

## **Head 202 – Department of Muslim Religious and Cultural Affairs**

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### **1 Financial Statements**

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#### **1.1 Unqualified Opinion**

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The audit of the financial statement of the Department of Muslim Religious and Cultural Affairs for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Muslim Religious and Cultural Affairs was issued to the Accounting Officer on 14 October 2021 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 06 October 2021 in terms of Section 11(2) of the National Audit Act. No.19 of 2018. This report will be tabled in parliament in in pursuance of provisions in Article 154(6) of the constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunctin with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Department Muslim Religious and Cultural Affairs 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 Unqualified Opinion**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 the Accounting Officer for the Financial Statements**

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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 such internal

control as the Accounting Officers determine 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 Responsibility for the Audit of the Financial Statements**

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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 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 skepticism 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, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

## 1.5 Report on Other Legal and Regulatory Requirements

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

- (a) The financial statements of the year under review are consistent with the preceding year.
- (b) The recommendations I had made in relation to the preceding year had been implemented.

## 2. Financial Review

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### 2.1 Expenditure Management

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Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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Provisions amounting to Rs.205,136 out of the provisions amounting to Rs.620,000 related to 3 Heads had been saved and it was a 18 per cent to 41 per cent saving.	It is mentioned that provisions have been saved due to certain projects that had been planned in the year 2020 could not be implemented because of Covid.	Provisions made should be utilized.

### 2.2 Incurring of Commitments and Liabilities

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Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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Overtime and Holiday pay amounting to Rs.17,940 had not been mentioned in Financial Statements as liabilities and it was observed that inclusion of such liabilities had led to exceeding of provisions by Rs.17,432.	Due to the delayed receiving by the Accnts Branch of Overtime and holiday pay vovuchers of officers working outstation areas, such values could not be included in the liabilities.	Expenditure to be paid should be mentioned under Libilities in the Financial Statements.

### 2.3 Issuing and Settling of Advance

----- Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
Actions had not been taken even after 5 years to recover Rs.70,504 due from two officers who had left on transfer, Rs.55,448 due from two retired officers and Rs.31,900 of loan amount due from an officer who had vacated the post.	Even though the loan amount amounting to Rs. 52,800 due to be recovered from an officer who had gone on transfer to the Ministry of Foreign Affairs had been settled by the Ministry of Foreign Affairs through accounts summary, this balance gets reflected as non-settled balance due to an accounting error. Several requests have been made to the General Treasury to take actions to correct this error. Since the relevant officers have retired and due to the inability to trace documents related to loan balances which are more than 25 years old, the Internal Committee appointed to inquire into this incident have recommended to write off the relevant loan balances. Such recommendations together with the recommendations of the former Secretary have been submitted to the General Treasury for writing off. Further steps are being taken to settle these balances.	Actions should be taken to recover the loan balances as immediately as possible.

### 3. Operational review

#### 3.1 Planning

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
As per the Government Finance Circular No 01/2014 dated 17 February 2014, No Action Plan had been prepared for the year under review with regard to the Hajj Fund maintained by the Department.	Eventhough an Action Plan had been prepared in 2019, Action plans for 2020 and 2021 had not been prepared due to lessening of Hajj pilgrimage activities on account of Covid 19. It was noted to submit an Action Plan for 2021.	An Action Plan should be prepared as per circulars.

#### 3.2 Failure to Achieve Expected Benefits

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Upon the Cabinet approval received in 1995 to construct a Muslim Cultural Center, evanthrough two storyed building and 10 storyed building had been built by the Department in 2003 and 2017 respectively on block of land in extent of 80 perch belonging to the Department of Railways and no action had been taken to get the land legally transferred even after elapsing of 26 years from the date of receiving the Cabinet approval. Further, eventhough only 33699 sq ft in 04 storeys of the 10 storeyed building containing 67250 sq ft had been used since 2017, remaining 33,547 sq ft had not been made use of even until 05, July 2021 and also the Certificate of Comformity had not been obtained for the building.	Although a request had been made to get the land transfered, such transferring has not taken place even to date. Work of 4 storeys of the 10 storyed building has been completed and the remaining uncompleted storeys can not be made use of. Further, provisions have not been received for completing the remaining uncompleted storeys. Therefore, the Certificate of Comformity can not be obtained without completing the building.	Assets should be utilized in an optimal way,

### 3.3 Management Deficiencies

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The following observations are made.

