

## **Hindu Cultural Fund - 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Hindu Cultural Fund for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the statement of income and the cash flow statement, and notes to the financial statements, including a summary of significant accounting policies 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 Section 10 (4) of Hindu Cultural Fund Act, No.31 of 1985 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2020, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in Paragraph 1.5 of this report.

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 qualified opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements.**

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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 intends to liquidate the Council 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 Responsibilities 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 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 Ministry's / Department's / District Secretariat's 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's to cease to continue as a going concern.
- 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.

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 Council;
- Whether the Fund has performed according to its powers, functions and duties; and
- 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 Audit Observations on the Preparation of Financial Statements

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### 1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

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<b>Non-compliance with Reference to the Relevant Standard</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
In terms of Paragraph 79 of Standard 01, the current assets include assets that are either realized, consumed or sold, as a part of the normal operating cycle even when they are not expected to be realized within the year. Nevertheless, disclosures had not been made in the financial statements in respect of value of Rs. 3,622,006 of 4678 books remained as at 31 December 2020 out of the books printed for the period from 2017 to 2021.	It is informed that action will be taken to disclose it in the financial statements from the ensuing year.	Remaining stocks should be disclosed in terms of Accounting Standards.

## 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following non-compliances with laws, rules, regulations and management decisions were observed.

<b>Reference to Non-compliances Laws, Rules, Regulations etc.</b>	<b>Comment of the Management</b>	<b>Recommendation</b>	
(a) Section 10 (2) of Hindu Cultural Fund Act, No.31 of 1985.	Although financial statements should be prepared prior to 31 after the end of the year of accounts in terms of Act, the financial statements had been prepared and	As time has been extended by the State Accounts Circular No. PFD/RED/REG/02/CC/01/2021 dated 12.05.2021 due to the spread of Covid-19 virus, delays have occurred.	Action should be taken in accordance with the circular.

presented to the Auditor General on 07 July 2021.

<p>(b) Financial Regulation 133 (b) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and Paragraph 03 of Management Audit Circular No. DMA/2009 (1) dated 09 June 2009</p>	<p>Although an internal audit should have been conducted as per the Financial Regulations and circular provisions, no action had been taken accordingly in respect of the Fund.</p>	<p>Action will be taken to conduct an internal audit in the future.</p>	<p>An internal audit should be conducted as per the Financial Regulations and the circulars.</p>
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**2. Operating Inefficiencies**

**Audit Observation**

**Comment of the Management**

**Recommendation**

Although Rs. 4,000,000 had been distributed among the Divisional Secretariats during the year under review for constructions, renovations and development activities of the Hindu Kovil and the religious places, Fund had not taken any follow up action regarding proper implementation of those development activities.

Ten development activities were scheduled to be implemented and 09 of the above development activities have been completed. One project is further in progress and follow up action will be taken on completion of that project.

Follow up measures should be taken with regard to the release of provisions.