

Head 202 – Department of Muslim Religious and Cultural Affairs

1. Financial Statements

1.1 Opinion

The audit of the financial statement of the Department of Muslim Religious and Cultural Affairs for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 26 June 2020 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 Department in terms of Section 11(2) of the National Audit Act was issued to the Accounting Officer on 07 January 2021. 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, the accompanying financial statements prepared in accordance with the State Accounts Circular No 271/2019 dated 03 December 2019, give a true and fair view of the financial position of the Department of Muslim Religious and Cultural Affairs as at 31 December 2019, and of 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

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 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- 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.

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) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations shown in my report regarding the financial statements furnished for the preceding year had not been implemented as per the observations shown in paragraph 1.6.1 of this report.

1.6 Comments on the financial statements

1.6.1 Financial Statements not complied with circular instructions

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) In terms of paragraph 7 (iv) of the State Accounts Circular No.267/2018 of 21 November 2018, a similar value of property plant and equipment stated in the statement of financial position needs to be stated as property plant and equipment reserve under the net assets/equity but the property plant and equipment reserve of year 2018 had been under stated by Rs.9,704,978 by the Department.This error had not been rectified in year 2019 as well.	Accurate financial statements should be presented in terms of circular instructions. Nevertheless	Agreed. This is an accounting deficiency occurred in 2018 and this was erroneously stated in the same way in the 2019 financial statements as well.
(b) According to the paragraph 7 (v) of the circular referred to in paragraph (a) above, the net assets should be calculated by subtracting the value of the deposit accounts	-Do-	-Do-

from the value of the advance accounts. Accordingly, the net assets of the department for the year 2018 should have been negative value of Rs.8,837,839 but it was stated as positive value of Rs.867,139. This error had not been rectified in 2019 as well.

1.6.2 Non-compliance with Laws, Rules and Regulations

The following observations are made.

Reference to Laws, Rules, etc.	Observation	Recommendation	Comment of the Accounting Officer
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 371(2)(c)	Even though a Sub-Imprest should be settled immediately after the completion of the purpose for which it is granted, a Sub-Imprest granted on 08 May 2019 amounted to Rs.120,000 had not been settled even as of 31 December of the year under review.	Actions need to be taken in terms of the Financial Regulation.	This advance has been obtained for a bond deposit and action will be taken to obtain that amount in the future.
(ii) Financial Regulation 396	Actions had not been taken in terms of the Financial Regulations with regard to 67 cheques totalled to Rs.454,557 belonged to a period between 8 months to 19 months since releasing as of 30 August 2020	-Do-	The cheques are being processed for government revenue.

(iii) Financial Regulation 571	Even though lapsed deposits were to be credited to government revenue, no such action had been taken on 3 deposits between 25 months and 30 months amounted to Rs.244,312.	-Do-	Actions are being taken to credit to the government revenue in the year 2020.
(iv) Financial Regulations 751,752,754	During the year under review, 2,851 units of uniforms for Dhamma School female teachers and 1,472 units for male teachers had been purchased for a total value of Rs.6,301,010. However, inventory registers had not been properly maintained for those inventory items as stated in the Financial Regulations.	Proper records regarding inventories should be maintained in terms of the Financial Regulations.	Advised to maintain inventory records systematically.
(b) Public Administration Circular No.02/2018 of 24 January 2018.	Even though a human resource development plan unique to the Department should be prepared after studying the type of human resource development to be made to bridge the gap between existing competencies and competencies to be gained by all the staff members and annual performance agreements should be signed to the staff, the department had not done accordingly.	Annual performance agreements should be signed in accordance with the circular	Actions will be taken to sign performance agreements in future.
(c) Public Finance Circular No.01/2014 of 17 February 2014.	Action plans had not been prepared for the year under review for the Muslim Charitable Fund which is a statutory fund and the Hajj Fund which is a non-statutory fund.	An action plan should be prepared in accordance with the circular.	Kindly inform that the action plan for the year 2021 will be prepared and submitted soon.

2. Financial Review

2.1 Expenditure Control

Audit Observation

Recommendation

Comments of the Accounting Officer

During the year under review, the Department had made the total allocation required for 9 recurrent objects and 2 capital objects. However, by the end of the year under review, a sum of Rs.28,586,939 from the total provision or 18 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.

These savings were due to the non-receipt of imprests and requirement for a mandatory savings of 15 per cent of capital provisions.

2.2 Incurring Liabilities and Commitments

The following observations are made.

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Even though all the liabilities pertaining to the particular financial year should be settled within the year in terms of the paragraph (2) (d) of the State Accounts Circular No.255/2017 of 27 April 2017, on the contrary to that, the Department had entered into liabilities amounted to Rs.95,000 exceeding the savings amounted to Rs.22,475 of provisions made for 02 expenditure objects during the year under review.

