

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 2020 comprising the statement of financial position as at 31 December 2018 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 to be 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 was issued to the Accounting Officer on 09 August 2021 in terms of Section 11(1) of the National Audit Act No.19 of 2018. The Annual Detailed Management Audit Report relating to the Department was issued to the Accounting Officer on 18 August 2021 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of the 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 paragraph 1.6 of this report the accompanying financial statements give a true and fair view of the financial position of the Department of Archaeology 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 Principles.

1.2. Basis for Qualified Opinion

My opinion is qualified on the basis of the facts set out in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities on financial statements are further described in the Auditor's Responsibilities section. 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 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 the provisions in Section 38 of the National Audit Act No.19 of 2018 and for the determination of the internal control that 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 the preparation of annual and periodic financial statements.

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 systems 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 misstatements 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 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 internal control.
- It had been included that structure and content of the financial statements are based transactions and events appropriate and fairly included when presenting the financial statements as a whole.
- 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 communicated 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

I express the following matters in accordance with Section 6(1) (d) of the National Audit Act No.19 of 2018.

- (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 had not been implemented.

Paragraph reference	Audit Observation	Recommendation
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1.6.1 (b)	Even though previous audit reports had advised that the Department should take over ownership of the land valued Rs. 911.5 million, where the head office is located, and the building valued Rs. 138 million, this had not been adequately addressed during the year under review.	Action should be taken to take over the ownership of the property to the department.

1.6 Comments on Financial Statements

1.6.1 Submission of Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
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Heritage assets of the department include ancient buildings and monuments, archeological sites, protected areas, natural resources and artifacts. Measures had not been taken to disclose these priceless assets in financial statements in accordance with standard accounting principles and an accounting policy and to conduct a physical survey for many years.	The value of monuments and other heritage assets cannot be recorded in financial statements as the value of antiquities is priceless.	Measures should be taken to note the non-financial assets in the books and the information about them should be disclosed in the financial statements.

1.6.2 Statement of Financial Position

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Even though the total expenditure on the acquisition of furniture and office equipment and capital assets was Rs.717, 270 according to the financial statements, the value is overstated as Rs. 1,436,837, with an increase of Rs. 719,567. in the report on movement of non-financial assets , while the total value of Rs. 2,108,516 for the machinery and equipment is understated as Rs. 1,388,949, with a decrease of Rs. 719,567, in the same report.	This change was due to the fact that the amount of Rs. 709,568 spent for purchasing machinery was recorded as for purchasing office equipment. I will discuss with the Treasury and correct.	Should be corrected as per the answer.
(b) A total of Rs.80, 664,737, received from various parties under other capital expenditure and spent for exploration, excavation and conservation projects, was not included in the report on movement of non-financial assets.	Even though antiquities had been revealed in excavations at certain occasions, they are still considered priceless. Accordingly, they are not recorded as non-financial assets.	Receipts for various projects from various parties should also be noted in the report on movements of Non-Financial Assets.

1.6.3 Advance Accounts to Public Officers

Audit Observation	Comments of the Accounting Officer	Recommendation
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Even though the sum of the Single Balance Classification Summary at the end of the year under review is Rs. 96,377,512, no action had been taken to reconcile and settle the difference of Rs. 612,296 for more than 05 years since the balance of the control account was Rs. 96,989,808.	The difference as at 31 December 2020 is Rs.612,265.85. Action will be taken to check and resolve this difference.	This difference should be checked and resolved as per the reply.

1.6.4 Deposit Balances

Audit Observation

Comments of the Accounting Officer

Recommendation

The balance of the Deposit Account No. 6000-0-0-13-0-119 in the Statement on Deposit Accounts as at 31 December 2020, according to the departmental books, is overstated by Rs. 35,000 compared with the balance of the Treasury Books as at the same date, and according to the departmental books of the deposit account number 6000-0-0-13-0-153, the balance was understated by Rs. 35,000 according to the treasury books as at the same date. This difference had not been identified and corrected.

It will be corrected in due course.

Action should be taken to correct these public deposit account balances.

1.6.5 Imprest Balance

Audit Observation

Comments of the Accounting Officer

Recommendation

Even though the imprest account should be settled and the cash book balance should be remitted to the Treasury as at 31 December 2020 according to the Treasury Operations Guideline No. 06/2020 dated 30 November 2020, the balance of the cash book amounting to Rs. 6,404,075 as at the same date had been remitted with a delay up to the date 18 January 2021.

This amount has remained from the non-expenditure of money unexpectedly received in December to the deposit account.

