

Head 208 - Department of National Museums

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of National Museums for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Department of Museums was issued to the Accounting Officer on 20 April 2022 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 20 April 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of National Museums as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

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

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

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Capital Expenditures

The following observations are made.

	Audit Observation	Comments of the Accounting Officer	Recommendation
(i)	A sum of Rs. 78,328,980 had been spent during the year for acquisition of capital assets as per the programmes of Expenditure Statement (ACA-2(i)) of the 2021 financial statements. But, the expenditure incurred to acquire capital assets during the year was understated by Rs. 51,147,190 in the statement of non-financial assets due to recording the sum of purchases of non-financial assets during the year as Rs. 27,181,790 in the statement of non-financial assets.	Rs. 78,328,980 is the total value of capital assets acquired during the year and Rs. 27,181,790 in the statement of non-financial assets is only the value of machinery and equipment.	Acquisition of all capital assets including plant and machinery should be recorded in the statement of non-financial assets.
(ii)	The total value of the statement of non-financial assets (ACA-6) as at 31 December 2020 was Rs. 77,967,446 according to the audited financial statements of the	The opening balance of plant and machinery has changed due to the opening balance adjustment made in the year 2021.	Adjustment for the opening balance of the non-financial assets in the year 2021 should be

year 2020. The opening balance of the statement of non-financial assets (ACA-6) was overstated by Rs. 13,692,110 due to recording the opening balance as Rs. 91,659,556 in the statement of non-financial assets in the year 2021.

clearly disclosed in the financial statements.

(b) Property Plant and Equipment

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) The 4.6317 hectare land on which the Colombo National Museum is established had already been handed over to the Department of Museums by 29 March 2022 and the said land and building were accounted as Rs. 10,002,369,340 and Rs. 800,000,000 respectively in the statement of non-financial assets of the financial statements based on a valuation report made in the year 2013.	Letters have been sent to the Valuation Department for valuation of the land and it will be accounted after receiving the reports.	The head office building and land should be valued and the valuation amount should be accounted in the financial statements.
(ii) Although a physical survey of the artefacts on display in the department museum should be carried out and the said reports should be submitted to the audit, those items were surveyed again in the year 2021 in only 06 sectors after the year 2018. The final report of the survey board was not submitted to the audit until March 2022.	A survey was conducted in the year 2018 and steps will be taken to survey again in the year 2023.	A survey of the artefacts on display should be carried out and the reports should be submitted to the audit.

(c) Failure to maintain records and books

It was observed during the sample audits that the following documents were not maintained by the department and that certain documents were not updated and maintained regularly.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Bail Register A bail register containing details of the officers and employees to be bailed was not prepared in accordance with Financial Regulations 891(1).	A bail document has been prepared and the drivers' bail has been deposited.	A bail register should be maintained for the officers to be bailed, containing the information referred in the Financial Regulations 891(1).
(ii) Register of Electrical equipment A register of electrical equipment was not maintained in terms of Financial Regulations 454(2).	This document is under preparations.	An inventory book should be maintained about all electrical appliances and equipment in government buildings as mentioned in the Financial Regulations 454(2).
(iii) Register of debtors and creditors A register of debtors and creditors was not maintained as per the paragraph 05 of the Public Accounts circular No. 256/2017 dated 05 July 2017.	It is started and maintained in the year 2021.	A register of debtors and creditors should be maintained as per paragraph 05 of the Public Accounts circular No. 256/2017 dated 05 July 2017.

2. **Financial Review**

2.1 **Imprest Management**

Audit Observation	Comments of the Accounting Officer	Recommendation
The sum of the imprest receiving was Rs. 375,440,570 according to the final imprest report of the treasury (SA-70), but it was observed a difference of Rs. 6,971,279 in receiving imprest on comparison with treasury records due to that the total imprest receiving was Rs. 368,469,291 as per the statement of imprest reconciliation (ACA-3) and imprest receiving documents accompanying financial statements.	I confirm that the receivings are Rs. 368,469,291 as per the summary reports of receiving and payments.	Action should be taken to correct the difference in opening balance as per treasury books.

