Central Cultural Fund - 2021

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1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Central Cultural Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report 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 anopinion on the effectiveness of the 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. However, future events or conditions may cause 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
Even though the actuarial method should be applied in the calculation of the employee benefit obligation	Although the employee benefit had been recalculated by using the actuarial method too for year 2022 and 2023, adjustments had not been	The actions should be performed in compliance with the terms of the standard.

of the entity as per Sri Lanka Public Sector Accounting Standard19, the actuarial method had not been used in the calculation of the provision for the gratuity of Rs. 734,616,449 as at 31 December 2021.	made to the accounts due to the relevant final accounts had been prepared by then and it had been informed that the calculation of employee benefit had been carried out by using the actuarial method in 2024 and the adjustments had been made in the accounts accordingly.

1.5.2 Accounting Deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	An amount of Rs. 2,387,291 had been paid in 2021 for the services provided by the Sri Lanka Red Cross Society in relation to the year 2020 but deficit in the year under review had increased by Rs. 2,387,291 due to that amount had been identified as an expense in year 2021.	It had been informed that steps are taken to accurately identify and account the expenses related to current year.	Expenses related to the year should be accurately accounted.
(b)	Even though the fixed deposit interest income was Rs. 305,496,556 of year 2021 in accordance with the calculation carried out by the audit, it had been taken as Rs. 321,580,535 to the statement of financial performance and consequently, the interest income in the year had been overstated by Rs. 16,083,979.	It had been informed that the action will be taken to adjust in the current accounts having further examined the error of accounting of fixed deposit interest income.	The income related to the year should be accurately accounted.
(c)	The balance of Stationary Expenses Account had been taken a credit amount due to the amount worth of Rs.28,182,730 had been credited to the Stationary Expenses Account and debited from Consumables Stock Account under the Journal Entry and evidence were not made available to prove to the audit to verify what the transaction had been accounted there.	This stock balance includes not only the stationary but maintenance items also. It had been informed that, this fault is corrected from year 2022	Relevant clarifications should be included in Journal Entries.

1.5.3 Documentary Evidence not made available for audit

	Subject	Amount Rs.	Audit evidence not provided	Comments of the Management	Recommendation
(a)	Miscellaneous debtor balance	2,152,046	Debtor register, detailed schedules	It had been informed that this balance includes outstanding debts from before 2010 and it had been stated that the files containing that information are difficult to find at present.	Relevant written proof should be submitted to prove the balance.
(b)	Closing Stock Balance	137,823,318	Stock documents, stock valuation sheets,	It had been informed that a summary report related to the balance of Rs.137,823,318, which was stated as the stock balance as at 31.12.2021 had been presented herewith.	Only the rupee value of the stock has been recorded and the stock unit quantities have not been indicated. Relevant evidence should be submitted to prove the stock balance.
(c)	Works in progress	204,098,088	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 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)	Balance payable to Road Development Authority	25,169,515	The details to verify as payable balances	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.

(e)	The Challengerlanka account balance which have been lasting for 5 years, is listed under Long-term receivables	1,382,054	Detailed schedules	This advance payment is a payment made on 28.03.2001 to the contractor company assigned the job of development the internal access road in the Polonnaruwa Archaeological Complex by laying gravels. A case is proceeding in the Colombo Commercial High Court in this regard under the case number HC/ARB/189/2012.	Schedules should be submitted as adequate to the audit.
(f)	and the Court deposit balance,	44,533			
(g)	Doubtful debt provision balance during the year under review	3,395,573	Relevant Information as calculated	This doubtful debt provision balance of Rs.3,395,573 is not a doubtful debt provision balance in the current year and this balance includes the total of doubtful debt provision 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

1.6 Accounts Receivable and Payable

1.6.1 Advances

Audit Observation	Comments of the Management	Recommendation
The outstanding balance of advance as at 31 December 2021 was Rs. 323,547,534, out of the advances which had been granted to external parties and contractors by the Fund's officers for the	It had been informed that the necessary steps would be taken to check the loan balances exceeded 05 years and to settle the advance payments.	The information related to unsettled advance should be submitted for the audit.

execution of activities of the projects under the Fund. Rs. 16,237,849 out of this amount had been remained outstanding more than 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.		

2. Financial review

2.1 Financial result

The operating result of the year under review amounted to a deficit of Rs. 18,991,623 and the corresponding deficit in the preceding year amounted to Rs. 227,868,487. Therefore, an improvement amounting to Rs. 208,876,864 of the financial result was observed. The reasons for the improvement were mainly attributable to increase printing income and Government grants d by Rs. 2,317,696 and Rs. 460,450,000 respectively and decrease the salaries and wages, gratuity expense, supply and consumption expense, fixed asset repair expense, contractual service expense, bonus expense and other expenses were Rs.151,602,358, Rs. 41,238,968, Rs. 96,864,336, Rs. 10,258,104, Rs. 29,761,676, Rs. 33,058,725 and Rs.147,987,820 respectively.

3. Accountability and Good Governance

3.1 Submission of Financial Statements

Audit Observation	Comments of the Management	Recommendations
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, the financial statements for the year 2021 had been submitted on 15 July 2025 after a delay of almost 4 years and 6 months and the draft performance report had not been submitted.	It had been reported that there were continuous delays due to the delay in submitting the financial statements for audit since year 2018.	The financial statements should be submitted as per the circulars.

3.2 Tabling of the Annual Performance Report in Parliament

Audit Observation	Comments of the Management	Recommendations
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 related to years 2018, 2019 and 2020 had not been tabled in Parliament by 31 December 2025.	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.	Action should be taken according to the circular.