

Head - 207 - Department of Archaeology

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Archaeology for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and statement of financial performance and cash flow statements 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. In terms of Sub-section 11(1) 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 Archaeology, was issued to the Accounting Officer on 24 June 2020. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department of Archaeology was issued on 27 August 2020 to the Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 prepared in terms of provisions of the State Accounts Circular No.271/2019 of 03 December 2019, give a true and fair view of the financial position of the Department of Archaeology as at 31 December 2019, and its financial performance and 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 (SLAuSs). 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 the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer and the Accounting Officer 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 of the Department.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for 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 summary 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 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 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, 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 paragraph 1.6.2 of this report had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A sum of Rs. 71,488,590 out of funds received by various means such as Central Cultural Fund, Government departments, foreign institutions, private parties etc., incurred under other capital expenditure during the year under review for activities of projects of excavation, exploration and conservation, had not been included in the report of movement of non-financial assets.	Action should be taken to include the capital expenditure received from other institutions and private parties and incurred for projects of excavation, exploration and conservation, in the report of movement of non-financial assets.	It has been noted to assign the duty of calling for explanation for exclusion of capital expenditure, to an eligible officer of the Internal Audit Unit.
(b) Heritage assets owned by the Department, include ancient buildings and monuments, archeological sites, reserved areas and historical resources and works of art and according to Generally Accepted Accounting Principles, the nominal value of these invaluable assets had been neither brought to account nor disclosed in financial statements.	The nominal value of invaluable heritage assets owned by the Department should be brought to account or disclosed in the financial statements.	Attention has been drawn towards the assessment of the artifactual value or nominal value of heritage assets by the Government Valuer or an expert committee and action will be taken to appoint an eligible officer for taking action relating thereto and to account the nominal value received thereby.

1.6.2 **Balances of Advance Accounts**

Audit Observation	Recommendation	Comments of the Accounting Officer
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Even though the total of summary of individual balances classification of Advances to Public Officers Account as at the end of the year under review, amounted to Rs. 102,248,110, the balance of the Control Account had been Rs. 102,939,344, thus observing a difference of Rs. 691,234. However, action had not been taken over a period of 05 years to reconcile and settle the said difference.	Action should be taken to settle the difference between the total of the summary of individual balances classification of Advances to Public Officers Account and the balance of the Control Account.	Special attention has been drawn towards the said difference that remained unsettled over a long period and it has been planned to appoint an additional officer to identify the said difference.

1.6.3 **Non-maintenance of Registers and Books**

It was observed during audit test checks that the Department had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Departmental Appropriation (Votes) Ledger ----- In terms of Financial Regulation 447, the Departmental Appropriation (Votes) Ledger had not been updated.	The Ledger should be maintained in the manner of showing the exact amount available for expenditure in the Appropriation Account and the liabilities incurred.	Instructions have been given to the Officer In-charge of the Subject to record the exact amount available for expenditure and the liabilities incurred in terms of Financial Regulation 447.

(b) Record of Liabilities

In terms of Financial Regulation 214, a Record of Liabilities had not been maintained.

In terms of Financial Regulation 214, liabilities should be recorded in a Record of Liabilities so as to examine regularly.

Relevant officers have been given instructions to settle liabilities by paying liabilities payable since the current year without delay and it is expected to minimize shortcomings pointed out, in the future.

(c) Record of Losses

In terms of Financial Regulation 110, a Record of Losses had not been maintained.

The Record of Losses should be maintained according to the Form specified in Financial Regulation 110.

As per your recommendation, it has been noted to open and maintain a Record of Losses and to record losses therein and updated accordingly. Moreover, after receiving reports on losses revealed in the Boards of Survey, action will be taken thereon.

(d) Register of Cheques

In terms of the Financial Regulation 451, a Register of Cheques had not been maintained properly.

A Register should be maintained so as to record receiving and handing over of cheques as per Form G.A. - M 83 in terms of provisions of the Financial Regulation 451.

Action will be taken to prepare and maintain a Register in future using the Form G.A. - M 83 specified in Financial Regulations.

(e) Security Register

In terms of Financial Regulation 891(i), a Security Register containing information on all officers required to give security had not been maintained.

A Security Register containing information on all officers required to give security should be maintained so as to include information specified in the Financial Regulation 891 (i).

Steps are scheduled to be taken to open and maintain a Security Register and to appoint a responsible officer therefor in the future.

