

## Report of the Auditor General on Head 202 – Department of Muslim Religious and Cultural Affairs - Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 202 – Department of Muslim Religious and Cultural Affairs for the year ended 31 December 2016 was carried out in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review had been issued to the Director of the Department on 10 October 2017. The audit observations, comments and findings on accounts and reconciliation statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

### 1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Public Finance and Administrative Regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements, whether due to fraud or error.

## 2. Accounts

### 2.1 Appropriation Account

#### Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.138.60 million and out of that, a sum of Rs.127.47 million had been utilized by the end of the year under review. Accordingly, savings out of the total net provisions of the Department amounted to Rs.11.13 million and represented 8.04 per cent. Particulars are given below.

As at 31 December 2016

Expenditure	Net Provision	Utilization	Savings	Savings, as a Percentage of Net Provision
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	106.72	97.12	9.60	9.00
Capital	31.88	30.35	1.53	4.80
<b>Total</b>	<b>138.60</b>	<b>127.47</b>	<b>11.13</b>	<b>8.04</b>

## 2.2 Advances to Public Officers Account

### Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account Item No.20201 relating to the Department and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
4.00	2.49	1.25	1.63	12.00	6.47

## 2.3 General Deposit Account

The balance of the General Deposit Account No.6000/0000/00/0016/0094/000 under the Department as at 31 December 2016 amounted to Rs.17.42 million.

## 2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the Department of Muslim Religious and Cultural Affairs have been prepared satisfactorily, subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. Out of the audit observations included in that Management Audit Report, the material and significant audit observations appear in paragraph 3.

## 3. Material and Significant Audit Observations

### 3.1 Non-maintenance of Registers and Books

It was observed during audit test checks that the Department had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Related Regulation	Observation
(a) Register of Fixed Assets on Computers, Computer Accessories and Software	Treasury Circular No. IAI/2002/02 of 28 November 2002	Not maintained in an updated manner.

(b) Inventory of Electrical Fittings	Financial Regulation 454 (2)	Not maintained.
(c) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1987	Not maintained.

### **3.2 Appropriation Account**

#### **Budgetary Variance**

The following observation is made.

Excess provision had been made for 9 Objects and as such the savings, after the utilization of provisions, ranged between 12 per cent and 67 per cent of the net provisions relating to the respective Objects.

### **3.3 Reconciliation Statement on Advances to Public Officers Account**

The following observations are made during the course of audit test checks of the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account Item No.20201.

- (a) According to the Reconciliation Statement presented to audit, the outstanding balances recoverable as at that date totalled Rs.313,769. Even though a period ranging from 1 year to 25 years had lapsed relating to those outstanding balances, the Department had failed to recover them.
- (b) In terms of paragraph 5 of the Public Enterprises Circular No.96 of 10 August 1994, in the preparation of Schedules for Individual Balances, dates should be mentioned as relevant. However, dates relating to transfers, vacation of service, interdiction and proceeding abroad of public officers had not been mentioned in the preparation of Schedules for Individual Balances.

### **3.4 Good Governance and Accountability**

#### **3.4.1 Internal Audit**

Even though a post of Internal Auditor had been approved for the Department, it remains vacant and the Department had not carried out internal audit activities.

#### **3.4.2 Audit and Management Committee**

In terms of Audit and Management Circular No. DMA 2009 (1) of 06 June 2009, four audit and management committee meetings should be held at least once in a quarter annually. However, the Department had not held audit and management committee meetings in the year under review.

### 3.5 Non-compliance with Laws, Rules, Regulations etc.

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

<b>Reference to Laws, Rules and Regulations</b>	<b>Value</b>	<b>Non-compliance</b>
----- <b>Rs.</b> -----		
<b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>		
(i) Financial Regulation 396	704,229	Action had not been taken in terms of provisions of Financial Regulation 396 relating to 68 cheques outstanding for 6 months, issued but not submitted for payment.
(ii) Financial Regulations 447 (4), 447 (9)	-	In making entries in the Votes Ledger, it had not been maintained in a manner so as to carry out a financial control, thereby including total values in proper places.

### 3.6 Transactions of Contentious Nature

Certain transactions entered into by the Department had been of contentious nature. Particulars of such an instance observed during the course of test checks appear below.

#### **Release and Issue of Dates received free of charge from Saudi Arabia to commemorate Ramazan Fasting**

The Republic of Saudi Arabia had provided 222 metric tons of dates free of charge to Sri Lanka to be distributed among the Muslim community in commemoration of Ramazan fasting. In releasing that stock of dates from the Customs, a sum of Rs.20,477,913 had been paid to a private company as charges of the Sri Lanka Ports Authority, charges of shipping companies, customs duty, demurrage, charges of the clearance company and as other tax. The following matters were observed in respect of this payment.

- (a) According to Guideline 4.3 of the Procurement Guidelines, the Procurement Entity shall prepare a Cost Estimate. However, the Department had not prepared a Cost Estimate in respect of clearance of dates.
- (b) The relevant private company had submitted a rough estimate of Rs.16,229,833 for clearing the stock of dates and it had been subsequently revised as Rs.19,089,707 and

Rs.20,477,913 from time to time and according to the initial rough estimate, a sum of Rs.4,248,080 had been overpaid.

