars**

- (i) 8.3.3 (e) of the Public Enterprise Circular bearing No. PED/12 of 02 June 2003.** Bonuses were paid without verification of the accuracy of the particulars of leave and no pay leave of the officers of the Projects in the payment of bonuses. Replies have not been sent. The accuracy of the details of leave and no pay leave of the officers should be verified by a responsible officer in the payment of bonuses.
- (ii) Sub section 4 of Chapter 3.1 of the Circular bearing No. PED1/2015 of 25 May 2015** In contrary to the provisions of the said Circular, a sum of Rs.2,797,890 was paid as fuel and transport allowance to five officers recruited to the posts in MM-1-2 salary code and who were not eligible to obtain assigned vehicles, from the date of recruitment up to the date of leaving the service. Replies have not been sent. Fuel and transport allowances that had been paid to officers who are not entitled to obtain assigned vehicles should be recovered.
- (iii) Paragraph 02 of the Circular No. 95 of 14 June 1994** The Fund had paid allowances in relation to annual stock surveys, accounting activities, special exhibitions, sales activities of books and replicas after getting only the approval of the Board of Governors without the approval of the General Treasury. Replies have not been sent. Action should be taken to pay only the benefits specifically approved by the Cabinet, Ministry of Public Administration or the General Treasury.
- (e) Paragraph 01 of the Public Administration Circular No. 09/2009 of 16th April 2009 and Paragraph 4 of the Circular No. 03/2017 of 19th April 2017** Employees and officers of the Fund were paid salaries, overtime and holiday pay for the year 2018 without verifying the arrival and departure of the officers to the office by using fingerprint machines. Replies have not been sent. Salaries, overtime and holiday pay should be paid after verifying the arrival and departure of Officers to the office using fingerprint machines.

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| <p>(f) <b>Management Audit Circular No. DMA/2009 (I) (i) of 28 January 2016 and Circular No. DMA/01-2019 of 12 January 2019</b></p> | <p>Although it is required to hold meetings of the Audit and Management Committee at least once a quarter, the Fund had held only two committee meetings for the year 2018 and one committee meeting for the year 2019.</p>  | <p>Replies have not been sent.</p> | <p>Even though It is required to hold Audit and Management Committee meetings at least once a quarter,</p>  |
| <p>(g) <b>Management Service Department Letter No. DMS/E1/54/9/24 1 of 21 July 2011</b></p>   | <p>Even though it is not allowed to create new posts in addition to the approved cadre without getting the formal approval of the Department of Management Services and vacancies of approved posts should not be filled after 30 June 2011, 14 ticket sellers had been recruited on the approval of the Board of Governors while 05 posts of Ticket Seller/ Shroff and Chief Ticket Seller / Shroff remained vacant as at 31 December 2017. An amount of Rs. 3,030,763 had been paid as salaries and allowances to 11 Ticket sellers who had reported for duty out of the persons recruited to the Post from the date of recruitment up to November 2018.</p> | <p>Replies have not been sent.</p> | <p>Additional recruitments should not be made to the approved cadre without obtaining the formal approval of the Department of Management Services.</p> |

## 2.2 Transactions without Authority

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
<p>The Fund had earned revenue by issuing tickets in contrary to the provisions of the Act, to Tourists, who entered the heritage sites of Galle, Rambaviharaya, Apegama, Kataragama, Yapahuwa and Buduruwagala located outside the Cultural Triangle.</p>	<p>Action should be taken in the future to amend the Act to suit the present-day needs.</p>	<p>Action should be taken to amend the Act to charge ticket fees for heritage sites located outside the Cultural Triangle in contrary to the provisions of the Act.</p>

