

## **Hindu Cultural Fund - 2013**

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The audit of financial statements of the Hindu Cultural Fund for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the statement of income and expenditure, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(3) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10(4) of the Hindu Cultural Fund Act, 31 of 1985. My comments and observations on the above financial statements are appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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

### **1.3 Auditors responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **1.4 Basis for qualified opinion**

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Hindu Cultural Fund as at December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Sri Lanka Public Sector Accounting Standards (SLPSAS)**

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The following requirements of the SLPSAS No.01 had not been followed by the Fund in preparation and presentation of the financial statements.

- (a) The balance sheet and income and expenditure statement had not been prepared in accordance with the format given in the standard.
- (b) The accounting policies used for accounting of the Government grants, donations to the Fund, investments and financial assistances had not been disclosed in the financial statements

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

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According to Section 4.2 of the public Finance circular No. PF 423 of 22 December 2006, the accounting books and recodes relating to the investment had not been properly maintained. Also, contrary to Section 04.1(a) of the above circular, expenditure of the Fund had been incurred without having an approved budget.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the financial results of the operating activities of the Fund for the year ended 31 December 2013 was a surplus of Rs. 1,969,021 as compared with the corresponding surplus of Rs. 1,623,544 for the previous year. The reasons for the increase of Rs. 345,477 in the financial results is analyzed below.

		<b>2013</b>	<b>2012</b>	<b>Effect to financial result of year under review</b>
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		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Revenue :</b>	Government Grants and Other Donations	1,000,000	1,600,000	(600,000)
	Interest Income	2,178,751	1,739,372	439,379
<b>Expenditure :</b>	Purchasing Uniforms to Daham Schools	1,000,000	950,000	(50,000)
	Financial Assistanes and Other Expenses	209,730	765,828	556,098
	Increase in the Financial Results.			----- 345,477 =====

#### **4. Operating Review**

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##### **4.1 Performance**

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The following observations are made

- (a) According to the annual action plan of the Fund, a sum of Rs. 1.7 million had been allocated to implement 3 programmes such as financial assistance to hindu temples and institution, purchase of uniforms to Daham Schools Teachers and financial assistance to Daham Schools Teachers during the year under review. The physical and financial progress of these programmes could not be ascertained due to non-fixing of physical and financial targets.
- (b) A sum of Rs. 600,000 had been allocated to provide the financial assistance to Hindu Temples during the year under review. However, only a sum of Rs. 100,000 or 17 per cent of the total allocation had been given to 2 Hindu Temples. Providing of financial assistance to the Hindu Temples had decreased by 80 per cent, as compare with the preceding year.

#### **4.1.1 Overall Performance of the Fund**

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According to Section 7 of the Hindu Cultural Fund Act, legal provisions had been made to collect necessary funds locally or abroad for fulfilment of aims and objectives of the Fund. This legal provision could be utilized to implement various necessary programmes for developing Hindu shrines that requires development and to promote Hinduism and culture. But, the Governing Board of the Fund had not paid proper attention in this regard and 66 per cent of the total receipts for the year 2013 had been consisted of the benefits derived by investing the idle funds of the Fund. Similarly, a sum of Rs. 600,000 donated by a Hindu Temple from its fund remained idle as there was no specific procedure to spend it.

#### **4.2 Transactions of Contentious Nature**

##### **Purchase of Uniform for Daham Schools Teachers**

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Uniforms for Daham School Teachers had been purchased in 02 occasions by spending an amount of to Rs. 1,000,000 during the year under review and Rs. 950,000 the preceding year. The following observations are made in this regard.

- (a) Without determining a proper procedure to make the procurement in transparent manner, limited quotation i.e. three quotations, had been obtained to evaluation, violating section 3.4.1 of the Government Procurement Guidelines.
- (b) Even though a Technical Evaluation committee (TEC) had been appointed for evaluation of the quotations, a subject specialist had not been appointed to the TEC.
- (c) The specifications which required achieving the relevant procurement objectives had not been prepared in accordance with the Section 5.6.1 of the Government Procurement Guidelines.
- (d) In terms of Financial Regulation 237(b), a payment of Rs. 1,000,000 had been made without obtaining the goods received certificate relating to the purchase of saries and stock records had not been maintained in terms of Financial Regulation 454 and 751. According to the verification carried out by audit on 27 March 2014, 1,152 saries were in the stock without being utilized for the intended purposes.
- (e) In terms of Section 8(c) of Hindu Cultural Fund Act, No. 31 of 1985, the approval of the Board had not been obtained for this procurement.
- (f) Evidence such as list of teachers whom distributed the saries and their signatures or any other confirmations relating to distribution of saries had not been furnished to audit.

## **5. Accountability and Good Governance**

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### **5.1 Corporate Plan and Action Plan**

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A corporate plan had not been prepared in terms of the instructions given in Chapter 5 of the Public Finance Circular No. PED 12 of 02 June 2003. Although an Action Plan had been prepared for the year under review, the following deficiencies were observed in this regard.

- (a) The Action Plan had not been prepared according to the objectives of the Fund and the physical targets of the plan had not been indicated in order to evaluate the performance.
- (b) The time periods relating to the implementing main activities of the plan had not been determined.

## **6. Systems and Controls**

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Secretary of the Ministry from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting.
- (b) Procurement.
- (c) Fund Management.