

Head 204 – Department of Hindu Religious and Cultural Affairs

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Department of Hindu Religious and Cultural Affairs 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 Hindu Religious and Cultural Affairs 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 06 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 Hindu Religious and Cultural Affairs 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 (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 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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as 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 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.
- 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, No. 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 in consistent with the preceding year.
- (b) Since there was no requirement for the Department of Hindu Religious and Cultural Affairs to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on the financial statements

1.6.1 Financial Statements not complied with circular instructions

The following observation is made.

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Instead of posting a sum of Rs.9,562,994 collected on behalf of other Revenue Accounting Officers during the year under review, as imprests received from the treasury, it had been posted as non-tax revenue and other receipts.	----- Action needs to be taken in terms paragraph 7(ii) of the State Accounts Circular No.267/2018 of 21 November 2018.	----- As stated that only other ministries and Departments that collect revenue on behalf of accounting officers should not be included under ACA1 and the relevant Department revenue should be included under ACA 1, it has been posted.

1.6.2 Property, Plant and Equipment

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) Even though, the value of non-financial assets as at 31 December 2017 amounted to Rs.54,857,503, the opening balance of non-financial assets of the year under review amounted to Rs.6,086,907 and as such the difference was Rs.48,770,596.	----- Corresponding figures need to be correctly disclosed.	----- The total value of properties purchased over a period of 15 years is shown as Rs.54,857,503 in the year 2017. The computed actual value of properties of the Department as specified since the year 2018 is

included in the financial statements.

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| (b) | A sum of Rs.2,970,000 given to Araneri schools as grants for the purchase of furniture in the year and the previous years had been shown in the statement of financial position as purchase of non-financial assets. | Money given as grants for the purchase of fixed assets should not be accounted as assets of the Department. | Agreed with the issue. |
| (c) | The value of 4 buildings belongs to the Department and cateted in various areas had not been assessed and accounted. | All non-financial assets belong to the Department need to be accounted. | Values of 2 buildings had been computed and stated in the financial statements of the year 2019. Necessary steps are being taken to compute the value of balance 2 buildings, and bring it to account. |

1.6.3 Reconciliation Statement of the Advances to Public Officers Account

 The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Loan balances totalling Rs.46,462 recoverable from 3 officers who had gone on transfer existed for a period of over 27 years and action had not been taken to recover these loan balances.	Balances to be settled soon.	As a problematic situation has arisen to recover a balance of Rs.86,931 from the loan granted, it had been refered to the Treasury.
(b) Action had not been taken to recover the loan balances of Rs.66,269 brought forward from periods ranging from 1 to 24 years due from 3 employees vacated their posts.	-do-	It was agreed to pay the loan balance of Rs.25,800 recoverable from a Development Officer (Female) within this month.

1.6.4 Non-compliance with Laws, Rules and Regulations

The following non-compliances with Laws, Rules and Regulations were observed in audit.

Observation	Recommendation	Comment of the Accounting Officer
----- Reference to Laws, Rules, Non-compliance etc. -----	-----	-----
<p>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (F.R)</p> <p>(i) F.R.237</p>	<p>When making for stores supplies, a certificate that the articles have been received and that they have been brought on charge in the appropriate inventory, stock book etc. should be appended. However, in purchasing uniform cloths for Araneri School teachers and children and printing of religious books for hindu people and supporting books for Araneri School Children a sum of Rs.14,137,473 had been paid by the Department before being received the goods to the Department.</p>	<p>Action needs to be taken in terms of Financial Regulations.</p> <p>Even though, documents had been prepared such payment had not been made to the relevant persons.</p>
<p>(ii) F.R.264</p>	<p>Even though, every payment should be supported by a receipt from the payee, in acknowledgement of the gross amount of the voucher, receipts from the payees for 149 payments totalling Rs.55,007,000 had not been obtained.</p>	<p>Act in accordance with regulations.</p> <p>Take action to obtain relevant receipts.</p>

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| (b) | Paragraphs 3.1.7 of Public Finance Circular No.05/2016 of 31 March 2016. | Annual Board of Surveys should be conducted and the relevant reports need to be submitted before 31 March of the following year. However, Board of Survey reports of the years 2017 and 2018 for library books had not been given even by 30 April 2019. | All goods need to be surveyed annually. | The annual Board of Surveys in respect of Library Books had not been fully completed. |
| (c) | Public Administration Circular No.18/2001 of 22 August 2001. | Even though, every officer who served in one place for 5 years needs to be given change of station transfers, enabling them to serve in some other places, such change of station transfers had not been given to 85 officers served the periods ranging from 5 to 24 years in one place. | Act in accordance with circular instructions. | In accordance with the relevant procedure on change of station transfers of officers, annually it was reported to the Director General of Combined Services. Internal transfers are done in accordance with the relevant procedure. |
| (d) | Procurement Guidelines of 2006 | | | |
| (i) | Guideline 4.3.1 | Even though, a total cost estimate needs to be prepared for procurements, without obtaining a total cost estimate the Department had paid a sum of Rs.6,000,000 for the development of 21 Hindu Temples. | Act in accordance with procurement guidelines. | Inform that action will be taken to get a copy of the relevant cost estimates. |
| (ii) | Guideline 8.12.2 | Even though, a certificate establishing that work is done in conformity with specifications and other rules and conditions, certified payments are | Works completion reports need to be obtained. | All Divisional Secretaries had been informed that the work completion report along with the relevant register be submitted. |

