

## **Hindu Cultural Fund - 2018**

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### **1. Opinion**

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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 2018 comprising the Balance sheet as at 31 December 2018 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 Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka in conjunction with provisions of the National Audit Act, No.19 of 2018. My comments and observations which I consider should be reported to 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 statement give a true and fair view of the Balance sheet of the fund at 31 December 2018, and of its income and expenditure and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

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

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My opinion is qualified 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 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 Responsibility of the 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 for such internal control as management determine is necessary to 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 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 periodic financial statements to be prepared of the Institute.

#### **1.4 Auditor's Responsibility for 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 judgement 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 Institute'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 exists or conditions that may cast significant doubt on the Board'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 statement 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 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 Institute.
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Financial Statements**

### **1.5.1 Internal Control over the preparation of financial statements**

Entities are required to "devise and maintain" a system of internal accounting controls, sufficient to provide reasonable assurance that, transactions are executed in accordance with management's general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management's general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

<b>Audit observation</b> -----	<b>Management's comment</b> -----	<b>Recommendation</b> -----
(a) As a result of delays in the commencement of procurements, the intended objectives could not be achieved within the specified period	Steps will be taken to prevent such issues in due course	Procurements need to be properly planned in order to achieve the intended objectives within the expected period
(b) Certain assets balances not posted to the ledger accounts.	Steps will be taken to prevent such issues in due course	Ledger accounts need to be prepared for all transaction and events based on subsidiary registers.

### **1.5.2 Non - compliance with Sri Lanka Public Sector Accounting Standards**

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The following observations are made

Non-Compliance with reference to relevant Standard -----	Management's comment -----	Recommendation -----
(a) Even though Property, Plant and Equipment needs to be depreciated in terms of paragraph 57 of the standard 7, equipment belongs to the Fund had not been depreciated.	It is informed that equipment will be depreciated in future	Fixed assets need to be depreciated and the depreciation policy must be disclosed in the financial statements.
(b) In terms of paragraph 118 (a) of the standard 1, surplus or deficit for the period needs to be	The surplus of Rs.1,107,624 relating to the year 2018 had not been shown in the statement of changes in equity by an oversight	Accurate financial statements need to be prepared and presented in accordance with the standard.

presented in the statement of changes in equity but the surplus of Rs.1,107,624 of the year under review had not been presented in the statement of changes in equity.

## 2. Financial Review

### 2.1. Financial Results

The Operation of the fund for the year under review had resulted in a surplus of Rs. 1,107,624 as compared with the surplus of Rs.6,586,304 for the preceding year. Accordingly, a deterioration of Rs.5,478,680 in the financial result was observed. The decrease of flag day collection project (tributes) by Rs.5,558,338 had mainly attributed this deterioration.

### 2.2 Trend analysis of main revenue and expenditure items.

Item	2018	2017	Revenue (Decrease)/ increase Expenditure (increase)/decrease	Percentage
	Rs.000	Rs.000	Rs.000	
<b>Income</b>				
Flag Day Collection	2,246	7,804	(5,558)	(71.2)
Donations	3,796	1,251	2,545	203.4
Sale of books	212	419	(207)	(49.4)
Sale of tickets	-	2,044	(2,044)	(100)
<b>Expenditure</b>				
Purchase of sarees for teachers	1,150	2,200	1,050	47.7
Financial assistance to	2,000	300	(1,700)	(566.7)

Hindu Temples				
Flag day expenses	203	394	191	48.5
Printing of ancillary books	2,083	1,684	(399)	(23.8)
Purchase of exercise books	919	-	(919)	(100)
Purchase of Bicycles	247	785	538	68.5
Awards	2,001	1,045	(956)	91.5
Expenditure of Musical program	-	1,441	1,441	100

### 3. Operating Review

#### 3.1 Management Inefficiencies

The following Observations are made

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) Even though a sum of Rs.991,143 had been spent for the printing of hindu religious books and anxiliary books for Araneri school children on 31 December of the year under review, books valued at Rs.380,413 were not received by the Fund even by 18 June 2019.	By now, those books were received by the Department after being completed printing. Necessary action has been taken to prevent such situations in future.	Procurements need to be properly planned so that the intended objectives to be achieved efficiently.
(b) Even though it was planned to purchase uniform materials for Araneri school teachers in the year under review, payment of Rs.1,150,000 had been made to purchase 1000 sarees	Uniforms already received had been now distributed. The balance uniforms will be taken and distributed during this month. Steps had been taken to prevent such issues in due course.	Procurements need to be properly planned so that the intended objectives to be achieved efficiently.

only in December of the year. However, only 400 sarees were received even by 30 May 2019. As purchasing process has been started at the end of the year, the intended objectives could not be achieved.