

Head 208 – Department of National Museums

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Department of National Museums for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended, 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 including my comments and observations on the financial statements submitted to the Department are mentioned in this report in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018. Detailed Annual Management Audit Report relating to the Department in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 03 May 2021. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

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 of National Museums as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with generally accepted Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the basis of the information mentioned in chapter 1.6 of this report

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

1.3 Responsibilities of 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 determine 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 skepticism 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with the Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters 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 (I) (d) of the National Audit Act, No. 19 of 2018.

- (a) Financial statements are consistent with the preceding year.
- (b) The recommendations I had made in relation to the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

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

Audit Observation	Comments of the Accounting Officer	Recommendation
The unpaid Loan balance to 31 December 2019, Rs 50,741 of an employee who had left the service on 30 July 2019 had been mentioned as the loan balance of a transferred employee.	This has been mentioned by mistake.	The loan balances in arrears should be mentioned following the correct categorization in the Reconciliation Statement.

(b) Property Plant and Equipments

Audit Observation	Comments of the Accounting Officer	Recommendation
The cost of lands and buildings had been identified and accounted as Rs.10,000,000,000 and 800,000,000 respectively based on valuation report obtained in 2013. Although 07 years had lapsed following the valuation of this property, action had not been taken to account true values following a revaluation being done on this property.	In future, action will be taken to value property following inquires made from the Government Accounts Department.	Since property values are old, they should be updated.

(C) Failure to Maintain Books and Registers

Some of the following registers had not been maintained by the Department, and it was observed at audit test checks that certain registers had not been maintained properly and in an updated manner.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Register of Fixed Assets		
A Register of Fixed Assets had not been maintained in terms of Treasury Circular, No. 842, dated 19 December 1978 / Appendix 11 in terms of Financial Regulation 502 (2).	Instructions have been received to update .	A Register of Fixed Assets should be maintained with the concurrence obtained from the Auditor General in terms of Treasury Circular, No. 842, dated 19 December 1978 / Appendix 11 in terms of Financial Regulation 502 (2)
(ii) Security Register		
A Security Register had not been prepared in respect of Officers who are required to give security in terms of Financial Regulation 89(1)	Instructions have been given for preparation.	A Security Register should be maintained in respect of officers who are required to give security including the information mentioned in the Financial Regulation 89(1)
(iii) Inventories of Electrical Fittings		
No Inventory of Electrical Fittings had been maintained in terms of Financial Regulation 454(2).	under preparation.	An inventory should be maintained in respect of all electrical fittings and electrical equipment of Government buildings in terms of Financial Regulation 454 (2).
(iv) Register of Debtors and Creditors		
Register of Debtors and Creditors had not been maintained in terms of Guideline No 04 of the Government Financial Circular No 2/2020 dated 28 August 2020.	instructed to prepare as shown.	Should follow Circular instructions..

(D) Lack of Audit Evidence

Audit Evidence has not been made available in in respect of the following transactions.

	Observation -----	Comments of the Department -----	Recommendation -----
(i)	Cheques to the total value of Rs 1,856,987 had been issued on 31 Decenber 2016 to a private institution using an account maintained in a Government Bank. This cheque had realized on 02 March 2018 after a long delay of 14 months. No written explanations required for inquiring into the reasons behind the long delay of realization of the cheque had been submitted for the audit.	No comments had been made.	Information requested by the audit should be submitted.
(ii)	A stock of 04 variaties of goods including Tonners,Fax Rolles and Printer Master Rolles had been stored without being used and information such as the date of purchasing of this stocks and value of them had not been submitted for the audit.	Instructions have been given to use them.	Information related to stock management should should be submitted.

(E) Assurances to be Made by the Accounting Officer

As per the provisions of the section 38 of the National Audit Act No 19 of 2018, although the Accounting Officer should have given assurances in respect of the bellow mentioned facts, no such action had been taken.

Observation	Comments of the Department	Recommendation
The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the Department and periodic reviews are carried out to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out. Such reviews should be carried out in writing, and a copy thereof should be furnished to the Auditor General. Nevertheless, no statements were made available to the Audit to ensure that reviews had been carried out in that manner.	No comments had been made.	Action should be taken as per the provisions in Section 38 of the National Audit Act No 19 of 2018.

(F) Non- confluence with Laws, Rules and Regulations

Observation	Non-compliance	Comments of the Accounting Officer	Recommendation
Reference to Laws,Rules and Regulations ----- Government Financial Circular No 01/2014 dated 17 February 2014.	Non-compliance ----- Orgernizational Structure,Approved Cadre, Advance Cash Requirement Plan, Budget Report, Procurement Plan and Internal Audit Plan which are to be included in the Action Plan had not been included in it.	Comments of the Accounting Officer ----- Plan 2021 has been correctly prepared in terms of Circular No 2/2020.	Recommendation ----- Action Plan 2020 should be prepared interms of circular insructions..

(g) **Irregular Transactions**

Transactions Done without Authority

Audit Observation	Comments of the Accounting Officer	Recommendation
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The Department had given a building to the Handloom Board on lease for a period of 10 years from 10 August 2011 to 31 July 2021. The Board had carried out the renovations of the building without the approval of the Department and the Board had taken steps to obtain a Cabinet decision to get the lease period extended up to 35 years without obtaining the concurrence of the Department. Expenses such as Rates and Water Bill Charges for this building had been paid by the Department and the total value of the rent in arrears owing to the Department to the date 31 December 2020 amounted to Rs 66,194,051. No action had been taken to recover this income in arrears, manage and preserve the assets belonging to the Department and settle this irregular transaction.	The institution has given an in depth explanation. It has been mentioned that action will be taken after inquiring into this matter.	Action should be taken to recover the rent owing to the Department in respect of this building and to preserve the building and to utilize it for a useful purpose.

