

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 2018 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 of Archaeology was issued to the Accounting Officer on 31 May 2019 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 11 June 2019 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 2018, 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

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 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 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 Chief Accounting Officer and 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, 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 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 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 and Regulatory Requirements

I express the following matters in accordance with Section 6(d) and Section 38 of National Audit Act No.19 of 2018.

- (a) Since there was no need for the preparation of financial statements for the preceding year, it could not be stated that the financial statements presented was consistent with the preceding year.
- (b) Since there was no requirement for the Department of Archaeology to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

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
(a) The balance of the statement of movement of non-current assets as at 31 December 2017, amounting to Rs.110,848,832 should have been shown as the opening balance of the movement of non-financial assets of the year 2018. Nevertheless, it was shown as Rs.1,080,865,199. Accordingly, the reasons for overstating of opening balance by Rs.970,016,367 had not been disclosed.	The reasons for overstating the opening balance should be disclosed in the financial statements.	Agreed with the audit observations.
(b) The value of the properties totalling Rs.1,047,500,000 comprising the value of the land of Rs.911,500,000 and the value of buildings of Rs.136,000,000 had been shown in the financial statements without being vesting the ownership of the property on which situated the Head Office of the Department,	Action should be taken for vesting the ownership of the property with the Department.	Agreed with the audit observations.

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| (c) | The capital assets costing to Rs.34,898 had been understated in the movement of non-financial assets. | Action should be taken to account the capital expenditure incurred for acquisition of assets accurately. | Agreed with the audit observations. |
| (d) | A sum of Rs.83,773,014 incurred under other capital expenditure in the year under review for the activities of the projects of exploration, excavation and conservation from the funds received from various ways such as Central Cultural Fund, Government Departments, Foreign Institutions and private parties had not been included in the report of the movement of non-current assets. | The non-financial assets relating to the cost incurred for the project activities should be identified and included to the reports. | Agreed with the audit observations. |
| (c) | Action had not been taken to disclose the cost incurred based on the assets such as archaeological places and articles which identified and confirmed by the Department through exploration, excavation and conservation under nominal value in the financial statements. | The cost incurred for the archaeological places and articles identified and confirmed should be disclosed in the financial statements under nominal value. | Agreed with the audit observations. |

1.6.2 Reconciliation Statement of the Advances to Public Officers Account

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The total of the summary of individual list of balances of the Advances to Public Officers 'B' Account as at 31 December 2018 amounted to Rs.93,628,741 whereas the balance of the Control account amounted to Rs.94,380,933. But the action had not been taken to	Action should be taken to reconcile and settle the difference existed between the balance of the individual list of balances and the balance of control account.	Agreed with the audit observations.

reconcile and to settle the difference of Rs.752,192 for over a period of 05 years.

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| (b) | Out of the loan balances recoverable from the employees and the officers who had not in the service of the Department due to the reasons such as deaths, retirements, interdictions, vacated of posts and release from service amounting to Rs.4,551,937, the loan balances remained outstanding for over 05 years totalled Rs.1,290,560. | Prompt action should be taken to implement the necessary actions and to recover the loan balances remained outstanding. | Agreed with the audit observations. |
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1.6.3 Deposits

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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It was observed that action had not been taken in respect of the following loan balances in terms of the provisions of Financial Regulation 571(3) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.		

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| (a) | Out of the funds received from the Central Cultural Fund during the period from the year 2013 to 2017 for the projects of exploration, excavation, maintenance and renovation of the archaeological places the balance money relating to 82 projects amounting to Rs.19,479,807 had been retained in the deposit account without being taking action to release or | Prompt action should be taken to release or settle the cash balances. | Agreed with the audit observations. |
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settle in terms of Financial Regulation.

