

Head 204 – Department of Hindu Religious and Cultural Affairs

1. Financial Statements

1.1 Opinion

The audit of the financial statement of the Department of Hindu Religious and Cultural Affairs for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 30 May 2020 in terms of Sub-Section 11(1) of the National Audit Act, No.19 of 2018 and the Detailed Annual Management Audit Report relating to the Department in terms of Section 11(2) of the National Audit Act was issued to the Accounting Officer on 02 September 2020. This report will be tabled in Parliament in pursuance of the 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 prepared in accordance with the State Accounts Circular No 271/2019 dated 03 December 2019, give a true and fair view of the financial position of the Department of Hindu Religious and Cultural Affairs as at 31 December 2019, and of its financial performance and 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 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

Chief Accounting Officer and Accounting Officer are 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 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.
- 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

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 (1) (d) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations shown in my report regarding the financial statements furnished for the preceding year had not been implemented as per the observations shown in paragraph 1.6.1 of this report.

1.6 Comments on the financial statements

1.6.1 Financial Statements not complied with circular instructions

Audit Observation	Recommendation	Comment of the Accounting Officer
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Instead of posting a sum of Rs.11,527,362 and Rs.9,562,994 collected on behalf of other Revenue Accounting Officers during the year under review and preceding year respectively, 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 and paragraph 7(ii) of the State Accounts Circular No.271/2019 of 03 December 2019.	Included under ACA1 by an oversight. Action will be taken to record as imprests received from the treasury in the future.

1.6.2 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, etc.	Non-compliance	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (F.R) F.R.237	The Department had accounted for Rs.3,304,750 in purchases of uniforms for Aranery school children and teachers and printing of religious books for Hindu people and supporting books for Aranery school children without verifying the receipt of the relevant items.	Action needs to be taken in terms of Financial Regulations. Even though, documents had been prepared the payment had not been made to the relevant persons.
(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, 2018 and 2019 for library books had not been given even by 20 August 2020.	All goods need to be surveyed annually. The Board of survey is in the final stage.
(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 31 years in one place.	Act in accordance with the 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.

2. Financial Review

2.1 Expenditure Control

Audit Observation	Recommendation	Comments of the Accounting Officer
Savings of provisions made for 6 recurrent objects and 4 capital objects ranged from 14 to 100 per cent totalled Rs.8,794,576.	Annual expenditure estimates need to be prepared in achieving provisions in F.R.50.	The savings were due to the minimization of waste, non-occurrence of requirements, inability to conduct training programs due to the situation in the country in April 2019 and non-submission of bank accounts details by some Aranery teachers for incentives.

2.2 Incurring Liabilities and Commitments

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Even though all the liabilities pertaining to the particular financial year should be settled within the year in terms of the paragraph (2) (d) of the State Accounts Circular No.255/2017 of 27 April 2017, on the contrary, the department had entered into liabilities amounting to Rs.405,823 exceeding the savings amounting to Rs.86,935 of provisions made for 02 expenditure objects during the year under review.	Liabilities are not to be entered in excess of the savings.	No comments

- (b) In terms of paragraph 3.4 of the State Accounts Circular No.271/2019 of 03 December 2019, Rs.833,256 included in financial statements related to 4 expenditure objects had not been disclosed in the treasury documents. Furthermore, It had not been disclosed Rs.386,395 pertaining to 3 expenditure objects settled in year 2020 either in the financial statements or in the treasury documents.
- Since the liabilities and commitments included in the financial statements should be complied with the treasury records, reconciliation needs to be done.
- Not included Rs.386,395 as the liabilities by an oversight. However, all the expenses have been spent within the provisions of the previous year.

2.3 Advance Accounts Balances

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 28 years and action had not been taken to recover these loan balances.	Loan balances need to be settled soon.	As a problematic situation has arisen in recovering the loan amounts, a request to write-off those loan balances has been forwarded to the General Treasury.
(b) Action had not been taken to recover the loan balances of Rs.40,469 brought forward from periods ranging from 19 to 25 years due from 3 employees vacated their posts.	-do-	As a problematic situation has arisen in recovering the loan amounts, a request to write-off those loan balances has been forwarded to the General Treasury.

3. Operating Review

3.1 Annual Performance Report

Audit Observation

Recommendation

Comments of the Accounting Officer

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 years 2017 and 2018 had not been tabled in parliament even by 20 August 2020.

Act in accordance with the circulars.

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

3.2 Losses and Damages

Audit Observation

Recommendation

Comments of the Accounting Officer

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.

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

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.