(f) Register of Loans and Advances to Public Officers

In terms of the Financial Regulation 502 and paragraph 05 of the State Accounts Circular No.256/2017 of 05 July

It has been noted to take necessary steps to maintain registers containing details of officers retired, deceased, left the service and dismissed, such as

<p>Circular No.256/2017 of 05 July 2017, registers of loans had not been properly maintained, containing outstanding loan balances of officers who had retired, deceased, left the service and who had been dismissed from service.</p>	<p>2017, relevant registers should be properly maintained.</p>	<p>current work place, permanent address, name and address of the spouse, details of guarantors and information on retirement, to be included in future, and to open necessary registers under Financial Regulation 502 by identifying outstanding loan balances remained over a long period and to recover loan balances from them.</p>
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1.6.4 Responsibilities of the Accounting Officer

Even though the Accounting Officer shall ensure the following matters according to provisions of Section 38 of the National Audit Act, No.19 of 2018, action had not been taken accordingly.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) In terms of provisions in Section 38 of the National Audit Act, No.19 of 2018, the Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department 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. Further, the said reviews shall be in writing and a copy of the same shall be made available to the Auditor General. However, no statements had been made available to the Auditor General as to whether such reviews had been carried out.</p>	<p>Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.</p>	<p>Not replied.</p>

- (b) The Chief Accounting Officer and the Accounting Officer shall ensure that all audit queries be answered within the specified time as required by the Auditor General. However, according to paragraph 3.4 of the report, audit queries had not been replied.
- Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018. Not replied.
- (c) Even though the Accounting Officer shall ensure that an effective mechanism exists to conduct an internal audit, the said requirement had not been fulfilled.
- The Accounting Officer shall ensure that an effective mechanism exists to conduct an internal audit. Not replied.

1.6.5 Non-compliance with Laws, Rules and Regulations

The following observations are made.

	Audit Observation	Recommendation	Comments of the Accounting Officer	
	Reference to Non-compliance Laws, Rules and Regulations			
(a)	Section 2 of the Printers and Publishers Ordinance No.28 of 1951.	Even though action should be taken to send four copies of every printed book to the Department of National Archives, copies of 02 books, “Kelaniya Frescoes” of the Kelani Vihara printed by the Department had not been sent for the preservation.	Four copies of every printed book should be sent to the Department of National Archives for the preservation.	Relevant officers have been instructed to take steps to send every printed book to the Department of National Archives in the future and to preserve copies of 02 books of “Kelaniya Frescoes” of the Kelani Vihara.
(b)	Establishments Code of the Democratic Socialist Republic of Sri Lanka Sections 1.1 and 1.4 of Chapter XXXIII	Agreements had been entered into with outside parties without seeking advice of the Attorney General on the legality of agreements.	Before entering into agreements, advice of the Attorney General should be sought on the legality of agreements.	Legal Officers of the Department are due to be instructed for entering into agreement accordingly in future.

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| (c) | Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 756 | Annual Boards of Survey had not been conducted for the year 2019. | Boards of Survey for the year under review should be conducted in terms of the Financial Regulation 756. | The responsible officers have been instructed to complete these activities as per your recommendation. |
| (d) | Antiquities Ordinance No.9 of 1940 and the Gazette Extraordinary No.1572/4 of 20 October 2008 relating thereto of the Democratic Socialist Republic of Sri Lanka. | It was observed that exhibits that cannot be considered as artifacts had been exhibited in the Muslims Heritage Museum, Kattankudy. Ex.:- Information such as chronological data (Period) of those artifacts had not been illustrated. | Relevant artifacts should be exhibited after ascertaining chronological data (Period) of artifacts by scientific factors. | Not replied |

2 Financial Review

2.1 Management of Expenditure

Audit Observation	Recommendation	Comments of the Accounting Officer
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The total net provision for capital expenditure of the year under review had been Rs. 112.4 million and the actual total expenditure was Rs.85 million, thus indicating savings of Rs.27.4 millions of the total net provision representing 24.5 per cent of the total provision.	As capital expenditures are allocated for development activities, those moneys should be utilized to the maximum.	Constraints on expenditure imposed by the Treasury from time to time have been the reason for the said savings.

2.2 Entering into Liabilities and Commitments

Audit Observation	Recommendation	Comments of the Accounting Officer
The total value of liabilities amounting to Rs. 2,782,506 relating to 06 Objects had not been disclosed in the financial statements.	The total value of 06 liabilities amounting to Rs. 2,782,506 should be disclosed in financial statements.	It is noted to disclose liabilities in financial statements in future.