Audit observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Steps had not been taken with regard to 67 Cheques valued Rs 457,315 belonging to a time period from 06 months to 13 months to revalidate or add them to the income as per the financial regulation 396 of the FR of the Democratic Republic of Sri Lanka.. Further, that amount had been mentioned in Financial Statements as Rs.543,816.	Dhaham School teachers for whom these cheques had been issued have not been able to collect them from mosques due to Covid pandemic and certain cheques have run out their validity periods. As it will not be legally possible to repay these monies to the teachers If these cheques were credited to the Government revenue at once. it has been informed to have the cheques submitted to the Department and to get their dates extended. For that, time has been allowed until 30 November 2021 and it is informed that steps are taken to credit the cheques that have not realized to the date 31 December 2020 to the Government. Revenue through the account summery December 2021.	It is necessary to take action as per Financial Regulations.
(b) As per section 43(2) of chapter 4 of Wakfs Act No 33 of 1982, although it is mentioned that 6 per cent of the income of net annual income of a charitable trust of a registered Muslim mosque and 10 per cent of net annual income of a Muslim shrine should be given to the Muslim Charity Fund, no procedure had been identified to check whether such due	A programme is underway to have credited to the Fund, 6 per cent and 10 per cent respectively of annual income of 2497 registered Muslim mosques and 49 tombs of Saints (Sharyn). Although income had been received from several mosques and tombs in 2020,	That, a proper procedure should be identified.

monies from the relevant Muslim mosques and Muslim shrines are given to the Muslim Charity Fund.

certain mosques had not paid their contributory money since non receipt of sufficient income due to Covid pandemic. Tallying of annual financial reports and paid contributions is done for all mosques. Regulation has been imposed to the effect that all mosques should submit account reports when appointing boards of Trustees annually. Development Officers attached to the District Secretariats have been instructed to check the income of mosques in their respective areas and submit reports on a quarter basis. Plans are afoot to give the technical support and required tools. In addition an Assistant Director has been assigned with task to supervise these officers, analyse the income level of the mosques and manage the funds. With the new initiative, it is expected to provide a considerable income to the Fund in the years 2020/2021.

(c) As per chapter 3.3 of the Public Finance Circular No PF/423 dated 22 December 2006, the Hajj fund maintained by the Department had not been legally set up through a Parliament Act and steps had not been taken as yet to close the Fund or to obtain legality for it. And also Financial statements relevant to the Fund had not been submitted for the audit.

Although the drafted Hajj Act has been submitted for approval, it has not been given the approval as yet. Actions are expected to be taken with regard to this in future. There was a dispute regarding whether to refer the relevant accounts reports to the Auditor General or to an external Audit firm and with the concurrence of the Hajj Committee as mentioned in the report, it was noted to

It is necessary to act as per circulars.

submit the Financial Statements  
to the Auditor General.

### 3.4 Certification of the Chief Accounting Officer

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although the Chief Accounting Officer should certify to the effect that there exists an effective procedure to carry out an internal audit, that requirement had not been fulfilled according to the observation mentioned in chapter 4.1 of the report.	This was due to the fact that the Post of Internal Auditor had remained vacant for several years.	That, an internal audit should be implemented for the Department.

## 4 Good Governance

### 4.1 Internal Audit

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
As per chapter 40 (1) of the National Audit Act No 19 of 2018, although a suitable auditor should have been appointed to carry out internal auditing of the Department, no Internal Auditor had been appointed for the Department.	Several requests have been made to the Ministry of Public Administration to fill the vacant post of Internal Auditor.	That, actions should be taken as per the Audit.



**5. Humen Resources Management**

----- Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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No Humen Resources Developpment Plan had been prepared for the Department as per the Public Admnistration Circular No 02/2018 dated 24 January 2018.	It is informed that steps are taken to submit a Humen Resources Management Plan in this year.	That, actions should be taken as per circulars.