

Head 208 – Report of the Auditor General on the Department of National Museums - Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No. 32 of 2017 were presented to Audit by the Department of National Museums. The financial and physical performance reflected by those account and the reconciliation statement were audited in terms of Article 154(1) of the constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility on the Financial Management and Accountability of the Chief Accounting Officer and Accounting Officer.

The Minister of Finance is charged with the raising of Revenue and the collection of Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Minister of Finance appoints the Chief Accounting Officers to discharge above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of the Department of National Museums – Head 208 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, applying of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review will be issued in due course. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.4 Audit Observation

The material and significant audit observations out of those observations revealed in audit of the Department of National Museums for the year ended 31 December 2017 were mentioned in paragraph 2.1 to 2.15 of this report. The audit observations revealed in the execution of accountability as the Chief Accounting Officer and Accounting Officer in accordance with provisions of the Financial Regulation 128 of the Democratic Socialist Republic of Sri Lanka, to ensure the adequacy of the financial administration are summarized and shown in the undermentioned table.

Accountability of the Accounting Officer in terms of Financial Regulation 128	Non-compliance with that Provision by the Accounting Officer	Reference to the Paragraph of the report included Observation
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Financial Regulations -----		
128(1)(a)	The work of his department is planned and carried out with due dispatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorized, and that an endeavour is made to complete the programme of work laid down for the year and /or to attain the targets specified.	1. Non-preparation of Action Plan. 2.1.1 2. Non-achievement of Procurement Activities sufficiently. 2.2.1 3. Non-maintenance of records and books. 2.11 4. Non-attainment of expected output 2.1.2
128(1)(b)	The organization for financial control and accounting in his department is effective, and provides adequately for the correct ascertainment, where necessary, of dues to Government, the systematic, complete and prompt collection of dues, and bringing to account of monies received, the authorization of commitments on behalf of the Government, the supervision and examination of services and supplies rendered, and the prompt and correct payment therefore from public funds.	Deficiencies in implementation of Procurement Process 2.2.2

128(1)(c)	The Financial Regulations and other supplementary instructions of the Government are adhered to in his department, and that they are supplemented by departmental instructions, where necessary.	Non- compliance	2.12
128(1)(d)	An adequate system of internal check for receipts, payments and issues is maintained and tested from time to time.	Deficiencies in Advances to Public Officers Account	2.8
128(1)(e)	Adequate and proper arrangements are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time and, where they are disposed of, such disposal is according to prescribed Regulations and instructions.	Deficiencies in assets management.	2.3
128(1)(i)	The activities of his department are undertaken with due regard to economy, efficiency, propriety and integrity expected in the transection of public business.	1. Management Weakness. 2. Irregular transections.	2.6 2.4
128(1)(o)	The procedure laid down in Financial Regulations 103 to 108 is adhered by Accounting Officer in case of losses to Government by the delays, negligence's, faults or frauds on the part of officers/employees and surcharges are imposed on officers/employees responsible for such losses in terms of Financial Regulation 156(1). (His duty is specially imposed of adequate instructions for take care)	1. Non-receive of revenue receivable to the government from assets. 2. Non-obtain of Securities from officers' custody with money.	2.3(b) 2.15

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Plaining

The Action Plan for the year 2017 had not been prepared according to Public Finance Circular No. 01/2014 dated 17 February 2014. However, the following deficiencies were observed relating to the Action Plan had been prepared.

- (a) The Action Plan had not been prepared as per execution of expected major functions.
- (b) The details about approved Cadre, actual Cadre and updated Organization Structure of the Institute for the year under review had not been presented with the Action Plan.
- (c) The Activity Plan prepared according to priorities base on Annual Budget relating to the year under review, Operative Time Line and output/outcome of the expected activities had not been estimated and mentioned.
- (d) The Imprest Requirement Plan for annual activities had not been presented with the Annual Action Plan.

2.1.2 Non-execution of Activities

Expected output level not achieved

Although estimated total sum of Rs.19,031,511 had paid during the year 2016 to the Engineering Corporation for build a water tank to the Department of Museums, the function of completion of water tank have to be finished during the months of May 2017, had not been finished until month of August 2018.

2.1.3 Achievement of Sustainable Development Goals

All public sector institute should act in according with the Sustainable Development 2030 “Agenda” of the United Nations and the Department had been aware how to act with the functions under their own scope. The following observations are made in this connection.

- (a) Even though existence of accurate data base is compulsory for measure accurate performance of certain action, the Department had been failed to bear an accurate data base to measure achievement of Sustainable Development Goals.
- (b) The evidences had not been found that campaigns were made by join with other public Institutions in preparing to achievement of Sustainable Development Goals.