complied with the conditions of contract needs to be obtained, the Department had not obtained works completion reports in respect of Rs.7,800,0000 granted to develop 26 Hindu Kovils.

2. Financial Review

2.1 Expenditure Control

The following observation is made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Savings of provisions made for 9 recurrent objects and 2 capital objects ranged from 8 to 50 per cent totalled Rs.20,557,010.	Annual expenditure estimates need to be prepared in achieving provisions in F.R.50.	Change of station transfers of officers, non-receipt of bills, minimization of wastages, requirement not arisen non-receipt of imprests etc. had caused these savings.

2.2 Incurring Liabilities and Commitments

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Even the payable expenditure of the year 2018 amounting to Rs.162,366 had been paid in the year 2019 such liabilities had not been disclosed in the financial statements of the year 2018.	Liabilities and commitments relating to the year need to be correctly identified and reported.	Not included in the statement of liabilities by an oversight but travelling expenses of Rs.36,610 had been stated up to the time of preparing financial statements.
(b) Even though, savings of overtime allowance amounted to Rs.1,234, expenditure of Rs.118,912 in the year 2018,	Liabilities not to be settled in excess of savings.	As the liabilities of Rs.136,622 related to the year 2017 had been paid in the year 2018, the

exceeding the savings had been paid in the year 2019.

savings of the year 2018 is Rs.17,710.

3. Operating Review

3.1 Operating Inefficiencies

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A sum of Rs.991,143 had been spent on 31 December of the year under review for the printing of Hindu Religious books and Araneri School Children's supporting books valued at Rs.380,413 of them were not received to the Fund even by 18 June 2019.	Procurements need to be appropriately planned so that the achievement of intended purposes.	As a result, of delays in getting imprests in the previous year and circumstances existed the order given for printing books was delayed. By now, printing is completed, and the Department can be able to get the books in next weeks. Action will be taken not to recur such situations in future.
(b) Even though, it was planned to purchase uniform cloths for Araneri school teachers, the payment for Rs.1,150,000 for the purchase of 1000 sarees had been made only in the month of December. However, only 400 sarees were received even by 30 May 2019. As procurements had been started at the end of the year, the intended objective could not be achieved even by May 2019.	Procurements need to be appropriately planned so that the achievement of intended purposes.	Abnormal delays were occurred in purchasing uniform cloths. Distribution of uniform cloths supplied by now is completed. Steps will be taken to prevent such things in future.

3.2 Annual Performance Report

The following observation is made.

Audit Observation

In terms of Public Finance Circular No.402 of 12 September 2002, the Performance report relates to the year should be tabled in parliament within 150 days after the close of the financial year. However, the performance report relates to the year 2017 had not been tabled in parliament even by 30 April 2019.

Recommendation

Act in accordance with the circulars.

Comments of the Accounting Officer

Performance reports for the years 2017 and 2018 have been prepared now. Expedite to table the report in Parliament.

3.3 Losses and Damages

The following observation is made.

Audit Observation

Action in respect of 350 library books lost identified by the Board of Survey conducted in the year 2008, the value of which could not be determined had not been taken to identify the loss being held inquiries in terms of Financial Regulations 101 and 102.

Recommendation

Assets need to be documented and maintenance and disposals need to be done in accordance with Financial Regulations.

Comments of the Accounting Officer

Books were not printed by utilizing government funds. Accordingly, inquiries thereto had not been carried out in terms of financial regulation 101 and 102. Action will be taken in getting instructions.

4. Reaching Sustainable Development Goals

The following observation is made.

Audit Observation

Every public entity need to act in accordance with the “2030 Agenda of the United Nations on Sustainable Development”.

Recommendation

Act in accordance with the agenda on Sustainable Development.

Comments of the Accounting Officer

Seventeen targets to be reached as declared by the United Nations for Sustainable Development

Nevertheless, the Department had not taken action to identify Sustainable Development Goals in respect of functions come under the scope of the Department, targets, turning points need to reach those targets and indicators to measure the reaching of those targets.

by 2030, are not directly connected with the functions of the Department.