## 2.3 Transactions of Contentious Nature

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Audit Observation	Comment of the Management	Recommendation
<p>In terms of Sub section 4 (f) of the Act, the Board shall, in the name of the Fund, have power to invest moneys belonging to the Fund, and to recall, re-invest and vary such investments, and to collect income accruing from such investments at the discretion of the Board. However, the Fund had not obtained the discretion of the Board before recalling investments. Even though investments amounted to Rs. 126.6 million had been recalled within the year 2018, the covering approval for that was obtained on 15 March 2019. Likely, Rs. 2,058.4 million had been recalled up to 31 December 2019 without obtaining the approval of the Board of Governors. Even though it was commented that the covering approval of the Board of Governors had been obtained on 15 of November 2019, the reliability of the information submitted to the Audit was problematic.</p>	<p>In every year, investments were recalled. The approval of the Board of Governors for investments recalled in 2018 had been obtained in 2019. Action had been taken to obtain the prior approval of two members of the Board of Governors for the investments recalled by 30 September 2019. Moreover, the covering approval of eight members of the Board of Governors had also been obtained for that.</p>	<p>In terms of the Provisions of the Act, action should be taken to recall investments on the prior discretion of the Board of Governors only for the objectives of the Fund and the money obtained should be utilized only for the purposes approved by the Board of Governors.</p>
<p>Since the Fund had not followed a proper expenditure control system, it was not possible to substantiate at the audit that the money obtained in the aforementioned manner was incurred solely for the purposes intended by the Board of Governors.</p>		
<p>The document, which was submitted by the Secretary of the Ministry to the Director</p>		

(Administration) of the Fund on 20 November 2019 stating that the document was related to the Board meeting No. 209 held on 15 November 2019, where the approval had been granted to 238 Board papers that had been submitted to the Board in relation to the functions that were performed during the year 2019 and functions in progress by that date and functions scheduled to be performed by that date (including cash investment and recalling investments), was forwarded to the Audit on 24 July 2020 by the Director (Administration and Human resources) of the Fund on 20 November 2019.

However, the requirement of further investigating those approvals of the Governing Board is emphasized due to the inability of the Audit to examine each Board paper as the signatures of the Prime Minister, the Secretary to the Prime Minister and the Minister of Education, who are the members of the Board of Governors of the Fund in terms of Section 3 (2) of the Act were not present in the Board paper with the approval and another party has taken each Board paper for conducting a certain investigation.

Further, according to the documents submitted to the audit stating that the approval of the Board of Governors was obtained on 15 of November 2019, the signatures of eight out of the twelve members of the Board of Governors were present therein. However, the signature of the Chairman (Prime

Minister) of the Board was not present therein. Even though any member, elected from among members present, shall preside at a meeting, in the absence of the Chairman from any meeting in terms of Sub-section 3 (5) of the Fund Act, it was not revealed in the examination of the relevant document that such a decision had been taken on that day.

Moreover, the report of the Board of Governors bearing No. 209 related to 15 November 2019 had not been approved even at the meeting of the Board of Governors held on 03 February 2020, conducted for the first time subsequent to 15 of November 2019 and the Chairman of the Board of Governors stated at the meeting that those papers had been referred to a special investigation.

## 2.4 Operational Activities

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) An action plan (excluding the religious sector) for the year 2019 had not been prepared as per paragraph 04 of the Public Finance Circular No. 01/2014 of 17 February 2014.	Arrangements have been made to prepare an action plan from the year 2020.	It is the responsibility of the Management to formulate a formal action plan indicating the targets that are to be achieved by the Fund and to get it approved by the Board of Governors. Therefore, the Management should pay close attention to this matter.



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| <p>(b) As per the progress summary of the Fund for the year 2018, even though it was proposed to initiate 421 activities which were estimated at the cost of Rs.1,529 million during the year 2018, the Fund had failed to implement 55 activities, which had been estimated at the cost of Rs. 189 million, out of the proposed activities during the year. Moreover, action had not been taken even by 31 December 2019 to initiate 53 excavation conservation activities, which had been estimated at the value of Rs. 340.8 million in relation to the year 2019.</p> | <p>It could not be implemented due to the delay in obtaining the approval of the Department of Archaeology.</p>  | <p>Action should be taken to prepare plans and to obtain relevant approvals and to allocate money for that purpose and to initiate relevant activities according to the plan.</p>   |
| <p>(c) Although action had been taken to construct a building in the year 2018 on an estimate of Rs. 1,393,413 with the objective of protecting the Dutugemunu statue placed at the Anuradhapura Maha Vihara project from sunlight and rain, it was not possible to accomplish the task even by 31 July 2020 as it was not possible to obtain the permission of the Chief Incumbent of the Chaitya for the proposed construction site.</p>  | <p>The activity could not be carried out as the approval of the Chief Incumbent of the Chaitya had not been granted.</p>   | <p>Action should be taken to include the activities in the work plan after the finalization of the preliminary works including the obtaining of due approvals related to such activities anticipated to be implemented.</p> |
| <p>(d) Even though it was planned to construct a building with a water filter for Anuradhapura Maha Viharaya project by connecting the Commemorative plaque of the Prime Minister "Sri Nehru" on an estimate of Rs. 1,665,386 by including the work in the work plan of the year 2018 and a sum of Rs. 43,910 had already been incurred on that, the construction had been suspended as the approval of the Department of Archaeology had not been granted for this task and skilled labourers were not available.</p>  | <p>Construction activities have been suspended as the approval of the Department of Archaeology had not been granted for the proposed site and skilled labourers were not available.</p> | <p>Action should be taken to include the activities in the work plan after the finalization of the preliminary works including the obtaining of due approvals related to such activities anticipated to be implemented.</p> |

