

Head 209 – Department of National Archives

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Department of National Archives 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 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 National Archives was issued to the Accounting officer on 31 may 2019 in terms of Sub –section 11 (1) of the National Audit Act. No.19 of 2018 and the Detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act. was issued to the Accounting officer on 11 June 2019. 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 the 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 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibilities, under those standards are further described in the auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements

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 provision in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting officer determines is necessary to enable the preparation of financial Statements that are free from material misstatement, whether due to fraud or error.

As per sub- section 16 (1) of the National audit act,No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

As per Sub –section 38 (1) (c) of the National Audit Act, the Accounting officer Shall ensure that effective internal control system for the financial control of the Department exists 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 the summary report of the Auditor General 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 judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- In Order to design audit procedures that are appropriate in the circumstances, I do not express 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 fair and reasonable manner.
- In the overall presentation of the financial statements, structure and content of 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 accordance with Section 6 (d) and Section 38 of National Audit Act, 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 for the year under review were consistent with the preceding year.
- (b) Since there was no requirement for the Department of National Archives 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 Statements of financial position

The following observations are made

Audit observation	Recommendation	Comment of the Accounting officer
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(a) Even though the balance in the non – financial assets mobility report of the appropriation Account for the year 2017 posted as Rs.676,320,773 as at 31 December 2017 the opening balance of the year 2018 was stated as Rs.182,384,967 in the financial statements. Accordingly non –financial assets had been understated Rs.493,935,806.	The value of non – financial assets need to be correctly Stated.	Agreed with the audit Observation.
(b) New building of the Department, old building, kandy building, old canteen building, central Air Condition System and the building where it is installed had not been assessed and brought to account.	All assets need to be assessed and stated in the statement of financial position	Agreed with the audit observation.

1.6.2 Non – maintenance of book and records

The following observations are made

Audit observation

- (a) Audit test Checks Observed that the Department had not maintained the following registers and certain register had not been property updated.

Type of document	Relevant Regulation	Observation	Recommendation	Comment of the Accounting officer
(i) Security Register	F.R 891 (1)	Not maintained	Security register need to be maintained as F.R 891 (1)	Agreed with the audit observation
(ii) Inventories of electrical fittings	F.R.454(2)	-do-	Action to be taken as per F.R. 454(2)	-do-
(iii) Attendance Register of the Procurement and technical evaluation committee members.	Guideline 2.11.2 of the government procurement guidelines	-do-	Action needs to be taken as per procurement guidelines	-do-
(iv) Fixed assets register for computers accessories and software	Treasury circular No.IAI/2002/2 of 28 November 2002	-do-	Action needs to be taken as per circular instructions.	-do-
(v) Fixed assets Register	Treasury circular No.842 of 19 November 1978	-do-	-do-	-do-
(b) The votes ledger had not been updated and maintained. Even though a sum of RS. 834,110 had been shown as savings in the votes Ledger in 9 objects, it had been shown as Rs.3,480,296 as per financial Statements , Accordingly a difference of Rs.2,646,186 was observed.			Votes Ledger Shald be Properly and correctly maintained as per F.R.447	-do-

1.6.3 Lack of evidence for audit

The Following observation is made.

Audit observation	Recommendation	Comment of the Accounting Officer
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As measurements and relevant rates relating to the repair of roof of the canteen building were not made available, payments of Rs.7,905,428 could not be confirmed .	In terms of F.R 237 (a) (i) a certificate should be appended to the effect that work has been done satisfactorily and in terms of the contract agreement.	Agreed with the audit observation.

1.6.4 Exceeding Limits

The Following observation is made.

Audit Observation	Recommendation	Comment of the Accounting officer
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Evan though the minimum limit of receipts had been revised from Rs.4 million to Rs.3.4 million this revision had not been stated in the Treasury computer printout.	There should be a proper coordination with the Treasury	Agreed with the audit observation.

1.6.5 Incurring Liabilities and Commitments

The Following observations are made

Audit observation	Recommendation	Comment of the Accounting officer
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(a) The contract for the installation of an air condition System fire Extinguishers and high Security System after being renovated the Department had been awarded to a private company on 28 December 2018 for a sum of Rs.992,230,064. Of this value, only a sum of Rs.186,200,360 had been disclosed in the financial statements as contracted commitments but the balance sum of Rs.806,029,704 had	The total Cost of contracted Commitments needs to be disclosed in the accounts.	Agreed with the audit observation.

not been disclosed.

