

Head 209 – Department of National Archives

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Department of National Archives for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 of the Department of National Archives was issued to the Accounting officer on 24 June 2020 in terms of Sub –section 11 (1) of the National Audit Act. No.19 of 2018 and the Detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act. was issued to the Accounting officer on 02 December 2020. This report should be tabled in parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 the Paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with the provisions in the State Accounts Circular No.271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Department of National Archives as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles

1.2 Basis for Qualified Opinion

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

1.3 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements

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 provision in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting officer determines 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 Subsection 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 are free from material misstatement, whether due to fraud or error, and to issue the summary report of the Auditor General 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 omission, misrepresentations, or the override of internal control.
- In Order to design audit procedures that are appropriate in the circumstances, I do not express an opinion on the effectiveness of the Department's internal control.
- Evaluate the Structure and content of the financial Statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a fair and reasonable manner.
- In the overall presentation of the financial statements, structure and content of the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

As required by Sub-section 6(1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

- (a) that the financial statements are consistent with the preceding year,

(b) that the recommendations made by me on financial statements of the preceding year regarding the observation indicated in paragraphs 1.6.1 (b) of this report had not been implemented.

1.6 Comments on Financial Statements

1.6.1. Statement of Financial Position

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Nominal value of ancestral property such as Books, records, antiquated agreements and confidential records belonging to the Department of National Archives had not been accounted or revealed in Financial Statements in terms of accepted accounting principles. Further these ancestral properties had not been properly surveyed for years.</p>	<p>Antiquated agreements and confidential documents belonging to the Department of National Archives should be surveyed and the nominal value of them should be revealed in Financial Statements.</p>	<p>The Department is currently having at least about 700 record groups and steps have been taken to prepare check lists for each record group at least once every two years.</p>
<p>(b) Value of the new building, old building, building located in Kandy, old canteen building, central air conditioning system and the building in which it is fixed had not been assessed and accounted under property, plant and equipment.</p>	<p>Value of all assets should be assessed and mentioned in the Statement of Financial Position.</p>	<p>Agree with the recommendation. Steps are being taken to acquire the building in the possession of the Department, located in Kandy and actions will be taken to assess and account these buildings in 2020.</p>
<p>(c) Cost incurred as at 31st December of the year under review of the works comprising renovation, fixing central air conditioning system, fire extinguisher and high security system of the main building of the Department of which the construction works began in 2018 costing 992.2 million had not been revealed under Work in Progress in Financial Statements.</p>	<p>Renovation costs of this building should be shown under Works in Progress in Financial Statements</p>	<p>This renovation task has been accounted under the object of Renovation and Improvement of Buildings and since this is a renovation work, this has not been mentioned under Acquisition of Buildings and Work in Progress</p>

1.6.2 Advance Account Balance

Audit Observation	Recommendation	Comments of the Accounting Officer
Total of the balance of the classification summery of the Public Officers' Advance Account at the end of December 31st 2019 was Rs.19,115,871 and the balance of the control account was Rs.18,932,678. Accordingly, steps had not been taken to reconcile and settle the difference of Rs.183,193 which had been there for a period of more than 05 years.	Steps should be taken to settle the Balance of Rs.18,932,678 which had been over 05 years as at December 31 2019.	Action is being taken to settle this difference

2 Financial Review

2.1 Expenditure Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although the Department had obtained required total provisions for 10 Capital Objects in the year under review, Rs 204,278,079 out of the total provision or 37 per cent to 100 per cent of such provisions had been saved.	Estimates had been prepared as per Financial Regulation 50.	As per the Circular issued by the National Budget Department on public expenditure management in the year under review, 25 per cent of provisions should have been saved and therefore no new contracted agreements were executed for capital expenditure and recurrent expenditure too had to be controlled

3. Operational Review

3.1 Procurement Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The following observations were observed on the agreement signed for a value of Rs 992. million for renovating of the old building of the Department, fixing of air conditioning system, fire extinguisher system and high security system.</p>		
<p>(a) According to the decision of the Cabinet of Ministers, although amounts mentioned in the bill of quantity survey should be paid subject to the approval of the permanent technical committee Of the Ministry of Housing and Construction, payments had been made exceeding 90 per cent of the amount Rs.35,084,477 which is the total of two bills without considering amended prices.</p>	<p>Payments should be made for bills only after obtaining the approval of the Permanent Technical Committee of the Ministry of Housing and Construction for rates in the bills of Quantities.</p>	<p>Although, it was referred on 16th September 2019 to the Permanent Technical Committee of the Ministry of Housing and Construction and Cultural Affairs for obtaining approval for price ratios, granting approval by that committee was delayed. Therefore, the matter of paying bills was discussed at the Progress Review meeting held on 16th September 2019 at the Ministry and it was decided to make direct payments for bills amounting to Rs 26 million.</p>
<p>(b) Payment for 2 bills relating to goods remained at the stores the value of which was Rs.11,757,818 had been paid without physically verifying.</p>	<p>Payments should be made for goods remained at the stores only after physical verification.</p>	<p>In future, payments will be made only after physical verification of goods remained at the site.</p>
<p>(c) Although the date of ending of the contract was 1st of July 2020, the physical progress of it remained at 48 per cent. Action had not been taken to extend the period of this contract or charge a delay payment.</p>	<p>A delay payment should be charged for the remaining period after extending the date for a reasonable period from 7th July 2020.</p>	<p>The relevant letters for extending the dates had been given to the Department on 08th October 2020. Arrangements have been made to submit them for recommendation and approval in future.</p>

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| (d) No work plan has been submitted for the audit. | The work plan relating to the contract should be submitted for the audit. | Discussions have been held with relevant institutions to submit the work plan in future. |
| (e) No engineer or Technical Officer had been appointed to make payments in settling bills of the contract by considering physically done works or estimated quantity Survey bills | In paying bills an engineer or a Technical officer should be appointed to make payments by checking the true expenditure with estimated quantity Survey reports and physically done works | A chief engineer serving at the S.W.R.D Bandaranayake International Memorial Foundation has been appointed for this task on 06 th October 2020. Accordingly ,action will be taken to produce the bills to the relevant engineer before paying bills. |
| (f) No agreement had been signed regarding the contract between the consultation firm and the Department of National Archives. | Should enter into an agreement with the consultation firm. | A request for obtaining instructions regarding the contract has been made to the Ministry of Buddhasasana, Religious and cultural Affairs . |
| (g) Although Rs 70 million had been allocated for fixtures and fittings under BOQ 9B of the contract, quantities of such work and fixtures and fittings had not been mentioned in detail. | Quantities of work and fixtures and fittings should be mentioned in detail. | Action will be taken to educate CECB and CESL of the requirement of mentioning in detail the Quantities of fixtures and fittings under 9B of the estimate . |