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| (e) | Activities of repairing the lavatories in the hostel and construction of 02 vehicle parks, estimated at the cost of Rs.9,484,667 related to the Abhayagiriya project included in the work plan for the year 2018 were being carried out even by 31 July 2020 and sanitary and parking facilities scheduled to be provided to local and foreign tourists, who visit the project and sanitary facilities of the students in hostels could not be provided due to the suspension of the construction of lavatories in the museum.  | Procurement activities were delayed due to non-granting of approval by the Department of Archaeology.   | Relevant projects should be started only after the completion of the preliminary work related to the activities expected to be implemented and only after ensuring that a project can be carried out without impediments.                                       |
| (f) | Even though it had been scheduled to finalize repairs necessary for preventing leakages of rain water from the roof of the Sigiriya Museum building in the year 2018 at an estimated cost of Rs.2,410,375, the said task had not been accomplished due to the inability of reaching a final agreement on the methodology of accomplishing the task. This situation was arisen due to the failure in preparing a formal estimate on the needs of the officers and the failure in identifying the tasks to be accomplished. It was also observed that the discoloured appearance in the building due to the leakages of rain water may also reduce the existing tourist attraction to the location. | Since expert advices were required, the work was temporarily suspended until advices in that regard are issued by the Faculty of Engineering of the University of Peradeniya. | According to the comments made, it is observed that only the estimate had been prepared without conducting a formal study. Since this situation is an impediment to perform the functions of the Fund, the Management should pay close attention to this issue. |
| (g) | Even though it had been scheduled to install a CCTV camera system for the Sigiriya Project in the year 2018 under an estimate of Rs. 9,560,000, this work had not been accomplished even without any justifiable reason. As a result, it was not possible to prevent possible irregularities that might take place in the issuance of tickets and to ensure the safety of antiquities and museum items and the safety of tourists.  | It was not possible to get this task started due to the changes in policy decisions from time to time regarding the installation of the camera system.                        | Management needs to pay urgent attention to take required measures for ensuring the safety in issuing tickets, safety of antiquities and items housed in a museum and the safety of tourists.   |

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| (h) | Although it was planned to implement the task of preparing the front yard of the Apsara Resource Centre in the year 2018 on an estimate of Rs. 4,975,865 and a sum of Rs. 2,694,130 had been incurred on that purpose, preparation of the land had not been completed even by 31 July 2020 as planned. As a result of that, the Fund was unable to open these buildings for the use of the tourists.  | Procurement activities were delayed as the estimate prepared for landscape activities was revised in two occasions.  | The annual goals of the work plan should be accomplished within the year as expected.   |
| (i) | Even though it had been targeted to re-erect the parts of towers of Thuparama Vatadage, which had remained and dispersed, on Salapathala Maluwa with an estimate of Rs. 6,572,500, the accomplishment of the relevant task had been abandoned by 31 July 2020 since further implementation of the project was problematic as complete parts of any of the towers were not found and it was decided that the strength of the towers had reduced.                     | It was concluded that it was not possible to accomplish the task as most parts of the towers could not be found in the identification of towers. It was proposed to properly deposit the aforementioned parts of the towers in the lower Maluwa in carrying out the conservation work of Thuparama in the year 2019. | The activities should be planned and included in the work plan after obtaining the technical reports for the activities that should be implemented on the technical instructions. |
| (j) | Although the opening of bids related to the renovation activities of the roof of the Alahana Parivana Museum estimated at the value of Rs. 4,780,000 and included in the work plan for the year 2018 was conducted on 16 July 2018, the relevant construction activities had been awarded to the Construction Company on the 02 of February 2019, after the lapse of nearly six months and as a result, the work was being carried out slowly even by 31 July 2020. | Replies have not been sent.  | Action should be taken to include the works in the work plan after the completion of the preliminary work related to the activities expected to be implemented.                   |