2.2 **Revenue Management**

Audit Observation	Comments of the Accounting Officer	Recommendation
The conservation renovation of Holland Museum in Pettah was supposed to start on 01 August 2019 and to be completed on 01 May 2020 according to the agreement. Extensions of time had been given in 02 occasions up to 30 November 2021 and the work had been completed by March 2022. Accordingly, although 0.05 percent daily delay charges should be charged as per the contract agreement due to non-fulfillment of the contract, the delay charges were not charged.	Noted to that delay charges are charged from the final bill.	Delay charges should be charged as per the contract agreement.

2.3 Incurring into liabilities and obligations

Audit Observation	Comments of the Accounting Officer	Recommendation
Total liabilities of Rs. 2,978,623 had been incurred in excess of provision savings related to 10 expenditure subjects according to the financial statements as at 31 December 2021 in examining the incurring into liabilities and obligations in the year 2021.	Monthly bills for sanitation, water, electricity, telephone have been paid.	Provisions should be made to incur the liabilities without exceeding the savings.

2.4 Exceeding Limits

Audit Observation	Comments of the Accounting Officer	Recommendation
The minimum limit of receivings in Public Officers' Advance B account for the Department of Museums in the year 2021 was Rs. 10,800,000 and although approval was requested to revise that limit to Rs. 9,000,000, but the approval was not received until March 2022. Accordingly, the approved minimum receiving limit was Rs. 10,800,000 and it was not reached to the minimum receiving limit by the total of Rs. 1,637,501 due to the total receivings were Rs. 9,162,499 during the year.	The memorandum related to the revision of limits has been sent to the Minister of Finance.	Action should be taken to reach the minimum receiving limit or to revise the limit and obtain approval.

2.5 Non-compliance with Laws, Rules and Regulations

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

	Observation				
	Reference to the Laws, Rules and Regulations	Amount Rs.	Non-compliance	Comments of the Accounting Officer	Recommendation
(a)	Paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016	-	There were no cheques on the fuel consumption of 05 motor vehicles owned by the department after the year 2019.	I will check the fuel consumption of these vehicles after the repairs are completed.	Should be followed this circular.
(b)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka.				
(i)	Financial Regulations 268(a) and 1646	-	Running chart details were not submitted on due dates along with monthly summary reports as per these financial regulations.	Monthly summary reports have not been submitted separately, but will be submitted in future.	Should be followed this financial regulation.
(ii)	Financial Regulations 1645(a)	-	Although log notes were maintained for vehicles owned by the department, information of them was not recorded up to date.	The log notes are not updated by default. I will act not to do in future.	Should be followed this financial regulation.

- (c) Section 01(b) of Guideline No. 01 of the Public Finance Circular No. 01/2020 dated 28 August 2020 - An amount of Rs. 229,420 had not been settled in the Pension relation to 03 deceased employees as at 31 December 2021. Information has been submitted to the Pension Department for recovery of death gratuity. Should be followed this circular.

2.6 Informal Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The department had given a building to the Handicrafts board on lease basis for a period of 10 years from 10 August 2011 to 31 July 2021. The renovation work had been carried out by the board without the approval of the department and the Handicrafts board had also made a cabinet decision to extend the tax period to 35 years in the year 2013 without the agreement of the department. The department had paid the assessment fees, water charges etc. for the said building and the total amount of arrears of rent to be charged for the department as at 31 July 2021 was Rs. 91,921,106.60. Furthermore, although the monthly rent to be paid from August 2021 should be done as per the new lease agreement, the Handicrafts board was using the building without authorization to enter into a new lease agreement to be signed with the consent of both parties and without paying rent accordingly.</p>	<p>A new lease agreement has been prepared and submitted to the Attorney General's Department and expect to enter into contract after recovery of arrears.</p>	<p>Action should be taken to enter into a new lease agreement and pay rent accordingly.</p>