2.2 Supplies and Services obtained through Procurement Procedure

2.2.1 Planning of Procurements

The provisions amounted to Rs.51.8 million had been made available to the Department for the supplies and services which should be obtained by following the procurement procedure and a sum of Rs.49.5 million had been utilized thereof. The Detailed Procurement Plan for the year 2017 had not been prepared as per Guideline 4.2.1 of the Procurement Guideline in relation to the provision was made available.

2.2.2 Execution of Procurement Process

The following observations are made.

- (a) A sum of Rs. 540,000 had been paid to a private institution contrary to the Guideline 8.9(b) of the Procurement Guideline on behalf of conduct a training programme in 2017 of the Department of Museums.
- (b) Agreement value of contract of the Establishment of Fire Extinguisher System had commenced during the year 2016 was Rs. 19,867,214 and the following observations are made in this connection.
 - (i) The period of Performance Bond had presented on behalf of the contract had been expired as at 19 January 2017. Whereas the contract were not finished until 30 July 2018, an action had not been taken to extend the period of the Performance Bond to cover that period.
 - (ii) A sum of Rs. 2,498,942 had been paid to Central Engineering Consultancy Bureau had functioned as consultancy institute of the Fire Extinguisher System. However, an attention had not been directed about supply of water and electricity need to the Fire Extinguisher System during prepare the plans and estimates by the Bureau, this Project commenced in year 2015 had unable to be finished until August 2018.
- (c) Action had been taken to pay the full amount of Rs. 19,031,510 to the State Engineering Corporation without consider progress reports of the contract of construction of a water tank for Fire Extinguisher System as at 31 December 2017. The State Engineering Corporation had offered Sub-contracts, therefore the activities had not completed until August 2018 and the Fire Extinguisher System couldn't be functioned.

2.3 Assets Management

The following deficiencies revealed at the audit test checks carried out in respect of the assets in the Department.

(a) Vehicle Utilization

Seven vehicles belong to the Department were existing at the end of the year under review as follows and 61,712 Kilometres had driven from those vehicles. A sum totalling Rs. 2,580,668 had been disbursed for that as Rs. 801,636 for fuel and lubricants, Rs. 165,884 for vehicle services, Rs. 1,063,447 for vehicle repairs and Rs.238,711 for vehicle insurances. Accordingly, a sum of Rs. 42 per Kilometre had been disbursed without drivers' salaries and allowances for vehicle running by the Department.

(b) Loss of Revenue Receivable to the Government from Assets

Lease out the Old Canteen Building about 8000 square feet belonging to the Department of Museums.

- (i) The rent had received from August 2011 to 31 December 2017 on behalf of handing over of Old Canteen Building on rent basis for maintaining a gift and souvenir sale centre to the Sri Lanka Handicraft Board by the Department was Rs. 2,314,683. However, the Government Valuer had valued that rent payable since year 2011 to year 2017 as Rs. 51,303,000 during year 2017 and as such the rent had under charged for that period was Rs. 48,988,317.
- (ii) Further, an area about 500 square feet in extent of that building had been sub-leased to a private institution under a monthly rent of Rs. 100,000 and a rent of 7.5 per cent to 25 per cent on the increasing turnover of that Institution for maintaining a restaurant by the Handicraft Board contrary to the conditions of the contract. According to the Report of the Government Valuer, the rent of that block since August 2013 to December 2017 was Rs.4,134,000. The steps had not been taken by the Department of Museums to legalize the sub-leased or remove the sub-lessee. It was observed that the opportunities were prevailed to outsiders to enter in to the premise of the Museum and it may be a threat to the security of the Museum due to this canteen had opened until 9 o'clock.

(c) Assets given to External Parties

The following observations are made.

- (i) A temporary building which was constructed in unauthorized manner by the external party in boundary area of the Carpenter's Hut of the Museum was observed in physical verification. The needful legal actions had not been taken to remove this building.

- (ii) The Sub Post Office continue in Museum premise had given to a person from a long period on a charge only Rs.375 per month without any valuation and action had not been taken to obtain the income receivable for this accordingly. Further, actions also had not been taken to revise the rent timely manner by obtaining government valuation.

2.4 Irregular Transactions

A meter had not been fixed to calculate the electricity consumption in the Canteen continuing by the Department and allow to consume electricity without a control, therefore a sum of Rs.107,646 had been decided to charge from a person who continuing the Canteen during the year 2015. However, an agreement had not been maintained relating to rent out the Canteen and therefore that money couldn't be charged.