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| <p>(k) The Fund was unable to come to an agreement with the Department of Archaeology and with the other parties in deciding the installation of 170 metal lampposts of appropriate type from the Galvihara bend up to the exit of the Electric Lighting Project of Polonnaruwa sacred city, which was estimated at the cost of Rs. 6,704,800 and also included in the work plan for the year 2019 as well since it could not be finalized after initiating work in the year 2017 and as a result of this, this project was being operated slowly.</p>                                       | <p>Replies have not been sent.</p> | <p>Action should be taken to include the works in the work plan after the completion of the preliminary work related to the activities expected to be implemented.</p> |
| <p>(l) By the 25 of October 2019, the Contract Company had fully finalized only 212 metres of the iron fence included in the Project of constructing iron fence in Polonnaruwa Sacred City in parallel to the Colombo Habarana Highway, included in the work plans of the Fund for the years 2018 and 2019 and another 600 metres out of the estimated extent of the construction of the Iron Fence had to be completed and this work is still in progress even by 31 July 2020.</p>   | <p>Replies have not been sent.</p> | <p>Action should be taken to include the works in the work plan after the completion of the preliminary work related to the activities expected to be implemented.</p> |
| <p>(m) The construction work of 1.5 kilometre long access road that runs up to Thivanka Pilimage in Polonnaruwa had not been finalized even by 31 July 2020 as the Procurement Committee spent time up to 30 August 2019 to give approval to grant provisions amounted to Rs. 61,089,451, mentioned in the estimate for the development of the access road that runs up to Thivanka Pilimage of Polonnaruwa included in the work plan of the year 2018, to Polonnaruwa District Secretariat and as a result, the access road could not be used for transport activities of the tourists.</p> | <p>Replies have not been sent.</p> | <p>Action should be taken to include the works in the work plan after the completion of the preliminary work related to the activities expected to be implemented.</p> |

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| <p>(n) Under the Sasunodaya programme initiated in the year 2017, a sum of Rs.28.6 million had been donated during the year 2018 for the renovation activities of 84 cultural and religious places. Sixty (60) religious places or 71.4 percent of religious places, for which donations were offered, were temples in the Kurunegala District and 29.6 percent was donated to temples in the Puttalam, Ratnapura and Kandy Districts. Accordingly, it is observed that arrangements had not been made to provide donations on a systematic methodology to cover the entire island.</p> | <p>Admitted basically.</p> | <p>When donations are distributed by the Fund, a systematic methodology should be formulated and implemented to cover the entire island on a fair basis.</p> |
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## 2.5 Management Activities

Audit Observation	Comment of the Management	Recommendation
<p>(a) The expenditure incurred on overtime payments for the drivers of the Fund in the year 2018 was Rs. 2,249,248 and when the number of overtime hours is analysed, it was revealed that the drivers had served for 8 hours or more as overtime hours in addition to the daily average working hours of 9 hours.</p>	<p>Replies have not been sent.</p>	<p>The need for working overtime should be reviewed monthly and action should be taken to minimize overtime work as much as possible and to control overtime work.</p>
<p>(b) Even though the administration, management and control of the Fund were entrusted to the Board of Governors, the Board had not met in a timely manner during the years, 2018 and 2019.</p>	<p>Admitted</p>	<p>The Board of Governors should meet in a timely manner and take and execute appropriate management decisions in order to achieve the objectives of the Fund effectively and efficiently.</p>
<p>(c) The brick testing machine, which was purchased at Rs. 392,400 for the Abhayagiri Project in the year 1999 has currently become inactive as it was being installed</p>	<p>Replies have not been sent.</p>	<p>The resources of the organization must be used efficiently and effectively.</p>

from time to time without any care on its safety. Therefore, an additional cost had been incurred for examining bricks from external institutions and action had not been taken to repair the machine. The machine had not been included in reports on verification of goods conducted in 2018.

(d) Since the Fund had not placed the Alahana Parivena restaurant in a place clearly visible to the tourists, the restaurant constructed by the Fund at an expenditure of Rs. 6,268,387 was kept closed without using it to meet food and beverages needs of local and foreign tourists even by 25 October 2019.

Replies have not been sent.

When incurring expenditure on assets, the responsible officers must pay their attention on its productivity.

