

Head 208 - Department of National Museums

1. Financial Statements

1.1 Qualified Opinion

Head 208 - The audit of the financial statements of the Department of National Museums for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information 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 Museums was issued to the Accounting Officer on 22 May 2024 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 09 July 2024 in terms of Section 11(2) of the Audit Act. 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 Museums as at 31 December 2023 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) Property, Plant and Equipment

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Land and buildings worth Rs.10,800,000,000 were not revaluated and the correct values were accounted for in accordance with the guidelines of Asset Management Circular No. 04/2018 dated 31 December 2018 for assessing the value of non-financial assets of the government.	A new assessment report has been requested from the valuation department by letter dated 07 September 2023. Accounting will be done according to the revised value after receiving the report.	Circular instructions should be followed in preparing accounts .
(ii) According to the Cabinet Memorandum related to the Cabinet Decision No. AMA/23/2229/620/032-11 dated 06 December 2023, when the 06 artifacts belonging to the Kandy Kingdom period that were taken to the Netherlands two centuries ago, returned to Sri Lanka, it was valued at Rs.2,019,460,000 and included in the financial statements as a foreign grant.	The Treasury decided to account for the assessed value of the artifacts returned to Sri Lanka by the Dutch Government as grants and made provisions. The Treasury also did the same accounting.	The artifacts stolen from Sri Lanka cannot be considered as a foreign grant.

2. Financial Review
2.1. Cost Management

Audit Observation	Comments of the Accounting Officer	Recommendation
There was balance of Rs.1,564,437 left out of Rs.1,770,000 provision for a recurrent expenditure subject, and that was 88 per cent of the approved provision.	After carrying out the procurement activities for renting a vehicle, even though, it was directed to the Ministry to get the approval to implement the procurement decision, it was informed that the Department will be given an old vehicle used by the Ministry.	Estimates should be prepared with proper study.

2.2. Entering into liabilities and obligations

Audit Observation	Comments of the Accounting Officer	Recommendation
According to Financial Regulation 94 (1) no obligations and liabilities should be created beyond the provisions, but due to the fact that the department has reached liabilities of Rs. 700,025 over the provision savings of Rs. 68,572 for 03 expenditure subjects of the year under review, the value of the excess liabilities was Rs. 631,453.	Due to the fact that the events which are unplanned in 2022 like, 2023 National Independence Day Festival, National Vesak Festival, Mobile Exhibitions, Creation of Nadungamuwa Elephant and 06 artifacts stolen during the Kandy Kingdom from Sri Lanka and deposited in Dutch Government Risk Museum which returned to Sri Lanka, have to organize suddenly, Moreover, there were many vacancies in the approved staff, since that having to employ the existing employees and pay overtime, had to enter into liabilities and obligations beyond the provision savings.	Obligations and liabilities should be incurred without exceeding the limits of provision.

2.3. Non-compliance with laws, rules and regulations

Instances of non-compliance with the provisions of laws, rules and regulations observed during sample audit tests are analyzed below.

	Observation	Amount	non-compliance	Comments of the Accounting Officer	Recommendation	
	Reference to laws, rules and regulations	Rs.				
(i)	Establishments Code of the government of the Democratic Socialist Republic of Sri Lanka.	1,000,958		As at 31 December 2023 the loan amount of Rs.1,000,958 due from 11 employees who left the service had not been recovered.	Ministry of Buddhasasana, Religious and Cultural Affairs, Senior Assistant Secretary's letter No. CA/1/1/24/2 and dated 05.03.2024, was informed that approval has been received for writing off the credit balance of one employee which is Rs. 1,437.00.	Actions should be taken to recover outstanding loan balances.
(ii)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka					
	Financial Regulations 756	-	As at 31 December 2023 the inventory of the 10 Regional Museums had not been surveyed.	In the year 2022, a proper survey of artifacts has been conducted in all museums and divisions and reports have been submitted in this regard. For the year 2024, survey boards have been appointed to conduct the survey of artifacts in museums and divisions. The related work is currently underway.	A modern method should be introduced for that artifacts can be physically surveyed safely and easily.	

- (iii) Cabinet Decision No. AMA/23/1491/620/019 -1 dated 05 October 2023. - The department had not acted accordingly, Sub paragraph 3.1 of paragraph 03 of Cabinet Memorandum PFD/RED/REG/CM/2 023/305 dated 23 August 2023 for handing over the building acquired on lease basis by the Sri Lanka Handicrafts Board to the Department of National Museums and settling the arrears of rent. It was informed that, the department of building has assessed the amount spent by the Laksala Institute for the renovation of the relevant building and the report was given. Also the arrears due to this department from the Laksala Institute as per the agreement has calculated and the necessary estimates for carrying out the repairs for the damages incurred when the building was used and handed over by the Laksala Institute, have also been received from the Department of Building. Accordingly, it was informed that the amount to be charged to the department from Laksala Institute is being decided and settled. The arrears of rent should be calculated and collected as per the decision of the Cabinet.