Action must be taken to settle the imprest according to the circular.

2. Financial Review

2.1 Management of expenditure

Audit Observation	Comments of the accounting Officer	Recommendation
The total net provision for 18 capital expenditure objects in the year under review was Rs.154,246,000 / - and the total actual expenditure was Rs.88,888,190, resulting in a savings of Rs.65,357,810 from the total net provision. Provisions made for capital expenditure had not been utilized effectively as it is only 42% of the total provision.	Due to the island-wide spread of corona disease in the year 2020, many of the projects could not be carried out as expected due to the difficulty in sending employees locally (due to travel restrictions) to the department's locally implemented projects.	Provisions made for capital expenditure should be utilized for the intended purposes and action should be taken to achieve the desired targets.

2.2 Entering into Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
Liabilities totaling to Rs. 2,762,182 related to 08 recurrent expenditures, exceeding the balances of the budgetary allocations of those objects, had been entered into.	The liabilities have increased mainly due to the fact that the departmental vehicles are very old and the provision made annually has not been received.	Action should be taken to reach liabilities within the estimated provision limit.

2.3 Utilization of Provisions made available by other Ministries and Departments

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) From the year 2018, the project activities had been carried out according to the estimates approved by the Ministry of Housing and Cultural Affairs, and the expenditure vouchers had been submitted	The money requested from 04 December 2019 to 17 December 2020 has not been received so far. Its value is Rs. 38,664,351. The release	The financial provisions need to continue the work planned by these projects have to be

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| <p>to the Central Cultural Fund and the money had been reimbursed. However, despite the request of the Central Cultural Fund to reimburse the total expenditure of Rs. 38,064,351 made in year 2019 and 2020, the amount had not been reimbursed.</p> | <p>of money to pay the bills has been delayed due to the loss of revenue received to the Central Cultural Fund.</p> | <p>collected.</p> |
| <p>(b) A total amount of Rs. 5,002,431 had been allocated by the Central Cultural Fund for the Pahiyangala Cave Project on 02 May 2017. The amount had not been used for the allocated purpose, and it had been used to pay for suppliers of materials for other projects, initiated under the contribution of the Central Cultural Fund, using a journal entry dated 09 October 2020.</p> | <p>Conservation, excavation, and maintenance had been carried out since the money received from the Central Cultural Fund could be used for the same.</p> | <p>The money allocated by the Central Cultural Fund should be used for the same purpose to which allocations are made.</p> |
| <p>(c) According to the letter dated 24 February 2020 of the Additional Secretary of the Ministry of Buddhasasana, Culture and Religious Affairs, the projects need to be implemented utilizing the funds of the Central Cultural Fund totaling Rs. 18,711,101 had been approved by the secretary of the Ministry. Even though it had been informed to submit an action plan which includes physical and financial targets of the projects for the year 2020, no action plan had been prepared for these projects.</p> | <p>Preparation of the action plan has been neglected due to the improper functioning of the office work as a result of the corona epidemic situation. It will be prepared correctly in due course.</p> | <p>Action plans for these projects should be prepared as scheduled.</p> |
| <p>(d) Conservation work on the Rajagalatenna Archaeological Survey had been commenced between the period from the year 2017 and 2022 under the assistance of American funds. Even though a financial contribution of Rs. 5.257 million had been received for this project in the year 2020, the relevant project had not been carried out during the year under review due to the problematic situation in the contractual process between the University of Sri Jayewardenepura and the Department of Archeology.</p> | <p>The projects could not be completed as expected due to the Corona epidemic and the closure of the country.</p> | <p>These projects which were to be completed in the year 2022 and it should be completed as planned.</p> |

- (e) A sum of Rs. 1,500,000 had been awarded by a state corporation in the year 2015 to conserve frescoes and Sculptures in the Kelaniya Rajamaha Viharaya. Even though many years have passed by the year 2020, the outstanding balance of Rs.1,494,434 in the deposit ledger had been credited to the governments' revenue on 11 December 2020.
- Even though answers had been called by the laboratory division, no answers had been received, and it is informed you that there is a delay in the conservation work of frescoes and sculptures in the Kelaniya Rajamaha Viharaya.
- Money received from external agencies should be used for the purpose for which the relevant money had been awarded.

2.4 Non-compliance with Laws, Rules and Regulations

The following observations are made.