(e) The two parties had entered into a Memorandum of Understanding bearing No. ED/10 NH/03/02/01/07 of 16 June 2016 to transfer the supervisory activities of "Ape Gama", which had been under the supervision of the Ministry of Education, to the Central Cultural Fund. According to the agreement, action had not been taken even by June 2020 to formally receive all the buildings and goods of 'Ape Gama'.

Replies have not been sent.

Arrangements should be made to duly receive all the buildings and goods of "Ape Gama" from the Ministry of Education.

(f) Since the Fund had not conducted a feasibility study on the issuance of e-tickets via the Internet, e-tickets are currently issued online only through the Sigiriya Project and as a result, other projects have failed to issue e-tickets even by June 2020.

Issues have arisen due to several shortcomings occurred in the development of software by the ICTA institution. It will be possible for the institution to expand the programme for other projects in the future.

Prior to the commencement of a project, a feasibility study should be carried out to properly identify the project objectives, functions, relevant time frame, responsible parties, human and physical resource requirements and the costs to be incurred and the system should be implemented to cover all such aspects.

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| (g) | Arrangements had not been made by the Fund even by June 2020 to recruit a staff with knowledge in Information Technology to function in terms of paragraph 2.2 of the Public Finance Circular No. 447 of 20 November 2010.  | These posts will also be included in the proposed scheme of recruitment and action will be taken to recruit persons for those Posts.   | A staff with knowledge in Information Technology should be employed by the Fund for the proper implementation of an e-ticketing system via the Internet.   |
| (h) | According to the Cabinet decision No. CP/11/0169/555/004 of 10 February 2011, it is required to provide 25% of the revenue of the Fund to the Ministry of National Heritage for the maintenance and management of archaeological sites. However, only Rs. 1,151 million had been provided to the Ministry even though a sum of Rs. 1,896.1 million had to be provided to the Ministry out of the revenue earned from selling tickets in the years 2018 and 2019.      | The Ministry of National Heritage has instructed to provide only the funds actually spent on projects. Provision of 25 percent has become problematic in the year 2019 as revenue had fallen due to the Easter attacks in the year 2019. | According to the Cabinet Memorandum No. CP/11/0169/555/004 of 10 February 2011, 25 per cent of the revenue earned by the Fund should be given to the Ministry for the maintenance of archaeological sites.   |
| (i) | Although the Fund can give assistance for ceremonies and festive processions in religious places in terms of the Fund Act, the Fund had not introduced any systematic methodology for this purpose. Therefore, cheques drawn in favour of Divisional Secretaries had been handed over to the staff of the Line Minister on 13 occasions for the above activities without any basis or without an estimate on the financial necessity and the value was Rs. 4,250,000. | The procedure followed so far is to submit the request letters to the Director General after they are forwarded to the Office of the Minister requesting assistance for festive processions and cremation ceremonies.                    | Since this is a grant provided by the Fund by virtue of the powers vested on it, action should be taken by the Fund to provide such assistance through donations. Arrangements should be taken expeditiously to formulate a systematic methodology for such donations. |
| (j) | In 2017, the Fund had selected the Terminal "D" located in the fourth Floor of Sethsiripaya Phase II, on lease basis, without following the procurement process to conduct the Head office of the Fund until the renovation activities of the Head Office of the Fund are completed.  | I agree with the observation. Repairs could not be started as the land does not belong to the Fund.  | Action should be taken to follow the procurement process to select the most optimal solution by evaluating alternative opportunities with the minimum cost and in a qualitative standard and action should be taken to   |



Accordingly, amounts of Rs. 17,311,809 and Rs. 13,067,655 had been paid by the Fund as the rent of the building, charges for sanitary activities and electricity charges respectively for the year 2018 and up to the 30 of September 2019. The Fund had failed to commence renovation activities of the Head Office even by July 2020.

settle the ownership of the land or to obtain a transfer license.

- (k) This programme called “**Sisu Daham Sevana**” was launched in the year 2019 to construct and donate 332 Dhamma School buildings at the estimated cost of Rs. 3 million (without VAT and Administrative Expenses) per one building in order to cover the entire island and representing all the religions. It was planned to construct Dhamma School buildings according to similar building plan on the approval of the Board of Governors granted on 15 March 2019 and the estimated cost of this programme was Rs. 1,140 million according to the Budget of the year 2019. The estimate prepared by the Department of Buildings had been approved by the Secretary of the Line Ministry. The Fund had entered in to Modes of Understandings under each phase and Conditions, such as no need to check bills, no need to obtain bonds / securities, in case it is not possible to finalize constructions within the prescribed period, the period of construction will be extended without deducting payments, had been included in the Agreements.

