

## **Hindu Cultural Fund - 2014**

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The audit of financial statements of the Hindu Cultural Fund for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 and the income and expenditure statement, the statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 (4) of the Hindu Cultural Fund Act, No.31 of 1985. My comments and observations on the aforesaid financial statements appear in this report.

### **1.2 Management’s Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor’s Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund’s preparation and fair presentation of the financial statements 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the Hindu Cultural Fund as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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The following non-compliances were observed.

Reference to Laws, Rules and Regulations	Non-compliance
Public Finance Circular No. PF 423 dated 22 December 2006	
(i) Paragraph 4.1(a)	Even though no expenditure whatsoever should be incurred in the relevant financial year without an approved budget, the Fund

had incurred expenditure in the year without preparing the budget and obtaining approval pertaining to the year under review.

(ii) Paragraph 4.2

A register including the details of investments had not been maintained.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the result of the operating activities of the Fund for the year ended 31 December 2014 had been a surplus of Rs.1,366,697 as compared with the corresponding surplus of Rs. 1,969,021 for the preceding year thus indicating a deterioration of Rs.602,324 in the financial result in the year under review. The decrease in other income by Rs. 116,827 and the increase in the expenditure of aids for Hindu kovils and purchase of uniforms by Rs. 399,050 had mainly attributed to the above deterioration.

#### **3.2 Analytical Financial Review**

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Interest income received from fixed deposits, represents 56 per cent of receipts of the Fund and the percentage of interest therein had decreased from 12.5 per cent to 7.5 per cent in this year as compared with the preceding year. It was observed in audit that this position could unfavourably affect the future performance of the Fund.

4. **Operating Review**

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4.1 **Performance**

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The following observations are made.

- (a) Even though the legal provisions had been made to collect necessary funds locally or abroad for the fulfilment of objectives and goals of the Hindu Cultural Fund in terms of Chapter 06 of this Act, action had not been taken to collect funds during the year under review by utilizing these legal provisions.
- (b) A Corporate Plan for the Fund had not been prepared and an Action Plan should be prepared by indicating financial and physical targets to fulfill main objectives of the Fund such as development of Hindu Holy places and promotion of Hinduism and culture. Nevertheless, these objectives had not been fulfilled through this Action Plan.

4.2 **Management Inefficiencies**

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One thousand one hundred and twenty nine sarees had been purchased to distribute among teachers of the Dhamma Schools in the year under review and a sum of Rs.1,185,450 had been paid to a private firm at a rate of Rs.1,050 per saree. The following observations are made in this connection.

- (a) A proper agreement had not been signed between the Fund and the supplier pertaining to this purchasing. As such, any conditions in respect of this supply had not been revealed in audit.
- (b) The entire amount pertaining to the supply of sarees had been paid to the supplier without a report of the Technical Evaluation Committee ensuring that this stock of sarees had been supplied in accordance with proper specifications by the supplier.

**5. Accountability and Good Governance**

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**5.1 Action Plan**

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According to the Action Plan of the Fund, 3 main programmes such as grant of aids for Hindu kovils, maintenance of cattle released from slaughter and purchase of sarees for teachers of Dhamma Schools had been planned to be implemented. The following deficiencies were observed in audit in implementing those programmes.

(a) Payments had been made by cheques in the year under review to the Divisional Secretary at Thelippalai to grant a sum of Rs.60,000 to the respective Hindu kovil at a rate of Rs.5000 per month to maintain a cow in Naguleswaran Kovil in Keeramale in terms of a decision taken at the 7<sup>th</sup> session of the Board of Governors of the Fund.

A follow up action had not been taken to ensure whether this money had been used so as to fulfill the intended purposes of the Fund.

(b) A sum of Rs.300,000 had been granted in the year under review to renovate buildings of Uththaradi Pilleyar Kovil in Trincomalee District and buildings of Annai Sri Saratha Devi Dhamma School in Polonnaruwa District. However, a follow up action had not been carried out in the manner of usage of this money by obtaining the reports on expenses and work done.

**6. Systems and Controls**

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Deficiencies observed in audit were brought to the notice of the Secretary of the Fund from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Procurements
- (c) Planning