Reference to Laws, Rules and Regulations	Audit Observation Non-compliance	Comments of the Accounting Officer	Recommendat ion
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(a) In the Public Finance Circular No. 01/2020 dated 28 August 2020			
(i) Section 11	A survey of goods had been conducted in the year 2020 in 10 regional offices and those reports had not been submitted for audit.	Action will be taken to complete the surveys and submit the reports as soon as possible.	According to this circular, annual surveys should be conducted and reports should be submitted.
(ii) Section 13.2	Two dilapidated cars in the Kotte Archaeological Museum premises and 03 motor cars and 06 motorcycles in the premises of the Department Head Office had been decaying for many years without disposing as per the circular.	A special committee has been appointed for this purpose and immediate action will be taken to dispose of those vehicles.	Motor cars that cannot be used according to this circular should be disposed.

- (b) Guideline No. 04 of the Public Finance Circular No. 02/2020 dated 28 February 2020. Debtor documents and creditor documents had not been kept up-to-date for the Public Officers' Advance "B" Account reconciliation statement. These documents have been maintained. Debtor and creditor documents should be maintained in accordance with this circular.

2.5 Reconciliation Statement of the Public Officers' Advances Account

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
The total outstanding balance of arrears of deceased, retired, dismissed employees of the Department as at 31 December 2020 was Rs. 5,289,100. A total of Rs. 1,620,953 out of that value are balances due from more than 05 years, and no action had been taken to recover those balances.	Actions are being taken to recover this amount.	Action should be taken to recover these arrears.

2.6 Operations of Bank Accounts

The deficiencies revealed during the audit inspection of samples conducted regarding the operation of bank accounts are given below.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Even though cheques with a total value of Rs. 1,426,091 in the Current Account of the Department's Head Office had been issued as at 31 December 2020, the number of cheques that had not been submitted was 144. Even though the cheques had been issued according to the note on bank accounts in the financial statements for the year 2020, no information had been recorded that there were cheques that had not been submitted.	These cheques had been credited to the public deposit account as personal addresses could not be found. Later, action will be taken according to the financial regulations and it will be credited to the government's revenue.	Details of these unclaimed cheques should have been mentioned in the relevant note.

2.7 Deposit Accounts

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Audit Observation
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(a) Out of the provisions received for the activities of 92 projects during the period from the year 2014 to 2018, the total of balance of provisions remained ,which had not been settled, was Rs. 27,260,458 as at 31 December 2020.	Information has been requested from the Regional Assistant Directors and action will be taken in accordance with the financial regulations regarding projects that are no longer in operation.	Information should be obtained and action should be taken in terms of the Financial Regulations regarding non-operational projects.
(b) Out of the funds received from Government Departments, Statutory Institutions, Private Institutions, Foreign Institutions as awards for 14 excavation, conservation, repair projects of Archaeological sites during the period from the year 2014 to 2018, a total amount of Rs. 14,463,670 had been withheld in the deposit account as at 31 December 2020 without settlement after implementation of the project activities.	Information has been requested, and the money will be credited to the government revenue as per the financial regulation regulations.	It is appropriate to act according to the answer.
(c) An amount of Rs. 2,194,747 out of the payments of 17 construction and maintenance contracts for archaeological sites had been withheld as at 31 December 2020 without taking action for settlement.	Upon receipt of the information requested, the money will be credited to the government revenue as per the financial regulations.	It is appropriate to act according to the answer.

3. Operation Review

3.1 Failure to perform roles

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Conservation and excavation work in the Pahiyangala cave premises under the Western Provincial Office of the Department had been suspended for about 9 years after the year 2012. According to the field inspections carried out by the Audit Division, surveys had not been carried out in the area around the cave, which covers an area of about 40 acres, and no boundary posts had been erected, and no search survey had been conducted and search record had been issued in connection with the cave.	This development is scheduled to be completed before the estimated month of the year 2021.	Completion of the work, erection of boundary posts after surveying, and issuing of search record should be done as per the answer.
(b) 28 projects had been implemented by all sections of the Department during the year 2020 under the Public Deposits and with the donations of External Institutions. The physical progress of remaining 26 projects out of those 28 projects, except the 02 projects which had been implemented by the Exploration and Documentation Division and Architectural Conservation Division, was at a level less than 50 percent.	The projects could not be completed as expected due to the spread of corona disease in the country and quarantine rules and travel restrictions.	Action should be taken to achieve progress more than the progress achieved in the year 2020 due to the presence of many workplaces regionally despite the spread of corona virus in the country during the year 2020.