2.4. Fraudulent transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the preliminary investigation reports submitted on 31 May 2023 regarding financial irregularities in the banking of ticket revenue of the Maritime Museum in Galle, the total revenue lost to the department from January 2014 to August 2022 was Rs.1,652,605. The balancing of the daily records of the revenue from ticket sold and money banking done by the officer in charge of the station who responsible for the irregularity had done. The money had not been banked daily as per the Financial Regulation 177 (1). However, in this regard, in terms of Financial Regulation 104 (4), the full report to be submitted within three months from the date of loss after conducting an inquiry and to update	A committee comprising the chief internal auditor of the department conducted an investigation into the loss of financial irregularities in banking of the ticket revenue of the Maritime Museum in Galle. Accordingly, the loss incurred was Rs. 1,652,605.00. The concerned officer has been informed in the letter dated 06.05.2024 to pay the amount. In addition a complaint has been filed with the	Internal control should be prepared and updated in such a way that mistakes and frauds do not occur and the financial regulations should be dealt with.

the loss register with notes in terms of Financial Regulation 103 (1) (e) and 110 had not been dealt with.

Galle Police Station and accordingly proceedings are underway. Furthermore, it was informed that formal disciplinary investigations have been initiated against the concerned officer and action has been initiated as per F.R.104.

3 Operational review

3.1. Vision and Mission

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The Department of National Museums had not made arrangements to publish an artifact collection management policy until December 2023. No action has been taken by the Department of National Museums to gets the authority to regulate the entire museum system in Sri Lanka, which should have the regulatory authority in the field of museums by making amendments to the existing law.	While there is no such recognized code of guidelines for museums, it was informed that a series of policies have been prepared for the management of artifacts (Collection Management) in the Department of National Museums.	The existing law should be amended to have the authority to formulate an artifact collection management policy and regulate the entire museum system.
(b) Regarding national museums and artifacts in Sri Lanka, there was no effort to prepare standards and guidelines which are applicable to the country.	When it comes to standards for museums and artifacts, museums follow the ICOM standards. It was informed that, they also follow the standards issued by the National Council of Museums (ICOM) as a member country.	Standards and guidelines regarding artifacts which are suitable to the country should be prepared.

3.2. Delays in project execution

Audit Observation	Comments of the Accounting Officer	Recommendation
the work on the project, which was started on 01 January 2021 at a cost estimate of Rs.98,550,000 to establish a fire protection system for the Colombo National Museum Library and which was to be completed on 31 March 2022. Though, the work had not been completed by April 2024. As at 31 December 2023, its financial cost was Rs.43,153,409.	Due to the poor performance of the contractor who was awarded the contract to install the fire protection system in the library of the National Museum of Colombo, the contract was canceled and the bond was collected. The contract has been awarded on 18 December 2023 to Thudawe Engineering Service after inviting new quotations for the remaining works. The work is scheduled to be completed by 15 June 2024.	The installation of the fire protection system should be completed immediately.

3.3. Procurements

Audit Observation	Comments of the Accounting Officer	Recommendation
In accordance with the circular of the Ministry of Finance, Economic and Policy Development No. PED/e-GP/Circular/2018 dated 17 December 2019 and the circular of the Ministry of Finance and Mass Media No. PED/e-GP/Circular/2018 dated 23 October 2018, Activities related to e-procurement had not been done.	It was informed that the officers are being trained and registered in relation to preparing the public sector procurements through an electronic procurement system, and by 31.05.2024, it was planned to start conducting the procurement activities through that electronic system.	Circular instructions should be followed

3.4. Assets Management

The following observations are made

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The second floor left near to the bio- science studio of the Natural science museum has been completely closed and it has been out of public display since the year	Although there were plans for the last few years to repair the second floor left near to the bio- science studio of the Natural	Resources should be utilized to the maximum.

2012. Even, during the year under review, the necessary repairs were not undertaken to open for public exhibition or to use the section for any other productive purpose.

science museum and set up the showrooms, the plans could not be implemented until now due to non-availability of necessary funds.

However, the parts are used for temporary exhibitions from 2023 after a minor renovation. According to the master plan prepared for the museum, it was informed that permanent exhibitions related to this section are to be prepared in the future.

(b) All the artifacts in 11 regional museums controlled by the department and the warehouses had not been assessed by developing a proper methodology

There are no internationally accepted strategies for valuing artifacts. Only proper documentation and maintenance of artifacts in museums is done. However, when moving artifacts from a location to a foreign country, a rough estimate is made only to insure them. If a system of valuation of artifacts is developed locally, the Department of National Museums will also be able to deal with that.

Artifacts should be valued according to an accepted methodology.

