

Head 208 – Department of National Museums

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of National Museums 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. In terms of 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 National Museums was issued to the Accounting Officer on 24 June 2020. In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 27 August 2020 to the Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka, which should be read in conjunction with provisions 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 State Accounts Circular bearing No. 271/2019 of 03 December 2019 give a true and fair view of the financial position of the Department of National Museums as at 31 December 2019, and of 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 responsibility, under those standards is further described in the Auditor's Responsibility 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 Responsibility of the Chief Accounting Officer and the Accounting Officer on 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per 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 Commission.

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 Public Service Commission 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 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 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, 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 Section 6 (1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

- (a) The financial statements of the year under review are consistent with the preceding year.
- (b) Recommendation pointed out in my report on the financial statements submitted in the preceding year in relation to observation included in paragraph 1.6.3 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
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Even though various inventory goods including office equipment, Computers, electric equipment and furniture had been auctioned and sold subsequent to the annual verification of goods for the year 2018, the values had not been removed from accounts under disposals in the year under review.	The value of the inventory goods that had been removed from the auction should be removed from accounts.	Action is taken to identify the cost of materials that has been disposed and to remove those values from accounts by 30 September 2020.

1.6.2 Balances of the Advance Account

Audit Observation	Recommendation	Comments of the Accounting Officer
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There were loan balances that had been outstanding from 14 years to 25 years out of loan balances amounting to Rs.1,074,934 to be recovered from 11 officers who had vacated their Posts.	Action should be taken without delay to recover loan balances from employees who had vacated their Posts.	It is kindly notified that particulars relating to loan balances that should be recovered from officers who had vacated their posts and measures taken to recover the loan balances have been stated.

1.6.3 Non-maintenance of Registers and Books

The Department had not maintained the following registers and it was observed at the audit test checks that certain registers had not been maintained and updated systematically.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Fixed Asset Register -----	Action should be taken to update the fixed asset registers as per the Treasury Circular No. 842 of 19 December 1978 and as per Appendix 11 of FR 502 (2).	I will update and report by 30.09.2020.
(b) Computer Software Register -----	Action should be taken to update the fixed asset register on computer software in accordance with the Treasury Circular No. IAI/2002/02 of 28 November 2002.	I will update and report by 30.09.2020.
(c) Security Register -----	A Security Register should be maintained.	Noted Down.
(d) Inventories of Electrical Fittings -----	The Inventories of Electrical Fittings should be maintained and updated in accordance with FR 454 (2).	A Register is being maintained and action will be taken to update it by 30.09.2020.
(e) Fuel and Lubricant Stock Book -----	Fuel & Lubricant Stock Book should be maintained in accordance with FR 1647 (d).	Action is being taken to maintain a Register.
(f) Register of Vehicle List -----	A Register of Vehicle List should be maintained in accordance with FR 1647 (e).	Action is being taken to maintain a Register.

(g) **Attendance Register of the Procurement Committee and Technical Evaluation Committees**

The Secretary of the Procurement Committee had not maintained an attendance register of the Procurement Committee and the Technical Evaluation Committees in accordance with Guideline 2.11.1 of the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka.

An attendance register of the Procurement Committee and the Technical Evaluation Committee should be maintained as per 2.11.1 of the Government Procurement Guidelines.

Arrangements will be made to maintain an attendance register.

1.6.4 Responsibilities of the Accounting Officer

Audit Observation	Recommendation	Comments of the Accounting Officer
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According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, ensure that an effective internal control system for the financial control exists in each such entity 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 and such reviews have to be done in writing and a copy of it should be submitted to the Auditor General, declarations that such a review had been carried out had not been presented to the audit.	The effectiveness of the internal control system should be reviewed and reported to the Auditor General.	Comments had not been made.