Replies have not been sent.



(i) Although the approval of the Board of Governors was obtained for doing these constructions only from the institutions, under the purview of the Ministry, action had not been taken to obtain the approval of the Cabinet Appointed Procurement Committee for this purpose in accordance with 2.14.1 of the Procurement Guidelines.	Replies have not been sent.	According to the provisions of the Procurement Guidelines, the approval of the Cabinet Appointed Procurement Committee should be obtained for the relevant purpose.
(ii) Construction activities of 298 Dhamma School buildings have been commenced as per the above estimates under three phases and Rs. 753.5 million had been paid as advances to 03 institutions under the purview of the Ministry, namely, Rs.121.5 million to the Department of Buildings, Rs. 353.3 million to the State Development and Construction Corporation and Rs. 278.7 million to the State Engineering Corporation had been paid by 30 October 2019.	Replies have not been sent.	It is the responsibility of the Management to obtain the relevant authority before commencing a development project and to achieve the objectives of the project.
(iii) Even though only 45 buildings out of 298 buildings awarded for construction activities mentioned above were handed over to the Fund after finalizing the construction activities by 30 May 2019, it was observed that action had not been taken by the Fund to receive the rest of 253 buildings, which should be handed over at the most by 30 October 2019 after finalizing the constructions although 29.2 per cent to 94.6 percent of the estimated value had been paid for the rest of the buildings. It was observed that the Fund could not take formal action against certain buildings, which had not been	Replies have not been sent.	It is the responsibility of the Management to achieve the objectives of the project and to enter into Agreements, which make construction companies liable to accomplish Conditions of the Agreements and to get certificates from an officer who is responsible for the work done.

<p>constructed according to the prescribed standards, out of the buildings handed over to the contractor due to the shortcomings detected in the Modes of Understanding related to the construction activities.</p>	<p>Replies have not been sent.</p>	<p>The Fund shall act in terms of the Act.</p>
<p>(iv) The criteria for selecting Dhamma schools and the methodology used in determining the number of Dhamma schools had not been submitted to the Board of Governors for approval.</p>	<p>Replies have not been sent.</p>	<p>The Fund shall act in terms of the Act.</p>
<p>(v) The construction of buildings had not been completed and the buildings had not been handed over to the Fund. It was observed that this project had been implemented without a proper study and without studying the proper requirements as certain buildings had been used for other purposes, some buildings had not been used for any purpose, buildings were constructed without making requests from the Fund and buildings were constructed apart from the lists of request letters sent by the Divisional Secretaries.</p>	<p>Replies have not been sent.</p>	<p>Taking action against the relevant officers for not managing the moneys of the Fund effectively by implementing the project without doing a proper study on the needs.</p>
<p>(l) Even though the construction activities of the lavatory system near the Museum of the Alahana Parivana Project had been commenced on 16 January 2016, it was found at the physical examination conducted on 25 October 2019 that lavatory accessories were not installed and water and electricity connections were not provided and construction work had been halted although about 85 per cent of the work that should be completed inside and outside the toilet</p>	<p>Replies have not been sent.</p>	<p>It is the responsibility of the Management to achieve the objectives.</p>

system had been completed and as a result, the amount of Rs. 7,262,168 incurred in this connection had become an idle expenditure. This task had not been accomplished even by 31 July 2020.

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| (m) | Action had not been taken to strengthen the internal control in printing tickets for foreign tourists by following secured methodologies for maintaining minimum safety precautions for the prevention of the fraudulent circulation of tickets, such as the use of secured paper, the use of watermarks or using a secured seal, the safe numbering and perforation and printing with counterfoils. | Replies have not been sent. | A very strong internal control system must be established and implemented in relation to the ticket printing process, which has a value similar to money and has a risk of undergoing frauds. |
| (n) | Arrangements had not been taken to recover tax arrears of Rs. 652,500 from the restaurant that belonged to the Sigiriya project for the period starting from 15 March 2019 to 14 August 2019. Water was obtained for the restaurant through the water metre obtained for the Sigiriya Project and a separate water metre had not been installed for the restaurant.                                  | Replies have not been sent. | Action should be promptly taken to collect the arrears of tax revenue that should be received to the Fund and a separate water metre should be installed for the restaurant.                  |

## 2.6 Management of Money

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
(a) Action had not been taken in terms of FR 392 (c) in relation to the Cheques valued at Rs. 22,151,181 that had been cancelled in December 2018 according to the Cash Book.	Action will be taken in the future to minimize the shortcomings.	Action should be taken in terms of FR 392 (c) pertaining to the Cheques that were cancelled.

