

Head -202 - Department of Muslim Religious and Cultural Affairs

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Department of Muslim Religious and Cultural Affairs 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 Muslim Religious and Cultural Affairs was issued to the Accounting Officer on 02 June 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 07 June 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, the accompanying financial statements give a true and fair view of the financial position of the Department of Muslim Religious and Cultural Affairs as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

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 Responsibility 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 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.

2. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The allocation of Rs. 16,721,479 had been saved out of the Rs. 49,000,000 allocations in relation to 11 expenditure subjects and that was ranged from 24 percent to 72 percent.	The projects that were planned to be implemented were delayed due to the Covid epidemic situation. In addition, according to the decisions of the cabinet, it was considered as mandatory savings and reported to the Treasury.	The provided provisions should be used for the relevant work.
(b) Although the net provision of expenditure subject No. 2003 is Rs. 800,000, the provision of Rs. 700,000 had to be left behind as per the cabinet decision due to the total cost is Rs. 249,857.	The mandatory savings were stated as Rs. 700,000 under 2003, but the essential bills were paid after that. The allocation limit has not been exceeded through that and the savings are stated as Rs. 550,143 under the 2003 expenditure head in the final accounts.	Provisions should be made as per requirement.

2.2 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.

Reference to the Laws, Rules and Regulations	Amount (Rs.)	Non-compliance	Comments of the Accounting Officer	Recommendation
(a) Chapter 4 of the Wakfs Act No. 33 of 1982.				
(i) Section 43 (2)		Although it was stated that 6 percent of the annual net income of a registered mosque, a charitable trust and 10 percent of the annual net income of a Muslim shrine should be given to the Muslim charitable fund, there was no system identified to check that the correct amount received from the respective churches and shrines to the Muslim charity fund.	Currently, a system has been introduced to check the amount of charity to be given to the Muslim charity fund and that system is being implemented.	System should be implemented as per the Act.
(ii) Section 43(8)		Although arrangements should be made to maintain and audit the accounts of the fund, the financial statements of the fund have not been submitted for audit since the year 2016.	Accounts from the year 2016 to 2021 have been prepared and submitted for the approval of the Wakfs Council and it is informed that it will be forwarded to the audit as soon as the approval is received.	The financial statements should be submitted for audit in accordance with the provisions of the Act.

(b)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial				
	(i) Regulations 214	668,508	The liabilities related to the year under review were not included in the liability register.	The relevant liabilities have been recorded in the list of liabilities.	Should be entered in the liability register as per the regulations.
	(ii) Financial Regulations 396	324,702	11 cheques which were issued more than 06 months, but not presented to the bank were not dealt with in accordance with the financial regulations.	Cheques worth Rs. 324,702 over 6 months have been temporarily transferred to the deposit account as there is a practical problem for immediate crediting to the public revenue and I am informed that the issues will be resolved and everything will be credited to the public revenue after 31 December 2022.	Should be act in accordance with the financial regulations.
(c)	Paragraph 3.3 of Public Finance Circular No. PF/423 dated 22 December 2006.		The Hajj fund maintained by the department was not legally established by an Act of parliament and no steps have been taken to close the fund or to acquire the legal status as per the circular. Also, the	Financial statements related to the Hajj fund up to the year 2021 have been prepared and submitted for the approval of the governing council. I am	Should be act in accordance with the circulars.

financial statements related to the fund have not been submitted for audit yet. However, although the department had prepared financial statements up to the year 2021, it had not been approved by the governing council and the total assets of the fund were Rs. 139.9 million according to the financial statement of the year 2021. informed that it will be submitted for audit after the approval.

- (d) Public Finance Circulars Nos. 01/2015 dated 29 June 2015 and 4/2015 dated 14 July 2015. 02 vehicles bearing numbers WP CAD-9010 and WP KC-5063 owned by the department were insured by Ceylinco Insurance Company without calling the prices contrary to the relevant circulars. These two vehicles were insured without calling the prices due to the need to insure very quickly and delay in calling prices due to the Covid epidemic situation. Should be act in accordance with the circular.
- (e) Public Administration Circular No. 30/2016 dated 29 December 2016. (i) Section 3.1 A fuel inspection should be carried out after every fuel check of 12 months or after 25,000 km or after an engine repair, whichever occurs first, but all vehicles were I am informed that the fuel inspection of the vehicles will be done promptly and the reports will be submitted for the audit. Should be act in accordance with the circulars.

not done such inspection.