3.2 Activities contrary to the main functions

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The Jubilee Post at Pita Kotte Junction, which was established by the Department of Archeology for the conservation and protection of archeological sites and monuments, had been removed in the year 2020 for road maintenance. This monument, established in the year AD 1887, had been constructed without any documentation in the Pita Kotte Museum, and no measures had been taken to restore it even though the road maintenance work had been completed.</p>	<p>This jubilee post has been temporarily removed for road development and it has not been informed that the road development work has been completed yet. However, it will be definitely re-installed at the Jubilee Post Junction.</p>	<p>Action needs to be taken to reinstall as per the answer.</p>

3.3 Projects implemented with local funds

Audit Observations	Comments of the Accounting Officer	Recommendation
<p>The purpose of conserving the fort was to raise the fort wall belonging to the historical Kotte Kingdom, to carry out excavations, upgrading moats to exhibition level etc. The wall of the fort was covered with unauthorized constructions, soil, and trees, and about 2000 meters of the wall are conserved by now. Even though the Ministry of National Policies and Religious Affairs had allocated Rs. 9,500,000 for the conservation of the wall in the year 2020, its financial and physical progress was 22 percent and 55 percent, respectively since the total expenditure was Rs. 2,065,585 as at December 31.</p>	<p>There were severe conservation obstacles. This wall should be excavated and conserved. It was also difficult to find laterite stones for this. The failure to achieve maximum performance in year 2018 and 2020 is also true according to the "Village Expenditure Book" also. Measures will be taken to avoid these situations in the due course.</p>	<p>It is advisable to act according to the answer.</p>

3.4 Assets Management

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Zonal offices had been set up to carry out the regional-level role of the department. It was observed that most of those zonal offices were housed in a Buddhist temple or public building amidst minimal office facilities. The top management had not taken steps to identify the places, where no adequate space and minimum office facilities were available for the officers in service in these offices and provided with the required facilities.	The infrastructure of these offices is minimal. There is also a need to relocate certain offices located in the temples. Action will be taken to provide necessary facilities for these offices.	Action should be taken to provide necessary office facilities for the Regional Offices and Zonal Offices of the Department.

3.5 Management weaknesses

Following observations are made.

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) Declaring lands with national importance as Archaeological Reserves and implementing a proper programme to ensure its protection is an important role of the department. According to the inspections conducted by the Audit Division, only 11 lands of such national importance had been declared as reserves during the last 20 years.	The process of declaring prohibited lands is in progress, and 11 illicit lands had been declared as reserved during the last 20 years.	Lands with national importance should be gazetted immediately as Archaeological Reserves in accordance with the provisions of the Act.
(b) Antiquities in the area submerged in the reservoir were excavated and removed for the Yan Oya Reservoir Project, and it had been proposed to construct a museum to safely place those antiquities according to the damage assessment report prepared in this regard and the Department of	It is stated in a survey report submitted in the year 2012 that the antiquities found in the Yan Oya project should be placed in a museum. Antiquities found by excavations are placed in Anuradhapura Analytical Branch and the Padaviya	The need and capability of the construction of this museum should be explored and acted upon accordingly.

Archeology had been informed to submit preliminary plans and estimates for the same. Due to the failure to prepare the preliminary plans and estimates for the construction of this museum, those antiquities had been stored in an unprotected manner in the Padaviya Archaeological Zonal Office.

Archaeological site. Plans were drawn up for the construction of a museum building and handed over to the Irrigation Department, and it is informed that after the construction of that building, the necessary steps will be taken to establish antiquities there.

- (c) It was observed that a large number of ancient coins, which are movable antiquities belonging to the Department, remain undocumented in the laboratory Division of the Epigraphy, Nano science Division, and at the zonal offices.

These coins have been handed over to the Department of Archeology for many years. It is proposed to formally preserve and document them in the future. Measures will be taken to document the coins in the zonal offices in due course.

Movable antiquities and coins should be documented immediately.
- (d) The ground floor of the main building, where the department's head office is located, has been idle for many years without being used for productive purposes.

This is inactive due to water leaks from ground floor walls and the floor. It is proposed to make this usable in year 2022.

The ground floor of the department needs to be used for a productive purpose.

4. Human Resource Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The approved staff for 84 posts in the Department was 4356 and the actual staff was 1879 as at 31 December 2020. Therefore, the number of vacancies was 2477. 39 vacancies out of them were at the executive level and they had been filled at the covering level. There were various barriers to recruitment for these vacancies, and it was observed that the existence of employee vacancies could be an obstacle to fulfilling the desired role.</p>	<p>The approval of 1940 new posts has led to a large number of vacancies. There are various obstacles to fill these vacancies and steps are being taken to fill these vacancies.</p>	<p>Action should be taken to fill these vacancies expeditiously based on the recruitment procedure and the existing rules and regulations.</p>