- (b) Out of the funds received on behalf of 50 projects during the period from the year 2013 to 2017, the balance amount of Rs.62,548,483 as at 31 December 2018 had not been settled. The funds received in respect of 16 projects of which the works suspended or the works not commenced amounting to Rs.13,677,475 had been retained in the deposit account without being settled. Action should be taken to settle the funds in respect of the balance money relating to the projects completed and the money relating to the projects which had not been commenced. Agreed with the audit observations.
- (c) 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 in the period from the year 2011 to 2017 for 25 projects of excavation, conservation and renovation of archaeological places but action had not been taken to settle the balances of money amounting to Rs.21,719,249. Action should be taken to settle the balance money of the projects. Agreed with the audit observations.
- (d) The retention money of Rs.1,407,424 retained from the payments of 12 construction and maintenance contracts of archaeological places had been retained for over a period ranging from 01 year to 04 years without being taken action to settle. Action should be taken to release the retention money. Agreed with the audit observations.

1.6.4 Non-maintenance of Registers and Books

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Cash Book -----		
The cash book relating to the current account of the People's Bank, Jaffna Branch had not been maintained in terms of the provisions of the Financial Regulation 446, while the cash books relating to the current accounts of the Moneragala Branch had not been properly maintained.	The cash book should be maintained properly in an updated manner in terms of the provisions of the Financial Regulation 446.	Agreed with the audit observations.
(b) Departmental Appropriation Votes Ledger -----		
A Departmental Appropriation Votes Ledger had not been prepared properly in terms of Financial Regulation 447.	A Departmental Appropriation Votes Ledger should be maintained properly on Form General 138, showing the exact amount available for expenditure and the liabilities committed in terms of the provisions of the Financial Regulation 447.	Agreed with the audit observations.
(c) Register of Cheques and Money orders -----		
Register of Cheques and Money orders had not been properly maintained in terms of Financial Regulation 451.	In terms of provisions of Financial Regulation 451 a proper Register should be maintained as per Form General G.AM.83.	Agreed with the audit observations.
(d) Security Register -----		
A Security Register containing the details of all officers and employees required to give	A Security Register containing the details of all officers required to give security should	Agreed with the audit observations.

security had not been maintained in terms of Financial Regulation 891(1) be maintained in terms of Financial Regulation 891(1).

(e) Register of Losses

<p>In terms of Financial Regulation 110, a Register of Losses should be maintained in an updated manner.</p>	<p>In terms of the provisions of the Financial Regulation 110, a Register of Losses according to the form therein should be maintained in an updated manner.</p>	<p>Agreed with the audit observations.</p>
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(f) Register of Loans and Advances

<p>The Register of Loans and Advances had not been prepared properly in terms of paragraph 05 of the Public Accounts Circular No.256/2017 dated 05 July 2017.</p>	<p>The Register of Loans and Advances should be prepared properly based on CC10 form in terms of paragraph 05 of Public Accounts Circular No.256/2017 dated 05 July 2017.</p>	<p>Agreed with the audit observations.</p>
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1.6.5 Certification to be made by the Accounting Officer

In terms of the provisions of Section 38 of National Audit Act No.19 of 2018, the Accounting Officer should ensure the under mentioned matters, but action had not been taken accordingly.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) The Accounting Officer should 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 and such reviews should be carried out in writing and a copy should be furnished to the Auditor General. Nevertheless, a copy of such reviews had not been furnished to audit.</p>	<p>Action should be taken in terms of the provisions of Section 38 of National Audit Act No.19 of 2018.</p>	<p>Agreed with the audit observations.</p>

- (b) Even though, the Accounting Officer should ensure that an effective methodology is available to implement a proper internal audit system in the Department that requirement had not been executed according to the observations mentioned in paragraph 5.1 of the Report. Action should be taken in terms of the provisions of Section 38 of National Audit Act No.19 of 2018. Agreed with the audit observations.

1.6.6 Non-compliance with Laws, Rules and Regulations

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Reference to Laws, Rules and Regulations</p> <p>(a) Statutory Provisions</p>	<p>Non-compliance</p>	
<p>(i) Sections 6, 7, 8, 9 of Archaeological Ordinance No.09 of 1940.</p>	<p>Action had been taken to give Mineral and Rock Licences contrary to the provisions of Ordinance.</p>	<p>Action should be given to issue licences properly in terms of the provisions of the ordinance.</p>
<p>(ii) Section 2 of the Printers and Publishers Act No.28 of 1951.</p>	<p>Even though, 04 copies of every book printed should be referred to the Department of National Archives for conservation, the copies of 02 books printed by the Department had not been referred for conservation.</p>	<p>Action should be taken in terms of the provisions of the Act.</p>
<p>(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka.</p>		
<p>(i) Chapter XIV Sections 2.3 and 4</p>	<p>Subsistence allowances had been paid</p>	<p>Subsistence allowances should be</p>
		<p>Agreed with the audit observations.</p>

improperly contrary to the provisions. duly paid in compliance with the provisions.