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| <p>(b) A sum of Rs.65 million payables to a Private Company and shown as a liability in the year 2017 had not been paid in the year 2018. Of this sum, the demurrage charge of Rs.16.5 million recoverable had not been deducted and a liability or an estimated Provision for the balance of Rs.48.5 million had not been made.</p> | <p>Provision have to be made for the settlement of liabilities and demurrage charges need to be recovered when liabilities are settled.</p> | <p>Bills in respect of this payment had not been presented as at 31 December 2018 for making estimated provision.</p> |
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1.6.6 Certification needs to be made by the Accounting officer

 The Following observations are made

Audit observation	Recommendation	Comment of the Accounting officer
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<p>The Accounting Officer shall ensure that an effective internal control system for the financial control of the Department exists 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. Such reviews Shall be in writing and copies of the same shall be made available to the Auditor General. Nevertheless the statements to ensure whether such Reviews had been carried out was not made available to audit.</p>	<p>Action needs to be taken in terms Section 38 of the National Audit Act No.19 of 2018.</p>	<p>Agreed with the audit observation.</p>

1.6.7 Non – Compliance with tax requirements

The Following observation is made

Audit observation	Recommendation	Comment of the Accounting officer
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A commitment had been incurred on 31 December 2018 for the payment of Rs.3,778,675 in respect of purchasing 17 computers but the value added tax amounting to Rs.138,975 relating to that payment had not been indicated in the relevant payment voucher. The payment relevant to this had been completed in the year 2019.	The value added tax needs to be stated on the face of the voucher and action needs to be taken in terms of guideline 5.4.11 of the procurement guidelines.	Even though the value added tax of Rs.138,975 had been paid, it related to only one part of the computer. There for it has not been indicated separately in the voucher.

1.6.8 Deposits

The Following observations is made

Audit observation	Recommendation	Comment of the Accounting officer
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Even Though payment of deposits in the year 2018 was stated as Rs.1,556,497 in the statement of financial performance payment in the deposit account had been shown as Rs.2,329,327 being observed a different of Rs.772,830	Difference between the deposit accounts and statements of financial performance need to be investigated and settled.	Agreed with the audit observation.

2. Financial Review

2.1 Expenditure management

The Following observations are made

Audit observation	Recommendation	Comment of the Accounting officer
(a) Although a provision of Rs.45 million had been made for constructions and buildings under program 01, about 80.5 percent thereof had been saved.	Estimates need to be prepared as per F.R.50	Agreed with the audit observation and these savings arose due to non- receipt of imprests.
(b) Even though provisions of Rs.150 million had been made for building and constructions under programme 2, 99.97 percent thereof was saved.	-do-	-do-

3. Operating Review

3.1 Non – achievement of expected output

The following observations are made.

Audit observation	Recommendation	Comment of the Accounting officer
(a) Even though the number of books obtained the International Standard Book Number (ISBN) registered in the National Library during the year 2018 amounted to 10,058 the number of books received by the Department for conservation amounted to 227. Accordingly it represented only about 2 per cent of the printed number of books and as such it was observed that monitoring book printers is insufficient.	A methodology for the monitoring of printers needs to be formulated to get down books for conservation which is a main objective of the Department.	Comparisons of International Standard Book Number (ISBN) issued by the National Library with the number of book given to the Department for conservation is unrealistic. It is accepted that it is insufficient to have one officer for monitoring printing press expedite the recruitments.

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| (b) | Even though there are 2,515 printing presses registered in the Department, only one officer has been engaged for press monitoring. | Sufficient number of officers need to be recruited to monitor the registered printing presses. | It is expected to recruit officers for vacancies expeditiously. |
| (c) | Even though, it was planned for the notation of about 1700 maps by the end of year 2016 by the map notation machine the number of maps the notation of which was completed was 232 or 13.6 percent by 30 April 2019. | A design needs to be prepared to complete the notation of maps soon | About 34 percent of the maps were numbered. The number of maps, the quality check of which is completed represents 13.6 percent. |

3.2 Procurements

 The Following observations are made.