3.5. Losses and damages

The following observations are made

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The theft of 221 artifacts with an estimated value of Rs.4,440,140 occurred on 16 March 2012 at the National Museum of Colombo, even though 11 years have passed by 31 December 2023, the legal functions required to give the final decision and its total loss were not identified and accordingly, financial regulations 104 (3) and	A committee was appointed by the Ministry Secretary to identify the loss caused by the theft of artifacts from the National Museum in Colombo on 16th March 2012 and the items found by the Criminal Investigation Department are now sealed. It had been	Efforts should be made to expedite the completion of related legal proceedings.

104 (4) had not been dealt with. informed that the relevant committee had reported to the Ministry Secretary that they could not perform the legal functions according to the financial regulations since, they could not be exposed the items until the proceedings were over.

(b) According to the artifact survey reports conducted in relation to the year 2022, items of 7,157 belonging to 07 types of artifacts related to the period from 1877 to 1957 have been misplaced, and in this regard financial regulations 104 (3) and 104 (4) had not been dealt with. It was informed that a complete report on this has been prepared and submitted to the Ministry Secretary on 24.04.2024 to obtain orders to cut off the missing artifacts from the book. Internal controls should be strengthened and financial regulations should be implemented.

3.6. Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) 272 gemstones in the Department's Geology division had been deposited in the Metropolitan Branch of the Bank of Ceylon since 18 September 1964. After the physical inspection conducted in 1993, one of the gemstones was found to be an artificial stone, and it was deposited in the Geology division. The value of these remaining 271 gems had not been assessed with the help of a gemologist from the National Gems and Jewellery Authority.	The Gems and Jewellery Authority has been informed in writing to assess the value of the collection of gemstones, and they have informed that they cannot carry out the examination and valuation of the gemstones in the relevant bank premises, and those should be sent to the laboratories of the Gems and Jewellery Authority. Also, this matter was discussed in the departmental audit and management committee meeting where the Treasury representative was stated that it is not appropriate for	The current financial value should be assessed.

hand over these materials to an external agency for assessment.

In this regard, It was informed that further work is expected to be done, after the approval of the Ministry Secretary.

- (b) The department had worked to bring the museum income generation to a higher level in the year 2023 as compared to the year 2022, but in order to provide the necessary good service for local and foreign tourists who come to visit places of national value of history, archeology and national heritage, adequate attention has not been paid to the improvement of basic facilities like training museum employees, hygiene facilities, rest areas, canteens within the museum premises. Although it was submitted to the Treasury to make provisions under various programs for the improvement of infrastructure, it was informed that due to the limitation of the provisions given, priority had to be given to very urgent and important matters. Infrastructure should be improved for local and foreign tourists.
- (c) As at 31 December 2023, it was observed that the artifacts remained unprotected due to the fact that CCTV camera systems were not installed in the remaining 09 museums except the Colombo and Kandy museums. It was informed that these CCTV camera systems are going to be implemented in other local museums on the priority list. The safety of artifacts should be ensured.
- (d) The conservation repair of Holland Museum in Pettah which was supposed to start on 01 August 2019 and be completed on 01 May 2020, Although it should be completed on 30 November 2021 after giving 02 time extensions, it was postponed till September 2022. The late fee that should be charged as per the contract agreement at the rate of 0.05 per cent daily was not calculated and collected. The State Engineering Corporation has not yet submitted the final bill related to the conservation repair of the Holland Museum building in Pettah. Therefore, charging of late charges of 0.05% is not possible. Also, out of the works done in this project, an amount of Rs. 5,129,564.59 has been withheld, and the Department of Buildings, Late fees should be charged as per the contract agreement

which is the Institute of Engineering has been asked to make the relevant calculations in order to collect late fees from that amount.

4. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) As at 31 December 2023, the number of vacancies was 175 out of 391 actual staff while approved staff was 566. This number of vacancies consisted of 07 out of 16 executive level posts and 04 out of 05 tertiary level posts, 119 secondary level posts and 45 primary level posts, which had adversely affected the running of the department. Also among the vacancies There was a departmental post of Chief Security Officer, who carries a very highly responsible role, which has been lying vacant for more than 11 years.</p>	<p>Multi-purpose Development Support Officers have been recruited for 92 post of primary level so far and one of the tertiary level vacancy of Administrative Officer vacancy has been filled.</p> <p>Since no approval has been received from the Ministry of Public Administration to fill the vacancies, the Ministry of Buddhasasana, Religious and Cultural Affairs has again requested the Department of Management Services, but no reply has been received so far.</p>	<p>An essential employee deficiencies should be completed and actions should be taken to increase the performance of the organization .</p>

- (b) Due to the fact that, lack of sufficient trained officers to provide public understanding of the artifacts of the National Museum and lack of sufficient number of employees for activities such as maintenance, documentation, storage and collection of new items, for the collection of artifacts used for research in natural science divisions such as the Entomology Division, Zoology Division, Botany Division and Geology Division, the activities of those divisions have been adversely affected.
- It was informed that the related vacancies will be filled in the future, according to the policy decisions taken by the government to fill the vacancies in the public service.
- These employee deficiencies should be completed and actions should be taken to increase the performance of the organization.