- (ii) Chapter XXXIII Sections 1.1 and 1.4 The agreements had been entered into with the external parties for the exploration and excavation activities without enquiring the instructions of the Attorney General. In entering into agreements with the external parties action should be taken to enquire the instructions of the Attorney General. Agreed with the audit observations.

2. Financial Review

2.1 Utilisation of provisions made available by other Ministers and Departments

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Even though, it was proposed to provide 25 per cent of the income for the Department earned by the Central Cultural Fund in respect of the activities of exploration, excavation, maintenance, conservation and management of archaeological places on the approval of the Cabinet of Ministers dated 02 February 2011, the above money had not been paid. The following deficiencies were observed.</p>	<p>(i) The projects had not been identified and implemented adequately according to the proper procedures so as to utilize efficiently the funds received and the provisions of Rs.115 million, Rs.233 million and Rs.364 million had been made for the projects in the years 2016, 2017 and 2018 respectively.</p>	<p>Agreed with the audit observations.</p>

- (ii) Out of 184 projects of exploration, excavation, conservation, maintenance and improvements of archaeological places for which provisions had been made in the year 2017, only 110 projects had been completed by 31 December 2018. Prompt action should be taken to carry out project activities efficiently. Agreed with the audit observations.
- (iii) Even though, the provisions had been made for 191 projects in the year 2018 only 11 projects had been completed. Out of the provisions of Rs.364 million made, a sum of Rs.25 million only had been utilized and the physical performance and the financial performance had remained at a weak level of 26 per cent and 7 per cent respectively. The project activities and the utilization of funds should be made efficiently. Agreed with the audit observations.
- (b) Even though, the 03 projects implemented by the Department on the provisions of Ministry of National Policy and Economic Affairs, Ceylon Tourist Board and the Sri Lanka Insurance Company amounting to Rs.36.4 million should have been completed by 31 December 2018, the overall physical and financial performance thereon had remained at poor position as 20 per cent and 22 per cent respectively. Action should be taken to implement the project activities and the utilization of funds efficiently. Agreed with the audit observations.

2.2 Operations of Bank Accounts

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Without carrying out the transactions of 2 current accounts commenced for carrying out transactions of the North	Action should be taken to plan and implement a suitable arrangement for the	Agreed with the audit observations.

Central and Central Regional Offices, those activities had been carried out by Chief Accountant of the Head Office. It was informed to audit, that no accountant was available in the regional offices had been the reason therein. payments to be made at regional offices level.

- (b) Two current accounts commenced in the Moneragala and Jaffna branches of People's Bank had remained in a dormant position even by 31 December 2015 while action had not been taken to close the dormant official bank accounts in terms of the provisions of the Treasury Operations Circular No.03/2015 dated 23 October 2015. Prompt action should be taken to close the dormant bank accounts in terms of the provisions of the Circular. Agreed with the audit observations.
- (c) A cash book had not been maintained for the current account of the Jaffna branch of the People's Bank and the cash balance had been computed improperly. According to the computation, the cash book balance from December 2016 up to June 2018 an overdraft of Rs.1,147,611 was existed while the balance of the bank statement amounting to Rs.6,155 had been shown in the financial statements. Further, the bank reconciliation statements had been prepared only up to June 2018 and according to the bank reconciliation statement the cash balances not credited to the account amounting to Rs.14,814 and unidentified payments amounting to Rs.235,731 had not been settled. Action had not been taken in terms of the provisions of the Financial Regulation 396(d) in respect of 18 cheques valued at Rs.1,374,988 which out-dated and not presented to the bank for payments. Action should be taken to prepare cash book properly and the balance of the cash book should be reconciled with the bank balance and action should be taken to settle the balances unsettled. Agreed with the audit observations.
- (d) Action had not been taken to identify Action should be taken to Agreed with the audit

and to settle the deposit balances of Rs.248,298 which credited to the current account of the People's Bank Thimbrigasyaya Branch in 15 instances, even though, a period ranging from 01 month to 05 months had elapsed.

settle in terms of the observations. provisions of Financial Regulation 396(d).

