

Head 209 – Department of National Archives

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 2020 comprising the statement of financial position as at 31 December 2020 and statement of financial performance and cash flow statements 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. My comments and observations on these financial statements presented to the Department in terms of Section 11(1) of the National Audit Act, No.19 of 2018 appear in this report. In terms of Sub-section 11(2) of the National Audit Act, No. 19 of 2018, the Annual Detailed Management Audit Report was issued on 12 May 2021 to the Accounting Officer. The report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018 will be presented in Parliament in due course.

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 2020, 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 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 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 in terms of 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 of the Department.

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 system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect 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 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 audit 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 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 Requirements

As required by Sub-section 6(1) (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (a) that the financial statements are consistent with the preceding year,
- (b) that the following recommendations made by me on financial statements of the preceding year had not been implemented.

Reference to Paragraph of the Preceding Year	Audit Observation	Recommendation
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1.6.1.1 (a)	It was observed that invaluable heritage assets such as books, registers, ancient agreements and confidential documents owned by the Department of National Archives had not been disclosed in the financial statements and those heritage assets had not been subjected to a proper survey for many years.	A survey should be conducted on these assets and a disclosure thereon should be made in the financial statements.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Non-revenue Receipts

Audit Observation	Comments of the Accounting Officer	Recommendation
Loan balances of employees who had gone on transfer in the year 2020 had been transferred between Heads without identifying loan balances correctly. As such, an outstanding loan balance totalling Rs.120,202 had further remained unsettled.	An error had occurred in identifying loan balances of employees who had gone on transfer. Action will be taken to rectify them by transfer notes.	It should be settled by recovering these loan balances.

(b) Recurrent Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
According to programmes in the financial statements of the year under review, interests on subsidies and estimated net provisions and actual expenses of transfers in the statement of expenditure totalled Rs.1,038,000 and Rs.888,838 respectively. However, according to the statement of financial performance, it had been recorded as Rs.300,000 and Rs.387,691 respectively and thus, interests on subsidies and transfers had been understated by Rs.738,000 and Rs. 501,147.	It has been recorded under Note 05 by mistake. However, no adverse effect whatsoever has occurred on the total recurrent expenditure of the statement of financial performance.	Action should be taken to furnish accurate financial statements.

(c) Reconciliation Statement on the Advances to Public Officers Account

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the Reconciliation Statement on the Advances to Public Officers B Account, outstanding loan balances as at 31 December 2020 totalled Rs.17,672,837 and according to the statement of financial position as at that date, the said balance totalled Rs.18,114,012 thus, observing a difference of Rs. 441,175.	It had not been adjusted and shown in the financial report by mistake.	It should be shown in financial statements by making relevant adjustments.

(d) Deposits

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Action had not been taken in terms of Financial Regulations 570 and 571 with regard to lapsed deposits totalling Rs.569,562 deposited in the General Deposit Account during the year 2018.	Two payments had been settled and action in terms of Financial Regulation 571 will be taken to settle the remaining deposits.	Deposits should be settled in terms of Financial Regulations.
(ii) In terms of Circular No.249/2016 of 11 April 2016 of the Director General of State Accounts, a report on age analysis should be prepared and forwarded to the Treasury along with the reconciliation statement on balances of the Treasury General Deposit Account. However, action had not been taken to send the said report as at 31 December 2020.	Relevant report had been sent.	Even though it was mentioned that the said report had been sent, it should be furnished to Audit.

(e) Property, Plant and Equipment

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) All non-financial assets including new and old buildings where the Head office of the Department is located, building located in Kandy, old canteen building and central air conditioning system installed therein, had not	A request has been made to the Divisional Secretary for obtaining the ownership of the land. It is expected to assess and account by vesting property.	Properties should be vested and then assessed and brought to account.

been assessed and accounted in the financial statements under property, plant and equipment.

- (ii) In recording balances of non-financial assets in the statement of financial position in the year under review, construction tools totalling Rs.5,164,870 had been erroneously brought to account as technical and manufacturing instruments, and broadcasting equipment totalling Rs. 446,229 as construction tools and broadcasting equipment had been brought to account as unvalued equipment.
- (iii) The land depicted as Lot No.01 in the P.P.Co. 9582 located in Kurunduwatta Grama Niladhari Division in the Thimbirigasyaya Divisional Secretariat Division where the Head Office building of the Department is located had not been vested and assessed and brought to account in the financial statements.
- This is a printing error and no effect whatsoever has occurred on total assets.
- Action should be taken to furnish accurate financial statements to Audit.
- Action is being taken to vest the land where the Head Office is located.
- The land should be vested and brought to account.