2.5 Unresolved Audit Paragraphs

Reference to the audit paragraphs of weaknesses relating to the Department included the Reports of the Auditor General on which follow-up action had not been rectified is given below.

Reference to Report of Auditor General		Subject under Reference
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Year	Paragraph No.	
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2016	3.4(b)	Actions were not taken to take over the assets.
	3.5(b)	Defects in toilet system in the Museum at Rathnapura
	3.8(a)	Theft took place on artifacts in the Colombo Museum
	3.8(b)	Failure to repair the Museum Keeper's official quarters at Rathnapura since year 2013
	3.8(h)	Failure to obtain ISBN numbers according to the internationally accepted methodology for books printing in the Publication Division of the Museum.
	3.9(b)	Failure to do repair works in Rathnepura Museum.
	3.9(c)	The backup of the Security Camera System (CCTV) of the Colombo Museum is connected with only one place with the

server and the fire extinguish equipment also had not been fixed at this place.

- 3.9(e) Un-availability of a canteen with sufficient minimum facility had fulfilled to visitors come to visit the Museum.

2.6 Management Weakness

The following observations are made.

- (a) The Cabinet Memorandum No.14/1269/555/010 dated 29 August 2014 had been presented with a view to create a new Act, in accordance with the present and future requirements of Sri Lanka by breaching the National Museums Ordinance No.31 of 1942. According to the Orders made after the discussions, the revisions made by the Attorney General's Department and completed as at 07 July 2015. As a result of non-completion of the task of passing the new Act even by the month of August 2018, the restructuring activities of the Department as suitable for the present and future requirements had been delayed.
- (b) All government organisations should be introduced Citizens' Charters in their respective organizations and implemented as per Public Administration Circular No.05/2008 dated 06 February 2008. However, the Department had not known about it and therefore the opportunity had not been received to establish a Citizens' / Clients' Charter should be established as a written commitment in provision of fast, efficient, quality and continues services tailored to meet the requirements of citizens from a government organization.
- (c) An estimate of Rs. 5,795,096 had been furnished by the local agent for repair of motor vehicle No. WPCAD-1559 was met with an accident at 22 November 2016. However, even though about 1 ½ year had elapsed after given for repair to the private organisation by obtaining estimate of Rs. 505,464 from a respective organization later, the reasons for that delay had not been searched. Actions had not been taken to obtain the vehicle by finishing the repair until 15 August 2018.
- (d) Whereas a Board of Survey on Artefacts were conducted in the Colombo Museum, the relevant reports had not been furnished to the audit. Further, Board of Surveys on Artefacts in Regional Museums at Kandy and Rathnapura had not been completed until August 2018.
- (e) The actions had not been taken as per provisions in Financial Regulation 137(5) in paying for purchase of furniture, Smoke Covers and Display Panels during the month of December 2017. Accordingly, a sum of Rs. 6,152,931 had been paid in 08 cases on Performa Invoices without received the goods.

- (f) 07 cheques totalling Rs.31,647,312 were written to contractors and suppliers had shown as payment in month of December 2017 were also being existed in the custody of Chief Accountant even by the date of 03 of May 2018.

2.7 Utilization of Provisions made by Parliament to execute Activities

The particulars relating to the provisions made available to the Department, Utilization and Savings during the 05 years period ended at 31 December 2017 and audit observations thereon are given bellow.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
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		Rs. Millions	Rs. Millions	Rs. Millions	
2013	Recurrent	112.77	105.92	6.85	6.07
	Capital	92.40	45.30	47.10	50.97
	Total	205.17	151.22	53.95	26.30
2014	Recurrent	125.93	125.54	0.39	0.31
	Capital	127.05	120.50	6.55	5.16
	Total	252.98	246.04	6.94	2.74
2015	Recurrent	161.44	149.85	11.59	7.18
	Capital	147.86	118.39	29.47	19.93
	Total	309.30	268.24	41.06	13.28
2016	Recurrent	159.87	157.85	2.02	1.26
	Capital	177.92	175.91	2.01	1.13
	Total	337.79	333.76	4.03	1.19
2017	Recurrent	186.96	184.90	2.06	1.10
	Capital	96.91	67.48	29.43	30.37
	Total	283.87	252.38	31.49	11.09

2.8 Advances to Public Officers Accounts

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Department, Item No.20801 and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
15	14.8	8	9.5	49	36.7

The following observations are made in this connection.

Non-recovery of Outstanding Loan Balances

According to the Reconciliation Statement presented to the audit, the total outstanding balances to be recovered as at 31 December 2017 except loan balances of the officers' transfer-out were Rs.1,779,843. Though those outstanding balances were being existed from 01 year to 23 years, the follow-up actions on recovery of outstanding loan balances were being in poor situation.