- (e) Action in terms of Financial Regulation 396(d) had not been taken in respect of 59 out dated cheques valued at Rs.223,437 and not presented for payments for a period ranging from 07 months to 27 months.
- Action should be taken to settle in terms of the provisions of Financial Regulations
- Agreed with the audit observations.

3. Operating Review

3.1 Non-execution of Activities

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The procedures and the methodologies had not been introduced to issue licences for archaeology excavation and to issue licences in terms of the provisions of Section 06 of the Archaeology Ordinance No.09 of 1940 and action had not been taken to recover licence fees of Rs.363,000 in respect of 121 licences issued from the year 2006 to 2017 contrary to the provisions of the Section 10 of the Ordinance. Further, action had not been taken to identify and to acquire for the Department the archaeological resources found from the excavations carried out through the licences given contrary to the provisions of Section 3 of the</p>	<p>In terms of the provisions of the Ordinance, action should be taken to form the procedures and methodologies and issue licences of excavation properly and for vesting of the archaeological resources found from excavations.</p>	<p>Agreed with the audit observations.</p>

Ordinance.

3.2 Assets Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Action had not been taken for formal vesting of legal ownership of land and property of Head Office, 12 regional offices, zonal offices of 08 tourist houses and archaeological museums to the Department.	Action should be taken for vesting of legal ownership.	Agreed with the audit observations.
(b) The assets verification activities of 03 regional offices of the Department relating to the year under review had not been implemented even by 25 May 2018. Further, the adjustments in respect of shortages, excesses and disposal of assets revealed in the assets verifications made in the preceding years had not been brought to account.	The assets should be verified annually and should adjust in the accounts in respect of shortages, excesses and disposals revealed.	Agreed with the audit observations.

3.3 Unreplied Audit Queries

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Replies to 02 audit queries issued in the year under review and 04 audit queries issued in the preceding years to the Department had not been furnished even by 31 March 2019.	The attention should be paid in respect of audit queries to furnish replies immediately in terms of Financial Regulation 452(i)	Agreed with the audit observations.

4. Execution of Sustainable Development Goals

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The every Government institution should take action in terms of the 2030 Agenda of United Nations relating to Sustainable Development Goals. Nevertheless, the information was not available that action has been taken by the Department to create a correct data base to measure the Sustainable Development Goals achieved in respect of the activities under its scope with the connection of other Government Institutions.	----- A data base should be prepared to evaluate in respect of achieving of Sustainable Development Goals.	----- Agreed with the audit observations.

5. Good Governance

5.1 Internal Audit

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Even though, an Internal Auditor should be appointed by the Accounting Officer for the internal audit functions of the Department in terms of the provisions of Financial Regulation 133 of the Democratic Socialist Republic of Sri Lanka, the appointment of an Internal Auditor had been made only on October 2018. As such the internal audit functions had not been carried out adequately and efficiently.	----- The internal audit functions should be carried out efficiently in respect of the strengthening of the activities of the systems and controls.	----- Agreed with the audit observations.

5.2 **Audit and Management Committee**

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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In terms of Section 7.4.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the Audit and Management Committee had been established in October 2018 and 02 meetings had been held but the reviews to ensure whether the resources had been utilized effectively and efficiently had not been carried out adequately.	The reviews should be made whether the resources are utilized effectively and efficiently.	Agreed with the audit observations.

6. **Human Resources Management**

6.1 **Approved Cadre, Actual Cadre and Vacancies**

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Even though, over 05 years had elapsed for the vacancies arised in 40 posts of Senior Level of Director and Assistant Director, action had not been taken to fill vacancies.	The recruitments for the vacancies should be made immediately.	Agreed with the audit observations.
(b) Twenty six vacancies in the posts of Technical Officer of Tertiary level had existed for over a period of 05 years due to the delay of approving the promotion procedure of the Department up to now.	The promotion procedure should be approved immediately.	Agreed with the audit observations.