

Head 204 – Department of Hindu Religious and Cultural Affairs

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Department of Hindu 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 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 27 April 2021 in terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018 and the Annual Detailed Management Audit Report relating to the Department was issued to the Accounting Officer on 27 April 2021 in terms of Sub-section 11(2) of the National Audit Act. This report will be presented 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 financial statements give a true and fair view of the financial position of the Department of Hindu 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 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

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 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 of the Department.

As per Sub-section 38 (1) (c) of the National Audit Act, No.19 of 2018, the Accounting Officer shall ensure that an 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 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 accordance with 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 in my report regarding the financial statements furnished for the preceding year, had been implemented.

2. Financial Review

2.1 Management of Expenditure

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|---|
| ----- | ----- | ----- |
| The savings out of the provision of Rs.12,400,000 made in the year under review relating to 11 Recurrent Objects and 3 Capital Objects totalling Rs.5,451,447 ranged between 12 and 100 per cent. | There was no requirement for utilization of provision due to Covid 19 epidemic. | Provision made should be utilized for the relevant purpose. |

2.2 Incurring of Liabilities and Commitments

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|--|--|
| ----- | ----- | ----- |
| In terms of paragraph 3.4 of State Accounts Circular No.271/2019 of 03 December 2019, the Liabilities and Commitments indicated under Note (iii) in financial statements, should be in line with the statement of commitments and liabilities issued by the General Treasury. Any commitment or liability which had not been reported in such a way should not be settled in year 2020 as previous year expenditure. However, liabilities of Rs.27,669 settled in the year 2021 relating to two Objects had not been disclosed in the financial statements or in Treasury registers. | Commitments and liabilities of Rs.27,669 have been omitted and action will be taken to avoid such omissions hereafter. | Commitments and liabilities indicated in the financial statements should be in line with commitments and liabilities issued by the Treasury. |

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|---|
| (a) Thirty one cheques valued at Rs.4,912,810 issued in November and December 2020 had been retained without taking action to hand over to the payee. | Handing over of cheques was delayed due to Covid 19 epidemic. | Prompt action should be taken to hand over issued cheques to the payee. |
| (b) Loan balance totalling Rs.46,462 recoverable from three officers transferred out to other departments and ministries had been brought forward over a period of 27 years. Nevertheless, action had not been taken to recover the said loan balances. | Applications have been submitted to write off loan balances less than Rs.25,000 in terms of Circular No.01/2020 of 28 August 2020 and Financial Regulation 113(6) | Action should be taken to recover loan balances. |

4. Human Resource Management

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|---|---|
| Even though the approved cadre of the Department stood at 185, the actual cadre stood at 150. Accordingly, 35 vacancies existed in the cadre and no action had been taken to fill those vacancies. | No comments have been made. | Action should be taken to fill vacancies for essential posts. |