2.7 Issuance and Settlement of Advances

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>According to the annual reconciliation statement related to the Public officers advance B account of the department, the total loan amount to be charged from the employees who left the service as at 31 December 2021 was Rs. 934,277. It had not been acted to settle the said debt as per the guideline No. 01(e) and (f) issued with the Public Finance circular No. 01/2020 dated 28 August 2020.</p>	<p>Letters have been sent to the Secretary of the ministry for seeking approval for cut off uncollectible balances and ignore the outstanding debts.</p>	<p>Action should be taken to settle the amount to be charged as per this circular.</p>

2.8 Deposit Balances

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The total amount of Rs. 5,213,776 in the deposit accounts over 02 years deposited from the year 2011 to 2019 were not settle or credit to the government revenue as per the financial regulations by the department.</p>	<p>I will settle the payments which the contracts are no longer implement and which have been recommended by the consulting institutions and to settle the balances to be credited to the revenue.</p>	<p>Action should be taken to settle the deposits which are more than 02 years or credit them to the government revenue as per the financial regulations.</p>

3. Operational Review

3.1 Delays in execution of projects

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) An agreement was reached on 30 November 2015 for the construction of Hambanthota Museum office building with an estimated cost of Rs. 22,509,349. A total of Rs. 18.09 million had been paid for this project, which was scheduled to be completed on 30 April 2016 and the building was taken over with an agreement to repair the existing defects, but those deficiencies were not completed until 31 December 2021.	No action has been taken even though these deficiencies have been informed to be rectified on several occasions. I will finish this immediately.	These deficiencies should be completed immediately by the concerned parties.
(b) A contract was entered with the State Engineering Corporation in the year 2019 for the conservation and repairs of Holland museum in Pettah at a total cost estimate of Rs. 97,259,127. The time for this work, which was supposed to be completed on 01 May 2020, was extended on two occasions till 30 November 2021. A total of Rs. 62,863,055 had been paid for this work on 31 December 2021 and the physical progress on that date was 51 percent. The work of this project, which was about 03 months have passed without extending the approved project period, has not been completed by March 2022.	About 93 percent of the work has been completed by April 2022. The project work has been informed in writing to be completed immediately and duly handed over. Action is being made to extend the project period.	Action should be taken to take over the building to the department after completing the work of this project as soon as possible.

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| (c) | The project to install the fire protection system in the library of the national museum, which was started on 04 August 2021 at a cost of Rs. 98.55 million, was supposed to be completed on 31 January 2022. Although 02 months had passed since the completion time of the work by March 2022, the physical progress was 35 percent of that project, which had been paid the total amount of Rs. 23,429,655 as at 31 December 2021. | The project has not been able to import essential items from abroad. Requests have been made through the Secretary to the ministry. Not received replies. | The library fire protection system is a very important work, so attention should be paid to the completion of it. |
| (d) | A total of Rs. 4,919,333 had been paid as at 31 December 2021 for the project of furnishing the furniture showroom of the national museum, which started work on 16 August 2021 under the estimate of Rs. 11.6 million. The contractor had abandoned the work on this project as at March 2022, which was about 45 percent physical progress. | Actions are being taken to recover the money to be recovered due to the abandonment of the project by the contractor. | Action should be taken to recover the money to be recovered and carry out the necessary further work to complete the project. |

3.2 Procurements

Audit Observation	Comments of the Accounting Officer	Recommendation
According to Section 5.4.12 of the Code of Government Procurement Guidelines, the details of the said VAT payments should be notified to the Commissioner General of Inland Revenue with a copy to the Auditor General after the payment of VAT, on or before the 15 th day of the following month, but VAT payments details were not identified during the payment related to the renovation of Holland museum, Pettah.	These reports have been sent to the Inland Revenue Department by e-mail.	Should be followed this section of the Code of procurement guidelines.