(ii) Section 3.3 . Although the transport service notes mentioned in annexure 01 of the circular should be completed monthly to identify any adverse change in fuel consumption, it was not done accordingly. Noted to record the transport service notes monthly and act in accordingly. Should be act in accordance with the circulars.

(f) Public Administration Circular No. 02/2018 dated 24 January 2018. After studying the human resource development to be done to fill the gap between the skills to be acquired by the staff members and the existing skills, a unique human resource development plan for the department was not prepared according to the circular. A human resource development plan is being prepared and expected to complete it within the next two months. Should be act in accordance with the circular.

2.3 Issuance and Settlement of Advances

Audit Observation	Comments of the Accounting Officer	Recommendation
The loan amounts of Rs. 70,504 from two transferred officers, Rs. 55,448 from retired officers and Rs. 31,900 from officers who left the service to be recovered were exceeding 05 years, but it had not been recovered.	In many cases, even though many steps were taken, the loan balance could not be recovered. Since it is not economically effective to further act with this, I expect to request again from the treasury to cut off the debt.	The loan balances should be recovered immediately.

2.4 Deposits

Audit Observation	Comments of the Accounting Officer	Recommendation
The total balance of Rs. 17,422,508 in 17 deposits from 02 to 06 years had not been act as per the financial regulations.	The relevant deposits are retention money related to the construction of this building. Since the work of the building has not yet been completed, the State Engineering Corporation, which is the relevant contract consultancy company has not been recommended. So, it is not possible to release the money or credit it to the public revenue.	The recommendations should be taken promptly to release the relevant deposits or credit to the income.

3. Operational Review

3.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
An Action Plan was not prepared for the year under review for the Hajj fund maintained by the department as per the Public Finance Circular No. 01/2014 dated 17 February 2014.	Since the Hajj pilgrimage has not done in the years 2019-2020, no action plan has been prepared for the Hajj fund in the year 2021.	An Action plan should be prepared even though it may change depending on the prevailing conditions.

3.2 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
The land owned by the Railway Department on which the building is maintained has not been taken over to the name of the department yet.	It is practically very difficult to take over the railway department land immediately which was given before many years and I would like to inform necessary actions will be taken in this regard after discussions with the ministry.	The taken over procedures should be carried out expeditiously.

3.3 Bail of Government Officers

Audit Observation	Comments of the Accounting Officer	Recommendation
The officers required to post bail in accordance with the government officers' Bail Ordinance had not provided bail as per the Financial Regulations 880 of the code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	According to the Bail Ordinance, the officials are posting the bail.	Arrangements should be made to post the bail according to the relevant provisions.

4. Achievement of Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the United Nations 2030 agenda for sustainable development, it had not been identified the sustainable development goals.	I hope to appoint a departmental committee to focus on sustainable development and identify sustainable development objectives related to this department.	The identification of sustainable development goals should be done immediately.

5. Good Governance

5.1 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
The Accounting Officer should be ensured that there is an effective system for the proper execution of internal audit functions in according to Section 38(i)(f) of the National Audit Act No. 19 of 2018. As per Financial Regulations 133, the Accounting Officer should be established internal audit units within his department to done his duties and responsibilities as specified in the Financial Regulations 128. However, it was not acted accordingly.	I am informed that necessary steps are being taken to appoint a suitable Internal Auditor.	An internal audit should be conducted in accordance with the Audit Act and the Financial Regulations.

6. Human Resources Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The approved staff of the department was 123 and actual staff as at 31 December of the year under review was 109. Accordingly, there were 25 vacancies and 11 excesses in the staff.	Necessary steps are being taken to fill the vacancies in the staff immediately.	Immediate steps should be taken to fill the vacancies.

Among them, it was observed that the vacant posts of 04 Assistant Director posts and the two positions of Accountant and Internal Auditor were affecting the performance of the department.

- (b) Although there are 04 approved driver posts in the department, there was one vacancy due to only 03 drivers being employed. Furthermore, although there were 06 vehicles, it was observed that 03 vehicles were always idle due to that only 03 drivers are working. I noted to fill the driver vacancies. The driver vacancies should be filled and vehicles should be used in efficiently.