

## **Hindu Cultural Fund - 2023**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Hindu Cultural Fund for the year ended 31 December 2023 comprising the balance sheet as at 31 December 2023 and the income and expenditure account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in the 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 and the Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the fund as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for 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 responsibility for the audit of the financial statements section in 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 Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the fund's financial reporting process.

As per Sub Section 16(1) of the National Audit Act No. 19 of 2018, the fund 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 of the fund.

## 1.4 Auditor's Responsibility 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 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 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.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- Evaluate the overall presentation, 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the fund has complied with applicable written law, or other general or special directions issued by the governing body of the fund ;

- Whether the fund has performed according to its powers, functions and duties, whether the resources of the fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

**1.5 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.**

| <b>Reference to Laws, Rules Regulations etc.</b>           | <b>Non-compliance</b>  | <b>Comments of the Management</b>   | <b>Recommendation</b>  |
|--|--|---|--|
| (a) Hindu Cultural Fund Act No. 31 of 1985                 |  |   |  |
| (i) Paragraphs (a) and (b) of sub section (1) of section 6 | Although it was mentioned as a task of the Board of Directors to increase the funds received by the fund through grants, gifts and donations (Local and foreign) during the year, a programme was not prepared for it in the year 2023.  | It was informed that the visit to the new office could not be done due to the Covid epidemic situation and it was noted for implementation in future. | Necessary action should be taken to increase the funds as per the provisions of the Act.               |
| (ii) Paragraphs (c), (d) and (e) of 2(I) of section 6      | Activities such as lectures, workshops, classes, debates, dialogues and tours as well as religious and cultural competitions, awarding of prizes, awarding of certificates etc. important for Hindu religion and culture were to be carried out by the fund, but such activities were not carried out. | It was informed that the related activities have already started.   | The relevant activities should be carried out as per the provisions of the Act.                        |
| (iii) Paragraph 11 of section 3                            | Although the regulation of procedures related to the activities of the fund should be done in Director Board meetings, only one Director Board meeting was held for the year 2023. Accordingly, the Board of Directors   | It was informed that it was noted for implementation in future.   | The activities of the fund should be regulated by conducting the Director Board meetings as scheduled. |

had not carried out the regulatory activities as per relevant and it had not taken action to amend the Act by including the minimum number of meeting to be held for a year.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to an excess of Rs. 6,989,419 and the corresponding surplus in the preceding year amounted to Rs. 9,097,733. Therefore a deterioration amounting to Rs. 2,108,314 of the financial result was observed. This decline was mainly due to the increase in grant-in-aid for the renovation of Hindu Kovils.

## 3. Operational Review

### 3.1 Management Inefficiencies

| Audit Observation  | Comments of the Management  | Recommendation  |
|--|---|---|
| (a) Rs. 3,100,000 out of Rs. 10,000,000 allocated as financial aids to Hindu Kovils and institutions and Rs. 535,000 out of Rs. 1,200,000 allocated as financial aids to Hindu religious schools for Navaratri festival were not utilized for those programmes during the year under review. Furthermore, an amount of Rs. 750,000 out of the amount of Rs. 1,000,000 allocated to provide financial aids for 50 Hindu children's homes was given for the development of only one children's home and the related estimates, copies of signed agreements etc. were also not taken. | It was informed that it could not be done due to the work of visit to the new office. It was informed that the District Secretaries were taken the relevant estimates, copies of signed agreements etc. | Relevant activities should be carried out as per the Action Plan. |
| (b) 11 Hindu educational and cultural programmes expected to be implemented with an allocation of Rs. 20,600,000 and a capacity development programme for the up country labour community expected to be implemented under an allocation of Rs. 1,000,000 were not implemented in the year under review.   | It was informed that the visit to the new office could not be done due to the Covid epidemic situation and it was noted for implementation in future.   | Relevant activities should be carried out as per the Action Plan. |

### 3.2 Operational Inefficiencies

| Audit Observation  | Comments of the Management   | Recommendation   |
|--|--|--|
| (a) Although the expected grant of Rs. 15,000,000 was received from the Kirimukkandi Kovil during the year under review as per the annual estimate, Rs. 8,000,000 out of that had been given for the beautification of the same Kovil and there was no effort to get related estimates, approved plan etc. and to carry out close supervision on whether the related work is done as scheduled.            | It was informed that a grant of Rs. 15,000,000 had been received from the Kovil and an amount of Rs. 8,000,000 had been given for the decoration of the Kovil and remaining money had been used for other functions of the fund. It was informed that giving financial aids had been done through the District Secretariats and the relevant information had been submitted along with it. | It is necessary to get related estimates and information and to supervise during the implementation of the projects. |
| (b) Due to that a necessary programme has not been prepared to get the expected income from the Action Plan in amount of Rs. 3,000,000 from the flag day income, Rs. 4,000,000 from local and foreign financial aids and Rs. 2,000,000 from the arts related programmes, it was not possible to earn that fully income and Rs. 1,310,424 or 47 percent of the expected book sales income of Rs. 2,800,000. | Due to the Covid epidemic situation and the economic crisis, actions were not taken to get the income from the programmes related to flag day and art activities. It was informed that it will be noted for implementation in future.  | Necessary action should be taken to get income as expected.  |

## 4. Accountability and Good Governance

### 4.1 Budget Control

| Audit Observation  | Comments of the Management                                 | Recommendation   |
|--|--|--|
| According to Financial Regulations 877(1)(c) of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka published by the Public Finance Circular No. 01/2020 dated 28 August 2020, although the budget for the next year of a fund should be approved by the Secretary of the relevant ministry and the Minister and forwarded to the Director General of National Budget with a copy to the Director General of Public Finance for approval of the Treasury before 30 September of the current year, the budget was presented on 25 January 2023. | It was noted to present in relevant time period in future. | The budget should be approved with the relevant time periods according to the Financial Regulations. |