2. Financial Review

2.1. Expenditure Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) 78 per cent of the estimated ammended provision under current object 01 had been saved.	Rs. 06 million had been granted through the ammended estimate November 2020. Such provisions could not be spent within one month.	Action should be taken to carry out the related activities utilising the estimated provisions.

- (b) 42 per cent and 32 per cent respectively were saved at the end of the year, out of the capital provisions allocated for 02 capital projects in the year under review
- It was not possible to spend this provision due to the reason that it was not possible to get the preliminary activities done from the Central Engineering Consultancy Bureau.
- Utilise the obtained provisions for the related capital projects.

2.2. Operation of Bank Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
Actions had not been taken in terms of Financial Regulation 396 (d) in respect of 21 cheques of which over 06 month value totalling Rs354,314. issued by the Department but not submitted for payment.	Instructions have been given to have the dates of the cheques extended.	Action should be taken in terms of the Financial Regulation.

3. Operational Review

3.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
It was not possible to observe the progress of execution of the plans due to the non division of the total cost for each activity, non identification of indexes for measuring the progress of reaching the targets and non submission of Aggregate Performance Report depicting the progress of carrying out activities in 2020.	Answers not given.	Plans and performance reports should be prepared in such a way that makes it possible to measure the progress.

3.2 Delays in Carring out Projects

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The estimated value of the construction of the water tank excluding taxes, related to the establishment of the Fire Extinguisher System at the Head Office of the Department was Rs.18,676,148. Entering into the agreement for this project had taken place on 26 September 2016 and the work was to be completed on 26 December 2016. The progress of the constructions assigned to the Government Engineering Cooperation was 40 per cent at the end of the year 2020.	Accepted.	Action should be taken to carry out the delayed projects as planned.
(b) An agreement had been signed on 30 November 2015 for the construction of an office building including a conference hall at a cost of Rs 22,509,349 for the Magam Ruhunupura Haritage Museum in Hambantota. A sum totaling Rs 18.09 million had been paid for this project which was sheduled to be completed on 30 April 2016 and construction works had not been complted even by 31 December 2020.	Accepted.	Action should be taken to carry out the delayed projects as planned.
(c) An agreement had been entered into with the Government Engineering Cooperation in 2019 to conserve and renovate the	Accepted	Action should be taken to carry out the delayed projects as planned

Dutch Museum at a cost estimate totalling Rs.97,259,127. The time period for this task had been extended till 31 December 2020 which was to be completed on 01 May 2020 for which budgetary provisions were to be obtained in 2020. Although a sum totalling Rs.30,001,964(inclusive of tax) had been paid to the date 31 December 2020,works of this project had not been completed even by March 2021.

- (d) The contract for the renovation of the Fish,Reptiles and Amphibians Enclosure of the zoological section of the National Museum at a cost totalling Rs.3,321,300 had been given on 01 October 2019 to a private construction company. Evidence had not been submitted to the audit to the effect that the work was completed by March 2021 for which the time period had been extended till 15 December 2020
- Work has been completed by now.. Action should be taken to carry out the delayed projects as planned.

3.3 Procurements

Audit Observation	Comments of the Accounting Officer	Recommendation
As per the chapter 4.2.1 of the Government Procurement Guidelines , although procurement activities envisaged at least for a period of three years should be listed in the Master Procurement Plan	Noted for taking action in the preparation of future plans.	Action should be taken as per Procurement Guidelines .

by a Government institution, the Department had not prepared the Master Procurement Plan accordingly.

3.4 Assets Management

The following observations are made.

Audit observation	Comments of the Accounting Officer	Recommendation
(i) Although letters have been exchanged with various Government Institutions to have the ownership transferred to the Department of the land containing in extent of 4,6317 hactares wherein located the Colombo National Museum and other lands wherein located 07 divisional museaums, it had not been possible to obtain the ownership of such lands even by March 2021.	Not answered	Lands belonging to the Department should be transferred in its name.
(ii) Although physical survey should have been done on artifacts displayed at museums of the Department and reports submitted for the audit, such final reports had not been submitted for the audit following the carrying out of sueveys after 2018.	Action is being taken to carry out a survey in 2021.	Reports should be submitted following the surveying of display items.

3.5 Loses and Damages

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the estimate prepared in connection with the value of the artifacts that went missing at the incident took place on 17 March 2012, value of	Not answered.	Protction and reobtaining of these artifacts and taking action regardiding missing artifacts should be done in terms of Financial Regulations.

such artifacts was 48 million. The Department had not been able to obtain these artifacts due to the non-conclusion of legal proceedings and accordingly the Department could not identify the deficit between the missing artifacts and the discovered artifacts and the value thereof and the necessary adjustments also had not been done. No revelation had been made in financial statements in this regard.

3.6. Management Deficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The loan amount totalling Rs.1,131,500 was owing from the officers who have vacated posts to the date 31 December 2020. The management had not taken action to recover the lapsed premiums in terms of Guideline No 1(E) paragraph of Government Financial Circular No 01/2020 dated 28 August 2020</p>	<p>Action is being taken to recover the lapsed loans.</p>	<p>Action should be taken to recover the lapsed loan balances in terms of circular instructions.</p>

4. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The number of vacancies existed related to 47 approved types of posts was 137 to the date 31 December 2020 and accordingly, there was a shortage of 29 employees. Management had not taken action to fill these vacancies.</p>	<p>Not answered.</p>	<p>Employee shortage should be bridged and should strive to achieve the objective of the Institution.</p>