(b) A record of all cheques sent by post showing the particulars in respect of each cheque had not been maintained in terms of FR 388 (1).	Action should be taken to maintain a record of all cheques sent by post showing the particulars in respect of each cheque in terms of FR 388 (1).	A detailed record of all checks sent by post should be maintained in terms of the Financial Regulations referred.
(c) Action had not been taken in terms of FR 396 (b), (c) and (d) in relation to 13 uncashed cheques, amounting to Rs.91,402 according to the Bank Reconciliation Statement as at 31 December 2018.	Action will be taken in terms of the Financial Regulations in the future.	The Fund shall act in terms of FR 396 (b), (c), (d) on uncashed cheques.
(d) The Head office of the Fund had not used cheques in the reimbursement of the project expenditure and had instructed the Bank in that regard through letters signed by the Accountant, Assistant Accountant, Director (Administration and Human Resource Development), Accounts Officer of the Fund and a sum of Rs. 119,565,582 had been transferred only within December 2018. However, the approval of the Board of Governors had not been obtained to make such payments by giving instructions to the Bank without issuing cheques.	Action will be taken to obtain the approval of the Board of Governors for this purpose.	The approval of the Board of Governors should be obtained to make such payments by giving instructions to the Bank without issuing cheques and strong internal control methods should be followed and implemented in that regard.

**2.7 Assets Released to External Parties**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) The brick testing machine owned by the Tissamaharama Project was carried to the Anuradhapura Army Camp in April 2015 on temporary basis and it had not been taken back to the Fund even by January 2019.	Replies have not been sent.	Action should be expeditiously taken to recover the assets released to external parties.

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| (b) Even though 19 corrugated sheets and 01 tent cloth had been given to Debarawewa Divineguma Community Based Bank Society in the year 2011, it had not been taken back even by 07 <sup>th</sup> of January 2019.   | Replies have not been sent. | Action should be taken without delay to recover the assets released to external parties. |
| (c) One thousand four hundred and fifty-five (1455) GI pipes and 2,150 couplings were provided to construct Sandahiru Seya and 1000 GI pipes and 1000 couplings were provided to construct Pottuvil Sea Temple and 250 GI pipes and 500 couplings were provided to construct Sri Maha Bodhi Yoga Ashram. The goods had not been taken back even by the 07 of January 2019. | Replies have not been sent. | Action should be taken without delay to recover the assets released to external parties. |

## 2.8 Management of the Staff

----- <b>Audit Observation</b> -----	----- <b>Comment of the Management</b> -----	----- <b>Recommendation</b> -----
(a) It was confirmed in the examination of the process adopted by the Fund for the examination of leave, lieu leave, short leave taken in project offices, computation of salaries, times of arrivals and departures, debugging errors when the finger print machine becomes inactive and in submitting reports that there had been no proper coordination and proper supervision between the Head office of the Fund and the projects.	Replies have not been sent.	In the administration of the staff, good coordination and proper supervision should be done between the Head office of the Fund and the projects.
(b) Although new appointments to the approved cadre should not be made without the formal approval of the Department of Management Services in accordance with paragraph 04 of	Replies have not been sent.	New posts should not be created in addition to the approved cadre without the formal approval of the Department of Management Services.

the letter of the Department of Management Services bearing No. DMS/E1/54/9/241 of 21 July 2011, 05 Provincial Assistant Directors had been recruited with the approval of the Board of Governors dated 08 August 2017 and salaries were paid at the rate of Rs.45,930 per month with the approval of the Board of Governors.

