

## **Head 202 –Department of Muslim Religious and Cultural Affairs**

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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 Department of Muslim Religious and Cultural Affairs for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 Muslim Religious and Cultural Affairs was issued to the Accounting Officer on 31 May 2019 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 Ministry in terms of Section 11(2) of the National Audit Act was issued to the Accounting Officer on 12 June 2019. 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, except for the effects of the matters described in the paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Muslim Religious and Cultural Affairs as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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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 opinion.

#### **1.3 Responsibilities of the Chief Accounting Officer and Accounting officer for the Financial Statements**

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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 the provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief 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 Ministry 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 Chief Accounting officer and the Accounting Officer shall ensure that an effective internal control system for the financial control of the Ministry 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**

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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 the summary 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 judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatements, 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.
- In order to design audit procedures that are appropriate in the circumstances, an opinion on the effectiveness of the Department's internal control, is not expressed.
- 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 fair and reasonable manner.
- In the overall presentation of financial statements, structure and content of 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

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I express the following matters in accordance with Section 6 (d) and Section 38 of National Audit Act, No.19 of 2018.

- (a) Since there was no need for the preparation of financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were in consistent with the preceding year.
  
- (b) Since there was no requirement for the Department of Muslim Religious and Cultural Affairs to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

## 1.6 Comments on Financial Statements

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### 1.6.1 Non- Compliance with Generally Accepted Accounting Principles

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Even though the accounts relevant to the year under review need to be prepared in accordance with Generally Accepted Accounting Principles, a deviation from that requirement is given below.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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Even though the comparative amount of the previous year for all amounts reported in the financial statements need to be disclosed, the Department had not given previous year's comparative amounts in the financial statement.	In order to establish the comparability of the financial Statements comparative figures need to be stated correctly.	Agreed- comparative figures could not be included.

### 1.6.2 Financial statements not complied with Circular instructions

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Even though the financial statements need to be prepared in terms of public finance circular No.267/2018 of 21 November 2018, deviations from that requirement are given below.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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(a) In terms of paragraph 3.1 of the above circular, information contains in the financial statements need to be agreed with the amounts stated in the Treasury printouts. However, the cost of buildings stated as Rs.312,485,000 but the cost of	Accurate financial statements need to be presented in accordance with circular provisions.	Agreed. That balance could not be computerised by an oversight. It is expected to include such value in 2019 Accounts.

buildings had not been included in the Treasury printouts.

(b) In terms of paragraph 7 (ii), Revenue collected on behalf of other revenue accounting officers need to be accounted being treated as imprests received from the Treasury. However, a sum of Rs.2,626,292 collected on behalf of other revenue accounting officers during the year under review had been posted as non-tax revenue and other receipts instead of being accounted as imprest received from the Treasury

The correct financial statements need to be presented in accordance with circular instructions

Agreed. By an oversight it had been included under "non-tax revenue and other" column and steps will be taken to include it under "non revenue receipts" column.

(c) In terms of paragraph 7 (iv), a similar value of property plant and equipment stated in the statement of financial position need to be stated as property plant and equipment reserve under the net assets/equity but the property plant and equipment reserve had been under stated by the Department by Rs.9,704,978.

Correct financial statements need to be presented

Agreed. Noted that it will be rectified in the preparation of accounts for 2019.

(d) In terms of paragraph 7 (v) the value of deposit accounts should be deducted from the value of advance Accounts and compute the net assets. Accordingly, the net assets of the Department should have been a negative value of Rs.8,837,839 but it had been shown as a positive value of Rs.867,139

Correct financial statements needs to be presented

Agreed. Noted to correct it

### 1.6.3 Statement of Financial Position

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The following observation is made

Audit Observation	Recommendation	Comment of the Accounting Officer
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According to the financial statements, the balance of the plant and equipment as at 01 January 2018 amounted to Rs.4,599,297 but according to the Appropriation Account of the year 2017 it was Rs. 4,335,658 that observed a difference of Rs.263,639	Financial statements need to be prepared by using correct balances.	Agreed. Noted to correct it.

### 1.6.4 Non - Compliance with Laws, rules and regulations

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The following observations is made

Observation	Recommendation	Comment of the Accounting officer
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Reference to Non – compliance Laws, rules etc.		
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Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(a) Financial Regulation 237	Without being certified to the effect that the work has been done and goods have been received, payments totalling Rs.310,316 for 9 goods and works by the Department	In terms of financial regulations, payments have to be made after being ensured that the supply of goods and services have been made satisfactorily.
		Goods have been entered in the stock books and stamped on voucher as specified. Accepted that there were deficiencies and action will be taken to rectify the same.
(b) Financial Regulation 264	Receipts from payees in acknowledgement of the money had not been obtained for 8 payments	It is noted that receipts will be obtained for every payment on its value

totalling Rs.880,000 by  
the Department

through the  
Development  
Officers regionally  
attached by the  
Department

## 2. Financial Review

### 2.1 Expenditure Management

The following observation is made

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Chief Accounting Officer</b>
A total provision of Rs.50,200,000 had been made by the Department for four recurrent objects and 4 capital objects. However, by the end of the year under review, a sum of Rs.20,256,014 from the total provision or 6 per cent to 100 per cent had been saved.	The annual requirement needs to be forecasted appropriately and funds need to be utilised at an optimum Level.	Agreed. As non- receipt of sufficient imprests in December 2018 from the Treasury and the change of Ministries during the year, certain procurements could not be made as planed and it caused for these savings.

