

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of National Archives for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 containing my comments and observations on the financial statements of the Department of National Archives was issued to the Accounting Officer on 02 June 2022 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 02 June 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will 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 paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of National Archives as at 31 December 2021, 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

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is 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 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 Responsibilities 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 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 and its materiality depends on the influence on economic decisions taken by users 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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 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.
- Evaluate the overall presentation, structure and content of the financial statements including 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

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

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Reconciliation Statement on Advances to Public Officers Account

Audit Observation	Comments of the Accounting Officer	Recommendation
The year-end balance of the advance "B" account as at 31 December 2021 was Rs. 20,824,017 according to the credit control account in relation to the advance "B" account and the balance according to the treasury books on that day was Rs. 20,560,109. Accordingly, the difference was Rs. 263,908.	The difference is currently being settled.	This difference should be identified and resolved.

(b) Non-maintenance of Registers and Books

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Bail Register A bail register containing details of the officers and employees to be bail was not prepared in terms of Financial Regulations 891 (1).	Necessary steps are being taken to prepare those documents in future by getting advices of the line ministry.	Should be maintained a bail register containing the information referred to the Financial Regulations 891(1).
(ii) Register of Loans and Advances Register of Loans and Advances was not prepared in accordance with	I agree with the audit observations.	C.C.10 format and based on that format,

paragraph 05 of the Public Accounts Circular No. 256/2017 dated 05 July 2017.

loans and advance documents should be prepared in accordance with paragraph 05 of the Public Accounts Circular No. 256/2017 dated 05 July 2017.

2. Financial Review

2.1 Imprest Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the sum of the imprest receiving was Rs. 272,902,979 according to the treasury imprest summary report of the year 2021 (SA-70), the sum of the imprest receiving was Rs. 268,638,000 in the statement of financial performance and according to the documents. Accordingly, when compared with the treasury reports, the total of the imprest receiving varied by Rs. 4,264,979 and explanations for that were not submitted to the audit.	This difference is other receiving and only direct receivings from the treasury are recorded in the statement of financial performance.	Should be identified and resolved this difference.

2.2 Incurring into Liabilities and Obligations

Audit Observation	Comments of the Accounting Officer	Recommendation
The provisions for the project to renovate the main building of the department and install central air conditioning, fire extinguishing and advanced security systems had not been allocated in the year 2021 and also, insufficient financial provision for this work had hindered the completion of the renovation work in the year 2022. There was a bill of Rs. 7,591,568 to be paid to the Central Consultant Bureau of Engineering (CECB) works as consultancy fees for the project and a bill of Rs. 20,508,661 to be paid to Central Engineering Services (Pvt) Ltd. Company (CESL) for	As there was insufficient financial provision for the year 2021, it was not recorded as a liability in the financial report.	The total liabilities applicable to the year should be identified and accounted.

renovation work as at 31 December 2021, but it was not recorded under liabilities and obligations in the 2021 financial statements.

2.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Observation				
Reference to the Laws, Rules and Regulations	Amount Rs.	Non-compliance	Comments of the Accounting Officer	Recommendation
(a) Section 40(1) of the National Audit Act No. 19 of 2018	-	An internal audit unit shall be established and maintained in terms of this section, but the internal audit division remained inactive during the year 2021 due to the vacancy of the position of Internal Auditor and lack of employees in that division.	A division exists, but the officers are vacant.	It is suitable to act in accordance with the provisions of this Act.
(b) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i) Financial Regulations and 245 (1)	138	Although payment for vouchers should not be made without certification of expenditure, 41 payment vouchers in the year 2021 were used and a total of Rs. 4,052,364 was paid without certification of expenditure.	I will correct it in future.	Should be act in accordance with this Financial Regulation.

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| (ii) | Financial Regulation 139 and 267(2) | - | A sum of Rs. 3,261,430 was paid using 29 defective voucher sheets regardless of the matters to be completed before making payments according to these financial regulations. | I agree with the audit observation. | Should be act in accordance with this Financial Regulation. |
| (iii) | Financial Regulations 396(b) | - | Bank reconciliations had been prepared on 28 February 2022 without settling as per the financial regulations in relation to 12 cheques of total worth Rs. 66,571 issued during the period from 10 July 2018 to 18 October 2021, but not presented. | I will act to prevent these defects in future. | Should be act in accordance with this Financial Regulation. |
| (c) | Public Administration Circular No. 30/2016 dated 29 December 2016 | + | According to this circular, the fuel consumption of vehicles owned by the department was not checked in the years 2020 and 2021. | The fuel consumption of all vehicles has been checked in the year 2022. | Should be act in accordance with this circular. |
| (d) | Public Finance Circular No. 02/2020 dated 28 August 2020 and Guidelines No. 14. | | | | |
| (i) | Paragraph 10.2 | | The department had not submitted a draft annual performance report for the year 2021 to the Auditor General for inspections. | The relevant report will be promptly submitted to the audit. | Should be act in accordance with this circular. |

- (ii) Paragraph 12.2 - 04 Audit and Management Committee meetings should be held according to this section, but only one committee meeting was held in the year 2021. I agree with the audit observation. Should be act in accordance with this circular.