2.3 Utilisation of Provisions made available by other Ministries and Departments

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) It had been proposed to provide 25 per cent of the income annually for the Department earned by the Central Cultural Fund in respect of the activities of exploration, excavation, maintenance, conservation and management of archaeological sites on the approval of the Cabinet of Ministers dated 02 February 2011. Projects had not been identified and implemented adequately according to proper procedures so as to utilize efficiently the funds received. Nevertheless, provisions amounting to Rs. 115 million, Rs.233 million, Rs.370 million and Rs.341 million had been received to the Department from the Central Cultural Fund for the projects in the years 2016, 2017, 2018 and 2019 respectively.	Action should be taken to identify the appropriate projects and utilize efficiently the funds totalling Rs.1,059 million made by the Central Cultural Fund for projects from the year 2016 to the year 2019.	Failure to make remittances for provisions has caused the said situation.

- (b) The overall financial performance of 07 projects implemented on a provision of Rs.68.7 million by the Ministry of National Policy and Economic Affairs, Ceylon Tourist Board and the Sri Lanka Insurance Company, amounted to Rs.2.5 million and it was 4 per cent as a percentage.
- The provision made for projects by various institutions should be utilized in accordance with a proper plan.
- The officers responsible have been informed to make plans in order to avoid such deficiencies.

2.4 Deposit Balances

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Out of the provisions made for the activities of 18 projects during the period from the year 2014 to 2016, the balances totalling Rs.8,559,280 as at 31 December 2019 had not been settled.	Action should be taken to settle the balance of Rs.8,559,280 remained from 18 projects as at 31 December 2019.	Noted down to settle the balance.
(b) The activities of the projects had been implemented from the funds received as grants from the Government Departments, statutory institutions, private institutions and foreign institutions during the period from the year 2011 to 2017 for 19 projects of excavation, conservation and renovation of archaeological sites while the balance sum of Rs.11,166,011 had been retained continuously in the Deposit Account without being settled.	Prompt action should be taken to implement the 19 projects and settle the balance sum of Rs.11,166,011 retained in the Deposit Account.	Noted down to settle the balance.
(c) A sum of Rs.388,375 which retained from the payments of 5 construction and maintenance contracts of archaeological sites , had been retained for over a period ranging from 03 years to 05 years without being settled.	Action should be taken to settle a sum of Rs.388,375 retained from the payments of 5 construction and maintenance contracts of archaeological sites .	Noted down to settle it.

2.5 Operation of Bank Accounts

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Even though a period over 11 years had elapsed since the opening of 02 Current Accounts for transactions in the North Central and Central Regional Offices of Archaeology, the objectives of opening the Current Account could not be achieved as there was no Accountant in respect of Regional Offices.	Action should be taken to close the Current Accounts maintained in the North Central and Central Regional Offices without an Accountant or to make a suitable arrangement.	Since the post of Accountant approved in addition to the Chief Accountant was not adequate for this Department, a new post dated 25.06.2018 had been approved. Nevertheless, since the officer holding the said post could not be employed for Regional Offices due to the heavy workload of the Department and after considering the number of posts of Accountant, attention has been paid to take a policy decision on maintaining the said Current Account.
(b) The Current Account opened in the Moneragala Branch of the People's Bank had remained in a dormant position even by 31 December 2015 due to inefficient operation while action had not been taken to close the said Current Accounts in terms of the provisions in the Treasury Operations Circular No.03/2015 dated 23 October 2015.	Action should be taken to close the dormant current accounts in the Moneragala Branch of the People's Bank, in terms of the Treasury Operations Circular No.03/2015.	Current Accounts in the Moneragala Branch of the People's Bank were being maintained on the donations made by the devotees on charity. There was no order for specified donors and it was being maintained when the sufficient money was received from donation boxes (<i>Pin Keta</i>) with the consent of donors.
(c) Action in terms of the provisions of Financial Regulation 396(d), had not been taken on 52 cheques in the Thimbirigasyaya Branch and 21 cheques in the Kandy Branch totalling Rs.219,325 which were not presented for payment despite a lapse of period ranging from 07 months to 52 months.	In terms of the provisions of Financial Regulation 396(d), action should be taken on cheques not presented for payment.	Action will be taken in future to address the relevant payees on cheques not presented for payment and to issue cheques in lieu or to stop payments and credit it to the Government Revenue, if they do not respond properly.