### 2.2 Incurring Liabilities and Commitments

The following observation is made

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Chief Accounting Officer</b>
According to the financial statements of the year under review, the Liabilities incurred for 2 objects amounted to Rs.189,810 whereas according to the votes Ledger of 2019, expenditure of Rs.307,382 had been incurred. Furthermore, the savings relating to those 2 objects of the year under review amounted to Rs.215,940	Liabilities relating to the year under review need to be correctly recognised and accounted. The Liabilities so incurred have to be settled in the ensuing year within that Liability Limit	Agreed. As bills and vouchers were present subsequently, correct Liabilities could not be posted to the account.

### 3. Operating Review

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#### 3.1 Planning

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The following observation is made

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Action plan for the year 2018 had been prepared in accordance with public Finance circular No.01/2014 of 17 February 2014. However, Action plans for the Muslim Charitable Fund which is a statutory fund and the Hajj Fund which is a non-statutory fund had not been prepared.	----- An action plan needs to be prepared as per circular provisions and action needs to be taken to perform such functions effectively.	----- Agreed. Action will be taken to prepare actions plans for the Muslim Charities Fund and the Hajj Fund in the year 2019.

#### 3.2 Assets Management

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The following observation is made

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- The building of the Department was constructed in a land belongs to the Department of Railways by utilising Treasury provisions. Action had not been taken to acquire that land in the name of the Department and to post the value thereof in the register of fixed assets.	----- Expedite the acquisition purpose	----- Half of the acquisition is completed formal steps will be taken for the balance work.

### 3.3 Management Inefficiencies

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The following observations are made

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Muslim Charities Fund -----		
(i) Section 43(2) of Chapter 4 of wakfs Act states that 6 per cent of the net annual revenue of registered Mosque, Meritorious Trust and 10 per cent of the annual net revenue of a Muslim shrine should be credited to the Muslim Charities Fund. Nevertheless, the Department does not have a methodology to examine whether the real amount is received to the Muslim Charities Fund from those mosques and shrines.	In order to establish the receipt of contributions, a proper methodology needs to be introduced and they have to be monitored through the Regional Cultural Officers.	Agreed. As per the recommendation of the Committee on Public Accounts as well, a formal system to computerize information of all mosques is introduced and being in operation since the last quarter of the previous year.
(ii) In terms of paragraph 4.1 of the public financial circular No. PF/423 of 22 December 2006, an annual budget needs to be prepared in respect of statutory and trust funds in conformity of the objectives of the fund and expenditure has to be incurred accordingly. However, the Department had not taken action accordingly.	Action needs to be taken as per circular instructions.	Agreed. Action is being taken to prepare relevant registers in the year 2019 and send them to the Treasury.
(b) Hajj Fund -----		
In terms of paragraph 3.3 of the public finance circular No. PF/423 of 22 December 2006 action needs to be taken to rescind the non-statutory funds or if reasonable causes exist, such funds need to be	Action needs to be taken in terms of circular instructions in respect of funds.	By now, the Ministry of Posts, Postal Services and Muslim Religious Affairs is preparing a draft Act of Hajj.



incorporated by an act of parliament. But there was no legal base on this fund up to now.

#### 4. Reaching Sustainable Development Goals

The following Observation is made

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>Every public entity needs to act in accordance with the "2030 agenda of the United Nations on Sustainable Development" Nevertheless the department had not recognised Sustainable development objectives in respect of functions come under the scope of the Department, targets, turning points to reach such targets, and indications to measure the reaching of targets</p>	<p>Being recognised objectives of the Department and establish target to achieve such objectives and indication to measure the reaching of such targets.</p>	<p>Action is being taken to recognise the indications relating to the year 2019.</p>

#### 5. Human Resources Management

The following observation is made

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
<p>The approved and actual cadre and vacancies of the Department as at 31 December 2018 were 123, 90 and 33 respectively. Further a sum of Rs.44.96 million under the personal emoluments expenditure category had been included by the Department. According the per capita cost had become Rs.510,726.</p>	<p>Action need to be taken to fill the vacancies</p>	<p>Request had been made to the Ministry of public Administration to get the vacancies filled.</p>