- (c) Bills had been paid by the sum of Rs.3,000,000 allocated from the budget estimate, the sum of Rs.13,230,000 obtained by additional provisions and the sum of Rs.1,500,000 obtained from the Muslim Charities Fund. However, as further payments had to be made, clearance had been delayed. As such, the total amount payable had increased up to Rs.20,477,913 and it was observed as an uneconomical expenditure.
- (d) According to the information made available, 222 metric tons of dates had been received to the Department and out of that, 20 metric tons had been provided to a private organization. The information on handing over those stocks of dates to the relevant parties and the distribution of those dates by those institutions had not been available with the Department.
- (e) Confirmation on receipt of 124,744 kilograms of dates out of 202 metric tons distributed directly by the Department, had not been obtained from the relevant mosques.

### **3.7 Irregular Transactions**

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Certain transactions entered into by the Department had been devoid of regularity. Several such instances observed are given below.

#### **3.7.1 Deviation from the Government Procurement Procedure**

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##### **(a) Purchase of Clothing Material for Uniforms of Dhamma School Teachers**

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A sum of Rs.6,899,543 had been paid to two private institutions for purchase of clothing material for Dhamma School Teachers for the year under review. The following matters were observed in respect of calling these quotations and selecting suppliers.

- (i) According to Guideline 2.14.1 of the Government Procurement Guidelines, purchases could be made up to Rs.10 million after approval by a Departmental Procurement Committee. Nevertheless, a number not less than 5 sealed quotations should be called therefor. Even though a note including addresses had been attached to the file, stating that letters had been sent to 8 suppliers, evidence of receipts for letters registered or handing over of letters were not available as proof that letters had been sent. There was no evidence that the agents of the relevant institutions had participated at the opening of bids.
- (ii) The assistance of a Technical Officer of the Sri Lanka Institute of Textile and Apparel had been obtained for the Technical Evaluation Committee appointed and according to the observation report submitted by him, it had been informed that the abaya material and trouser material supplied by both the suppliers could not be approved as they are not in compliance with the specifications. Even in the report

submitted after the revaluation carried out according to the request of the Department, it had been mentioned that the samples of abaya material and trouser material do not comply with the specifications. Despite that, clothing material for uniforms had been purchased from those suppliers.

- (iii) In calling quotations for abaya material, 2500 pieces of cloth at the length 3.5 metres had been indicated. However, 5080 pieces of cloth at the length of 3.5 metres had been ordered and purchased. Accordingly, in calling for quotations, an overpayment of Rs.2,829,767 had been made for purchase of 2580 pieces of cloth exceeding the quantity mentioned.
- (iv) Even though lengths of cloth for trousers and shirts should be purchased in equal quantities, purchases had been made in unequal quantities as 1488 and 1333 lengths respectively. The reason for purchase of 140 pieces of trouser material more than the lengths of shirt material had not been explained.
- (v) A receipt for uniform material had not been issued. Even though it mentions on a seal on the reverse of the payment voucher that it had been copied in the Stock Ledger, it was observed that the said date does not tally with the dates mentioned in the Stock Ledger.
- (vi) In the examination carried out on 12 July 2017, it was observed that an excess of 44 pieces of abaya material and a shortage of 5 pieces of trouser lengths had existed.

**(b) Printing of Ahadiya Dhamma School Books**

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Activities in translating text books of Grades 10, 11 and 12 provided to Ahadiya Dhamma Schools by the Department of Muslim Religious and Cultural Affairs into Sinhala and English mediums and editing and printing text books from Grades 6 up to 9 in Tamil had been commenced. The following matters were observed in this connection.

- (i) The total estimate submitted by the Department of Government Printing for printing text books of Grades 10, 11 and 12 of Ahadiya Dhamma Schools translated into Sinhala and English mediums amounted to Rs.4,264,200 and that full amount had been paid through transfer of provisions in the years 2015 and 2016. However, the printed books had not been received even by 31 July 2017. As such, it was observed that the objectives of spending money had not been effective.
- (ii) Activities of editing and printing 8 text books for dhamma school students of Grade 6 up to Grade 9 had been commenced in the year under review and the total estimate of Rs.3,493,700 submitted by the Department of Government Printing and a sum of Rs.2,080,000 had been paid to the Board of Editors therefor. However, the books had not been printed and obtained by the Department even by 31 July 2017.

### 3.8 Management Weaknesses

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The estimated provisions of Rs.15,800,000 for development of mosques had been distributed based on the requests received from mosques and an arrangement for identifying mosques that require assistance and providing assistance to those mosques had not been available with the Department.

### 3.9 Human Resources Management

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#### Approved Cadre and Actual Cadre

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The position on the cadre as at 31 December 2016 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
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(i) Senior Level	09	04	05	-
(ii) Tertiary Level	02	-	02	-
(iii) Secondary Level	95	56	39	-
(iv) Primary Level	17	17	-	-
(v) Other (Casual/Temporary/C ontract Basis)	-	27	-	27
<b>Total</b>	<b>123</b>	<b>104</b>	<b>46</b>	<b>27</b>
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