- (d) Details of the Current Account maintained in the Jaffna Branch of the People's Bank had not been included in the financial statements and if the said account was closed, the details thereon had also not been made available to Audit.
- The account balance of Jaffna Branch of the People's Bank should be disclosed in the financial statements and if the account was closed, the details thereon should be made available to Audit.
- Decisions will be taken on the Current Account maintained in the Jaffna Branch of the People's Bank in accordance with the information received after making enquiries from the Regional Assistant Director of Jaffna.

3. Operating Review

3.1 Non-execution of Functions

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Out of 194 projects of exploration, excavation, conservation, maintenance and improvements of archaeological sites for which provisions had been made in the year 2018, provisions pertaining to 128 projects had not been utilized by 31 December 2019.	Provisions made for projects of the Ministry should be utilized under a proper arrangement.	Instructions have been given to commence the projects in the years 2018 and 2019 on credit basis and to implement them on the basis of settling such bills. Since there were issues in the implementation at provincial level, only a few of projects were implemented. There were outstanding bills which still remained payable relating to the projects implemented.
(b) Out of the total provision of Rs.370.7 million made for various projects in the year 2018, only a sum of Rs.68.5 million had been utilized as at 31 December 2019 and it represented 18 per cent of the total provision.	Provisions should be obtained throughout the year and utilized productively.	Since the provisions were made from July in the years 2018 and 2019, projects had to be implemented only during the period from July to December and due to the inadequacy of the said period, expected results could not be achieved as well.

- (c) Even though provisions had been made for 239 projects in the year 2019, activities of only 27 projects had been completed and out of the provision amounting to Rs.341 million made, only a sum of Rs.48 million had been utilized. As such, the physical performance of 212 uncompleted projects had remained at a very weak level ranging from 0 per cent to 20 per cent.
- Action should be taken in accordance with a plan so as to ensure the maximum utilization of provisions made for projects.
- I state that the information pertaining to the projects in the financial statements is applicable hereto.

3.2 Projects abandoned without completing

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Since the places where deep excavations were carried out in the premises of Nedigamwila Temple have not been properly conserved, such places excavated were filled with soil and mud. This ancient Stupa in Sri Lanka was damaged due to sinking and leaning while the pilgrims had to face a difficult and dangerous situation due to piles of soil and rubble and also excavations resulting in deep spaces in the temple premises. As such, it was observed that ancient constructions were damaged more than the condition when lying underground.	Arrangement should be made and implemented for the restoration of the premises of Nedigamwila Temple covered with soil and mud due to excavations and for the conservation of antiquities therein.	Not replied.

- (b) Even though antiquities had been discovered by excavations in a wide area of the Sithulpawwa Magul MahaViharaya, no action had been taken for the protection of ancient archaeological site through proper conservation. A programme should be launched for the conservation of antiquities discovered through the excavations carried out in the premises of Sithulpawwa Magul MahaViharaya. Not replied.

3.3. Management Inefficiencies

Audit Observation

Even though activities had been commenced in April 2018 under an estimate of Rs.398,146 to perform the function of documenting movable antiquities stored without proper records, the documentation thereof had not been done.

Recommendation

Action should be taken to verify the physical performance of documentation of movable antiquities.

Comments of the Accounting Officer

Not replied.

3.4 Unanswered Audit Queries

Audit Observation

Replies to 14 audit queries issued to the Department in the year under review had not been made even by 18 August 2020.

Recommendation

Action should be taken to reply the audit queries without delay.

Comments of the Accounting Officer

Not replied.

4. Achievement of Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Every Government institution should act in terms of the 2030“Agenda” for Sustainable Development of the United Nations and the Department had been aware of the manner in implementing the functions that come under its scope pertaining to the year under review. The following observations are made in this connection.</p>		
<p>(a) Even though an accurate data base was essential to evaluate the actual performance of any activity, the Department had failed to create an accurate data base to evaluate the achievement of Sustainable Development Goals.</p>	<p>A data base should be created to evaluate the achievement of Sustainable Development Goals.</p>	<p>Agreed with the audit observations.</p>
<p>(b) Evidence was not made available that action has been taken to prepare for the achievement of Sustainable Development Goals in coordination with other Government institutions.</p>	<p>Action should be taken to achieve the Goals in coordination with other Government institutions.</p>	<p>Agreed with the audit observations.</p>