Audit observation	Recommendation	Comment of the Accounting officer
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(a) According to the Master Procurement Plan prepared in the year 2017 a sum of Rs.2.5 million had been provided for the purchase of document deposit boxes. As 10,000 deposit boxes were expected to be purchased for the amount provided, a provision at Rs.250 per deposit box had been made. The following observations are made in this connection.		
(i) Even though, the most successful PH value needs to be existed in document conservation is 7.5, the most significant of that criterion requirement had not been included in the specification	In calling for quotation to deposit boxes their expected quality needs to be included in specifications.	This procurement was for normal document deposit boxes and the Department did not incline to purchase non – acidic document deposit boxes on the provisions in the year 2017. When purchasing normal document deposit boxes, there was no need of including PH

- value in the specification.
- (ii) In terms of guideline 7.12.4 of the government procurement guide lines an agreement had not been entered in to with the selected supplier and as such it was unable to recover demurrage charges. Recover the demurrage charges from supplies who do not supply on due dates. Evan though an agreement had not been entered into, there is a possibility of recovering demurrage charge as per the instructions of calling for quotations.
- (iii) Evan though the purchase of 10,000 deposit boxes for the amount provided, at Rs.250 per box were estimated one deposit box had been purchased at Rs.490. Accordingly action had been taken to purchase 5000 boxes at a price more than 96 per cent of the estimated price and as such it was observed that the estimated price was not realistic. Realistic estimates need to be prepared Agreed with the audit observation.
- (b) According to the service agreement for the maintenance of central Air – condition System at the new building of the department, a sum of Rs.1,077,234 had been spent. The following observations are made in this connection.
- (i) Even though a provision of Rs.652,226 had been made for the monthly maintenance work in terms of condition 4.1 of the agreement, maintain work had not been properly done. A procedure to perform the monthly maintenance services in terms of the agreement need to be set Agreed with the audit observation
- (ii) In terms of condition 2.1 of the agreement, the supply of chemicals needs to be done by the supplying entity, but contrary to As the supply of chemicals was not by the Contracted entity, a certification from the supplying entity needs to be obtained, -do-

that an another entity had supplied chemicals. Further, man, an assurance had not been obtained to the effect that these chemicals were of high quality and standard.

ensuring that chemicals supplied were of high quality and standard .

- (iii) Even though only one machine out of the three machines in the cooling system is always in operation, an another machine is not automatically operated once one machine is become in operative. It was therefore observed that their may be possibilities to have few days without cooling system.
- A procedure needs to be -do- formulated to ensure that at least one machine is always in operation.

3.3 Assets Management

The Following observation is made.

Audit observation	Recommendation	Comment of the Accounting officer
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Action had not been taken to acquire the land belongs to the Department, situated in Kandy	Action needs to be taken to acquire lands and buildings in terms of F.R.53	Agreed with the audit observation.

4. Sustainable development

4.1 Reaching Sustainable Development Goals

The Following observation is made.

Audit observation	Recommendation	Comment of the Accounting officer
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According to the 2030 agenda of the united Nations on Sustainable Development, the Department had failed to set up and accurate data base in order to measure the reaching of sustainable development targets in respect of functions come under the scope of the Department	Set up an accurate data system in order to achieve sustainable development targets and take action in coordinating with government entities to achieve targets for reaching such objectives.	Agreed with the audit observation.

5. Good governance

5.1 Internal Audit

The Following observation is made.

Audit observation	Recommendation	Comment of the Accounting officer
In terms of Financial Regulation 133 of the Democratic Socialist Republic of Sri Lanka, an internal auditor had been appointed in October 2018 by the Accounting officer for internal Audit Function of the Department. As a result, internal audit functions had not been carried out sufficiently and efficiently.	Internal audit needs to be carried out in terms of financial Regulations.	Agrees with the audit observation and an internal audit unit now been established.

5.2 Audit and management Committers

The Following observation is made.

Audit observation	Recommendation	Comment of the Accounting officer
In terms of paragraph 7.4.1 of the circular No PED/12 of 02 June 2003 Audit and management Committees had not been set up.	Steps to be taken to set up Audit and Management Committees soon.	Agreed with the audit observation

6. Human Resource Management

The Following observations is made

Audit observation	Recommendation	Comment of the Accounting officer
Of the approved cadre, there were 172 vacancies and the management had not taken to fill those vacancies.	Recruit vacant employees and carry out function of the Department efficiently and effectively.	Agreed with the audit observation.