2.9 Imprest Account

The balance of the Imprest Account as at 31 December 2017 as per books of the Department was Rs. 50,524 and the balance as per Treasury Print out was 113,587 thus un-reconciled balance of Rs. 63,063 were observed.

2.10 Operating the Bank Accounts

The following observations are made.

Balances to be adjusted

The following deficiencies were observed in examining of the Bank Reconciliation Statements had furnished relating to the bank account of the Department.

- Actions had not been taken as per Financial Regulation 396(d) connecting to 04 Cheques issued but not presented to the bank valued totalling Rs. 1,864,058.
- The steps had not been taken to settle unidentified receipts valued at Rs. 266,761 by identifying respective balances as at 31 December 2017.

2.11 Non-maintenance of Registers and Books

The following Registers had not been maintained by the Department and the audit test check were observed that some Registers had not maintained up to date and regularly.

	Type of Register	Relevant Regulation	Observations
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(a)	Fixed Asset Register of Computer Accessories and Software	Treasury Circular No. IAI/2002/02 dated 28 November 2002	Had not been maintained.
(b)	Fixed Assets Register	Treasury Circular No.842 Dated 19 December 1978	Had not been updated.
(c)	Register of Losses and Damages	Financial Regulation No. 110	Had not been updated.
(d)	Register of Security	Financial Regulation No. 891(i)	Had not been maintained.

2.12 Non-compliances

2.12.1 Non-compliances to Laws, Rules and Regulations

The payment must be made to the definite person as per Financial Regulation 260 and 389(a) of the Democratic Socialist Republic of Sri Lanka and should be obtained the relevant information to be able to confirm the identity of the payee. However, the details were needed to confirm the identity of the parties who take over the respective cheques and the date of hand over of the cheques valued at Rs. 4,300,357 had not been shown in the relevant register when hand over the cheques.

2.12.2 Non-compliance to Tax Requirements

Action had not been taken to inform the details of payments for VAT (Value Added Tax) cover for the year 2017 to the Commissioner General of Inland Revenue on or before 15th day of the following month after making such payment as per Guideline 5.4.12 of the Procurement Guideline.

2.13 Internal Audit

An Internal Auditor and only one officer for staff had been appointed by established an Internal Audit Unit as per Financial Regulation 133. Whereas an adequate staff had not appointed, the objectives of establishment of an Internal Audit Unit had not been achieved.

2.14 Human Resources Management

2.14.1 Approved Cadre, Actual Cadre and Expenditure for Personal Emoluments

The particulars on approved cadre, actual cadre, vacancies and excess cadre as at 31 December 2017 to execute the functions of the Department are given below. The Department had incurred a sum of Rs. 142.7 million for Personal Emoluments Expenditure Category for the year under review. Accordingly the expenditure per person had been Rs.443,168.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	15	7	8
(ii) Tertiary Level	4	2	2
(iii) Secondary Level	123	70	53
(iv) Primary Level	258	243	15
Total	400	322	78

The following observations are made in this connection.

- (a) It was observed that existing of the following cadre vacancies in the Department had resulted to drop the performances.
 - (i) Even though 142 number of Senior, Tertiary and Secondary level officers should be in the Department of Museum, 63 vacancies out of it were existing as at the date of 31 December 2017.
 - (ii) 08 posts out of 09 approved posts in the Department including Zoological Assistant and Conservation Assistant are existing currently in vacant.
- (b) Special attention should be needed about the security of the Museum on incidences such as theft of artefacts took place in the Colombo Museum on March 2012 and intrude occurred on November 2014. However 7 posts of Curator out of 8 posts such as the post of Chief Security Officer, 05 posts of Security Assistants and Assistant Security Inspector were existing vacant, action had not been taken to fill those vacancies up to now.

- (c) Even though two Technical Officers, a post of Information and Communicative Technical Assistant and a post of Information Technology Assistant were included to the Approved Cadre, those all 04 posts had been existed in vacant. As such, it has to be maintained the technical works of the Security Camera System under the supervision of the officers of the Company who installed the system.
- (d) Collecting Objects and Models relating to various fields, documenting had been shown as the main functions of the Department. It was observed that all posts such as Entomology Assistant, Botany Assistant, Geology Assistant, Anthropology Assistant and Zoology Assistant considered under associate staff have been vacant were obstructed to performing the duties.

2.15 Security given by Government Officers

The officers who should be given Security had not been given Security as per provisions made in the Financial Regulation 880.