(f) Certification to be made by the Accounting Officer

Even though the Accounting Officer shall ensure the following matters according to provisions of Section 38 of the National Audit Act, No.19 of 2018, action had not been taken accordingly.

Audit Observation	Comments of the Accounting Officer	Recommendation
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. Further, the said reviews shall be in writing and a copy of the same shall be made available to the Auditor General. However, no statements had been made available to the Auditor General as to whether such reviews had been carried out.	Action will be taken to furnish relevant reports to Audit by reviewing internal control systems in future.	Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.

(g) **Non-compliance with Laws, Rules and Regulations**

The following observations are made.

Reference to Laws, Rules and Regulations	Observation Non-compliance	Comments of the Accounting Officer	Recommendation
(i) Section (e) of Guideline 01 of Circular No.01/2020 of 28 August 2020	Action had not been taken to settle the outstanding loan balances of Rs.264,875 older than 05 years relating to 04 officers who had left the service.	Action is being taken to recover these old balances.	Old loan balances should be settled in terms of circular instructions.
(ii) Paragraph 10.2 of the Public Finance Circular No.02/2020 of 28 August 2020 and Guideline 14	The Department had not presented a draft of the Annual Performance Report for the year 2020 to the Auditor General.	The draft Performance Report will be promptly furnished to Audit.	Action should be taken in terms of circular instructions.

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
The total net provision made for 11 recurrent and capital objects amounting to Rs.5,469,415 and Rs.47,457,241 respectively had been saved without utilizing for relevant purposes and those savings had ranged between 29 and 100 per cent of the annual net provision.	Expenses had not been incurred since March due to Covid pandemic.	Adequate provisions for the year should be included in the estimates.

2.2 Issuing and Settling of Advances

Audit Observation	Comments of the Accounting Officer	Recommendation
Action had not been taken in terms of Public Finance Circular No.01/2020 of 28 August 2020 and Guideline 01 to settle loan balances totalling Rs. 243,816 recoverable as at 31 December 2020 from officers who had transferred out of the Department.	It is expected to send reminders and to recover or to take action in terms of Circulars.	Action should be taken to recover the said outstanding loan balances.

2.3 Operation of Bank Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
Action had not been taken in terms of Financial Regulation 396 (d) relating to 14 cheques valued at a total of Rs.182,601 lapsed over 06 months as at 31 December 2020 issued by the Department but not presented for payment.	Action is being taken in terms of Financial Regulations.	Action should be taken in terms of Financial Regulations.

3. Operating Review

3.1 Procurements

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the Procurement Plan of year 2020, the total budgeted expenditure for procurement of goods and services amounted to Rs.236,823,000 and the actual expenditure incurred for procurement activities during the year was Rs.26,630,000. As such, the financial value of procurement activities not executed during the year according to plans was Rs. 210,193,000.	The expected target could not be reached due to Covid pandemic which prevailed in the country.	Action should be taken to consider the level which could be reached during the year, plan accordingly and make revisions according to requirement of plans.
(b) The contract of reconstructing the Head Office building of the Department had been awarded to the Central Engineering Consultancy Bureau at a total estimated cost of Rs. 992 million according to recommendations made by standing procurement committees appointed by the Cabinet of Ministers through CP/17/2988/742/050 of 17 January 2018. The following matters were observed at the inspection on the rehabilitation and improvement of the said building.		

- (i) Even though the due date for completion of reconstructions was 07 July 2020, the period of agreement had been extended up to 18 May 2021. The current physical progress and the financial progress of the building reconstructions as at 01 April 2021 were 46 and 30 per cent respectively.
- The delay due to the Covid pandemic and the delays in moving the documents properly to new locations resulted in extending the period. After extending the period, the purpose should be speedily achieved on the due date as problems have arisen in achieving it.
- (ii) Payments had been made for bills submitted by the Central Engineering Consultancy Bureau and the Central Engineering Services (Pvt) Limited without being checked by a suitable Technical Officer or a Quantity Surveyor.
- At present, bills are checked before making payments. Bills should be checked by a qualified officer before making payments.

4. **Human Resource Management**

Audit Observation	Comments of the Accounting Officer	Recommendation
The approved cadre as at 31 December 2020 stood at 287 and a dearth of 153 employees relating to approved posts, including 50 posts of senior level and 70 posts of tertiary level, existed. The management had not taken action to fill the dearth of employees.	Action is being taken to make these recruitments.	Action should be taken to recruit adequate staff.