2. Financial Review

2.1 Operation of Bank Accounts

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting officer
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(a) Action had not been taken in accordance with FR 396 (d) in relation to 12 cheques valued at Rs.9,035 and remained uncashed for more than 06 months from the date of issue by the Department and not submitted for payments.	Cheques issued in accordance with FR 396 (d) but not submitted for payment should be dealt with promptly.	At present, action has been taken in accordance with FR 396 (d) iii.
(b) In extending the period of validity of a cheque, action had not been taken in terms of the directives of the FR 391. Two cheques, which were valued at Rs. 5,194,149 and wrote in December 2018 had not been submitted for payment even by October 2019.	In extending the period of validity of cheques, action should be taken in terms of FR 391.	I noted down to comply with the directives of FR 391.

3. Operational Review

3.1 Not Obtaining the Anticipated Output Level

Audit Observation	Recommendation	Comments of the Accounting Officer
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The value of the contract for the installation of the fire extinguishing system, which was started in 2016 was Rs.19,867,214. The fire brigade had issued a certificate confirming that the specifications of the devices installed in the system were accurate. However, the relevant private company had not inspected and submitted a report as to whether the system was operating properly.	A report should be obtained from the relevant private company that the fire extinguishing system is operating properly.	Have agreed with the audit observations.

3.2 Delays in the Execution of Projects

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Although the work of the fire extinguishing system has been completed, it has been notified by the letter of the Director General bearing No. DNM/1/3/1/20 II of 28 May 2018 that it is required to finalize and hand over the water tanks project to inspect and to verify that the fire extinguishing system is properly functioning. However, the construction activities of this tank had not yet been completed.	Construction of the water tank should be completed expeditiously to obtain the desired outcome of the project.	Have agreed with the audit observations.

3.3 Irregular Transactions

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Although a formal receipt must be obtained for each payment in accordance with FR 139 (4), 11 cheques dated 31 December 2018 relating to the payments worth Rs.18,104,879 had been retained by the Accountant without issuing even up to 27 May 2019.	As per FR 139 (4), a proper receipt should be obtained for every payment made and cheques should be issued without delay.	cheques have been handed over to the appropriate payee by obtaining receipts.
(b) An amount of Rs. 2,201,775, the total cash balance of 05 projects implemented in the year 2017 and 01 project implemented in the year 2018, had been set off from the contractor for renovation activities of the canteen of the Department.	The balance remaining after the completion of the projects should be dispatched and they should not be offset for the project expenses of the ensuing year.	The canteen was inspected by then Minister of Housing and Cultural Affairs during an inspection tour on 09/01/2019 and it was informed that the building needed to be repaired soon. Accordingly, estimates were obtained from the Department of Buildings to expedite the accomplishment of this task. The Department of Buildings had informed that an amount of Rs.2,201,775 was saved out of the

contracts awarded and accomplished by this Department and accordingly, this task was completed by paying an amount of Rs. 3,409,671, saved out of the provisions of the Year 2019 after deducting the amount of Rs. 2,201,775 from the total estimate.

3.4 Other Observations

Audit Observation -----	Recommendation -----	Comments of the Accounting officer -----
The audit was informed on 25 October 2018 that arrangements would be made to recruit staff for the day and night surveillance of the main CCTV Control Room, those recruitments had not been made even by July 2020.	Vacancies in the 3 Posts of Security Camera Observer approved by the main CCTV control room for day and night surveillance should be filled.	Have agreed with the audit observations.

4. Accomplishment of Sustainable Development Goals

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting officer -----
Every Government Institution is required to act in accordance with the United Nations 2030 Agenda for Sustainable Development and the Department was made aware as to how the Department should act in relation to its scope during the year under review. The following observations are made in this regard.		
(i) Even though it is essential to have an accurate database to measure the correct performance of a certain task, the Department had failed to create an accurate database to measure the achievement of the Sustainable Development Goals.	An accurate database should be created to achieve the Sustainable Development Goals.	I agree with the audit observations.

- (ii) There were no evidences that the Department had functioned in coordination with the other Government institutions to achieve the Sustainable Development Goals. It is required to function in coordination with other government institutions to achieve the Sustainable Development Goals. I agree with the audit observations.