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| <p>(c) There were 541 vacancies as at 31 December 2018 comprised of 14 Posts out of 16 senior level posts (including the post of Director General), 12 Posts out of 46 tertiary level posts, 64 Posts out of 478 secondary level posts and 451 out of 2468 primary level posts and there were 184 additional Posts comprised of 2 tertiary level posts, 97 secondary level posts, 40 primary level posts and 45 other posts. The approved cadre of the Fund as at 31st December 2019 was 3008 and there were 665 vacancies as at that date comprised of 11 senior level posts, 20 tertiary level posts, 136 secondary level posts and 498 primary level posts.</p> | <p>I agree with the status prevailed as at 31 December 2018.</p> | <p>Action should be taken to fill the vacancies required for the efficient functioning of the institution and to avoid unnecessary recruitment of the staff. comments were not made for the status prevailed as at 31 December 2019.</p> |
| <p>(d) A systematic scheme had not been followed to recruit persons for the posts. In the year 2018, persons were recruited for 87 approved posts on contract basis without giving a justifiable reason and 139 were recruited on contract basis exceeding the number of approved posts. Also, recruitments had been made for 45 posts which were not in the scheme of recruitment.</p>  | <p>Agreed</p>  | <p>Action should be taken to prevent additional recruitments to the approved cadre without obtaining the formal approval of the Department of Management Services.</p>   |

<p>One hundred and four (104) persons were recruited for 05 approved posts on contract / acting / attending to the duties basis exceeding the approved number of approved posts and 123 persons were recruited on casual / contract / acting / attending to the duties basis for 16 approved posts even though recruitments for approved posts should be made on permanent basis and 1492 persons had been recruited on contract basis, district basis and trainee basis for 07 posts (posts not approved) extraneous to the approved cadre as at 31st December 2019.</p>	<p>Replies have not been sent.</p>	
<p>(e) Salaries amounting to Rs.1,060,521 had been paid from 21 June 2017 to 31 May 2018 to an Officer recruited on contract basis for the post of Director (Religious), which is not an approved post of the Fund.</p>	<p>Agreed. Currently, The officer is not employed in the service.</p>	<p>Action should be taken to prevent additional recruitments made to the approved cadre without obtaining the formal approval of the Department of Management Services.</p>
<p>(f) Even though the approval was obtained at the 203<sup>rd</sup> meeting of the Board of Governors of the Fund held on 08 August 2017 to formulate a new scheme of recruitment for the Central Cultural Fund and the task of formulating a new Scheme was handed over to a Committee in June 2017, the activities had not been completed even by July 2020.</p>	<p>Replies have not been sent.</p>	<p>New schemes of recruitment and promotion should be prepared and action should be taken to obtain the approval of the Department of Management Services and to streamline the recruitments.</p>
<p>(g) The Board of Governors of the Fund had granted approval on 17 October 2017 to recruit 3,401 employees comprised of 2,271 Archaeological Assistants (Workers) and 1,130 Security Guards for the Department of</p>	<p>Agreed</p>	<p>Measures should be taken to avoid recruitment to any other government department or institution.</p>

Archaeology although no provision has been made for recruiting employees for any other Government Department or Institution. Accordingly, the total number of employees recruited as at 31 December 2018 was 1,089 including 713 Archaeological Assistants (Workers) and 376 Security Guards. A sum of Rs.479,356,993 had been paid as salaries and wages to those employees and a sum of Rs.582,188,826 had been paid as salaries and wages for 1415 comprised of Archaeological Assistants (Workers) and Security Guards as at 31 December 2019.

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| (h) | It was observed that 13 officers employed in the Polonnaruwa project have been continuously working in the same project for a period of 20 to 26 years and 12 of them were security guards and the other female officer was a Chief Ticket Seller.  | Replies have not been sent. | The Management should be responsible for the proper implementation of the annual transfer policy to strengthen the internal control process of the Fund. |
| (i) | An officer had been appointed for a Post of Project Coordinating Director, which was not included in the Scheme of Recruitment of the Fund and a sum of Rs. 111,188 had been paid to this officer as salary and allowances from 11 of February 2019, the date of recruiting this officer, up to 30 of April 2019. | Replies have not been sent. | Should function in compliance with the provisions of the scheme of recruitment.  |



## 2.9 Internal Audit

----- <b>Audit Observation</b> -----	<b>Comments of the Management</b> -----	<b>Recommendation</b> -----
The approved cadre of the Internal Audit Division of the Fund, which has a large number of employees and projects, is 04 and an Internal Auditor on acting basis and two audit officers, out of the approved cadre were only employed in the Division at present and 05 Management Assistants were also employed in the Division. Accordingly, it was observed that a sufficient number of internal audit officers had not been attached to the Division to cover up the scope of the institution.	Replies have not been sent.	An adequate staff should be attached to the Internal Audit Division to cover up the scope of the institution.