3.3 Losses and Damages

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The old ferry found in Attanagalle was kept in a tank prepared by the Department of Archeology at the eastern end of the National museum park since the year 1998 and later, the ferry was moved to the compartment where the old carts were kept in the year 2021 for the conservation work. Although various steps have been taken for the preservation of this ferry by the Department of Archeology since a long time, a very valuable artifact that was on public display in the museum had decayed and completely destroyed due to the non-performance of those conservation works.</p>	<p>This conservation work was carried out by the Department of Archeology and only provided a location for this department.</p>	<p>Conservation work not related to the scope of the institution and should not be accepted for public exhibition before conservation.</p>

3.4 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) The conservation repairs of the Holland museum, Pettah were being completed at an estimated cost of Rs. 62.8 million out of an estimated cost of Rs. 97.26 million. The lack of parking facilities in front of this 350 years older museum, which is located in Kumara Street, Pettah, had become a major obstacle for local and foreign tourists who are coming to watch it and the management had not been able to recover the parking facilities in front of the museum until the year 2019.</p>	<p>Although made several requests for this, the Colombo Municipal Council has been informed that it cannot be done.</p>	<p>The museum, which has been conserved at a lot of expense, needs a vehicle parking facility to be used for public exhibition and action should be taken to get it because, the facility was available in the past.</p>

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| (b) | The total cost value initially prepared for phases I and IV of the Garden Renovation Project of the Colombo National Museum was Rs. 45,664,195 and the revised total cost value was Rs. 50,055,355. But the value of the contract offered was Rs. 43,337,970. Accordingly, the variance between the revised total cost estimate and the performed contract work was 18.37 percent or Rs. 9,930,968 and accordingly, the revised contract value of Rs. 53,268,938 was measured and approved for payment at the end of the work. At the beginning of this work, a variation amount of Rs. 9,930,968 had been paid to the contractor due to not identifying the procurement work correctly and quantity error. | All estimates and quantity sheets for this project were prepared by the consultant institution. Payments have been made on the recommendation of that institution. | The institution should not be act in reliance on the consultant institution and should also be taken to get the support of the ministry. |
| (c) | Although letters have been transferred among the government institutions to transfer the ownership of the land where the Anuradhapura and Galle national museums under the Department of National Museums, the land could not be acquired even by March 2022. | Letters have been sent to the Divisional Secretary to expedite the taking over of the land. | Arrangements should be made to acquire these lands. |
| (d) | Although the acquisition of property related to the other regional museums belonging to the department such as Holland age museum, Rathnapura national museum, Polonnaruwa museum of ancient technology and Magampura Ruhunu heriatage museum had been completed by the date of audit, the value of land and buildings had not been assessed and the cost of those accounted in accordance with generally accepted accounting principles. | Action is being taken to take over. | Arrangements should be made to taken over these properties, appraise them and account the cost of those assets. |

4. Human Resources Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although the approved staff as at 31 December 2021 was 566, the number of vacancies on that day was 231 as the actual staff was 335. Out of these vacancies, 08 out of 16 executive level posts and 04 out of 05 tertiary level posts were vacant and approval was requested to compete this staff shortage during the year under review, but it was not possible due non-receiving.	Request letters have been sent to fill these vacancies.	These employee deficiencies should be completed and action should be taken to increase the performance of the institution.
(b) Although approved secondary level staff as at 31 December 2021 was 242, the number of vacancies in that staff was 146 as the actual staff at that level was 96. Among those vacancies, the post of Chief security officer in Grade MN-4 was a departmental post and seeking the written permission of the Ministry of Public Administration to fill this post, which has been vacant from many years and has to play a very responsible role, but the post remained vacant due to non-approval.	Staff updates are sent quarterly to Ministry of Public Administration and Department of Management Services.	These employee deficiencies should be completed and action should be taken to increase the performance of the instuttion.