2.4 Issuance and Settlements of Advances

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The total loan amount to be recovered from the officers who have left the service as at 31 December 2021 was Rs. 305,930 and the total outstanding loans value of Rs. 264,875 exceeding 05 years was included in that value. No action was taken to recover or settle the arrears money.	These old loan balances are being recovered.	Action should be taken to recover these outstanding loan balances.
(b) The total arrears due from the retired officers was Rs. 377,836 as at 31 December 2021 and out of these, the total value of outstanding loans exceeding 01 year was Rs. 207,429. That debt had not been recovered.	Arrangements have been made to settle this amount in future.	These outstanding loan balances should be recovered.

3. Operational Review

3.1 Performance

Audit Observation	Comments of the Accounting Officer	Recommendation
61 professional officers related to archival activities are vacant and thus, the severe shortage of professional officers in the institution had caused the document management as well as excessive document management and the delay in those tasks.	Vacancies cannot be filled as recruitment has been temporarily stopped. The necessary basically work is being done for this.	Action should be taken to provide solutions to this lack of employees and to fulfill the tasks from the existing employees.

3.2 Procurements

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the procurement plan of the year 2021, 09 procurement works with a total value of Rs. 4,052,364 had not been carried out.	Arrangements were planned to purchase on the basis of provision balance in the year 2021, but it was not possible to purchase in that year and arrangements are being made to purchase in the year 2022.	Action should be taken to accomplish the planned work during the year and revise the plans in time.
(b) The contract for the renovation of the head office building of the department was awarded to Central Engineering Services (Pvt) Ltd for the construction work at an estimated total cost of Rs. 992 million and the consultancy work to the Central Consultancy Bureau of Engineering works. Its agreed contract period was from 07 January 2019 to 07 July 2020. The period was again extended till 18 May 2021. Although again, a draft cabinet memorandum was submitted to the ministry to extend the period up to 30 July 2024, the approval was not received until April 2022 and the building and other renovation works were not completed even by May 2022.	According to the decision of the cabinet of ministers for the draft of the cabinet memorandum that we forwarded; a request has been made for a discussion on this matter from the Budget Department. Relevant approvals have been received for inviting bids.	Since the work has not been completed, the extension of the contract period should be approved and as money will have to be spent in completing the work in excess of the approved total cost, attention should be paid to it and the work completed.
(c) The estimates were prepared for the completion of the additional works identified during the above construction for an estimated amount of Rs. 380,382,598, but the financial allocation for that was not received in the year 2022. Accordingly, its priority tasks had been identified and approval had been received to carry out those priority tasks. However, 05 months have passed since the decision of the cabinet to identify and carry out the priority tasks, but the completion of the	Priority tasks will be identified according to the budget circular 03/2022.	Priority tasks should be identified and acted upon according to the decision of the cabinet of ministers.

renovation work of this building was severe delayed due to that the priority tasks were not identified until the audited month of April 2021.

3.3 Assets Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) There are a large number of heritage assets such as books, documents, ancient treaties, manuscripts and secret documents of national value consisting of about 700 categories of documents belonging to the department. These invaluable assets were not disclosed in the financial statements and the assets were not surveyed and the survey reports were not submitted for audit.	A survey of these assets will be conducted and reports will be submitted.	A survey of these assets should be conducted and the survey report submitted to the audit.
(b) The lands where the department's head office and Kandy regional office located were not taken over and the assets and the buildings located there were not valued and accounted under property, plant and equipment in the financial statements in the previous year as well as in the year 2021.	The land where the head office is located can be taken over after receiving the recommendations of the Urban Development Authority and the land where the Kandy regional office is located is being taken over.	These lands should be taken over, assessed and accounted.

3.4 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
The two-storied building, which was built in the year 2015 and includes the driver's rest room and carpenter's room, had sustained various damages and the management did not take any steps to investigate and complete the deficiencies of the building or to obtain the on-site inspection reports conducted in relation to the building and solve the existing problems according to those reports.	Although an engineer of the building department conducted an on-site inspection on 10 February 2022 regarding this building, we have not received the related report. After receiving the report, I will act according to its recommendation.	It has been a long time since this on-site inspection was done. The report should be obtained and taken action accordingly.

4. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
The approved staff was 287 as at 31 December 2021 and due to that the actual staff was 136, there were 151 vacancies on that date. Accordingly, 56 percent of the senior level positions, 80 percent of the tertiary level positions and 67 percent of the secondary level positions were vacant in the department, which had caused the decline of daily duties and performance of the institution.	The vacancies remain unfilled due to the recruitment has been stopped as per the National Budget Circular No. 01/2021.	About 53 percent of the entire staff is vacant. The day-to-day public services of the institution have also been hindered due to not taking steps to solve this problem for a long time. Steps should be taken to resolve the problems.