Actions need to be taken in terms of the circular instructions.

Even though there were not sufficient provisions, due the need, the liabilities had to be entered in the excess of the provision with the expectation of payment in next year.

- (b) In terms of the State Accounts Circular No.271/2019 of 03 December 2019 the liabilities and commitments in the financial statements should be reconciled with the liabilities and commitment statement issued by the treasury. However, a difference of Rs.6,974,144 was observed as the liabilities and commitments relevant to the Department was Rs.10,151,972 in the financial statements and the corresponding value in the treasury statements was Rs.17,126,116.
- Do-
- Due to non-receipt of confirmation as to whether the allocations made to the Regional Offices in respect of two expenditure items were fully spent until the accounts were prepared and the bills relating to other expenditure objects were received late by the Accounts Division, they could not be shown as liabilities in the financial statements.

2.3 Reconciliation Statement of the Advances to Public Officers Account

Audit Observation

A total outstanding loan balances of Rs.157,852 existed for a period of over 23 years pertaining to two officers who had gone on transfers to other Departments and Ministries, an officer who vacated the post and two officers who retired from the posts. Nevertheless, those loan balances had not been recovered so far.

Recommendation

Actions need to be taken to recover from the relevant officers or guarantors.

Comment of the Accounting Officer

Even though Rs.52,800 due from a transferred officer had been settled in 2004, it was mistakenly credited to another Ministry's Expenditure Object. Actions are being taken to write off the remaining loan balances.

3. Operating Review

3.1 Management Weaknesses

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) During the year under review, a total of Rs.1,071,660,367 had been applied for financial assistances from 286 Muslim shrines and a total of Rs.20,600,000 had been provided for 57 Muslim shrines. However, the methodology of granting such financial assistances, the committee appointed to evaluate the applications and the appointment letters, the criteria considered and the relevant committee reports to approve the financial assistances were not submitted for the audit.	A formal system needs to be formulated and financial assistances should be provided in a transparent manner.	Not commented
(b) Cabinet Memorandum No. 95/0007/103/001 dated 02 January 1995 had approved the transfer of 80 perches of land belonging to the Railway Department to the Department for the construction of a Muslim Cultural Center. Accordingly, a two storied-building was constructed in the year 2003 and the construction of a new 10 storied-building was commenced in 2007 and 4 floors have been in use since 2017. As of November 2020, more than 25 years had passed since the Cabinet approved. Nevertheless, the land had not been taken over by the Department and even though several floors were used, a certificate of conformity had not been obtained for the building.	Actions need to be expedited to obtain the ownership of the land to the Department.	-Do-

(c) The physical inspection revealed that the 10 storied-building mentioned in paragraph (b) above had become uninhabited from the third floor upwards and was inhabited by various birds and it was observed that additional repairs would be required in the future. It was also observed that there was a risk of unexpected accidents due to the fact that access to the upper floors of the building was not blocked and there were very unsafe balconies and stairs.

Management should pay attention on the maintenance of the building and take immediate actions to cover unsafe areas.

-Do-

(d) 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 confirm the receipt of contributions, a proper methodology needs to be introduced and they have to be monitored through the Regional Cultural Officers.

A new programme has been prepared and that task has been assigned to a staff member of the Wakfs division to look into the revenue receives from the mosques and account that properly. I would like to inform that currently it is showing some progress.

<p>(ii) Section 45 of the Wakfs Act No. 33 of 1982 specifies 5 functions that can be performed for the advancement of Muslims and Islam and the total amount received by the fund during the years 2017, 2018 and 2019 was Rs.12,362,590. However, no programme had been implemented to accomplish those tasks.</p>	<p>Functions mentioned in the Act should be performed by utilizing the funds at an optimum level.</p>	<p>As the Wakfs Board had not approved to expense on the functions mentioned in the Act it could not bear the expenses in those years. The Wakfs Board has agreed to expense on the functions mentioned in the Act according to a formal plan from the year 2021 onwards.</p>
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<p>(iii) Even though the accounts of the fund should be maintained and get audited by an auditor according to the Section 43 (8) of the Wakfs Act, the financial statements of the fund for the year under review have not been prepared. Furthermore, the last audited financial statements were not rendered to the audit.</p>	<p>Actions need to be taken in terms of the provisions in the Act.</p>	<p>Accounts have been prepared for the Charities Fund up to 2019 and the accounts from 2016 to 2019 will be audited by a private audit firm and submitted.</p>
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(e) Hajj Fund

<p>-----</p> <p>(i) 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 incorporated by an act of parliament. However, there was no legal base received on Hajj fund up to now and the total assets was Rs.54.66 million as per the financial statements in the year 2017.</p>	<p>Action needs to be taken in terms of circular instructions.</p>	<p>The bill for the Hajj Fund is being drafted and is expected to be tabled in Parliament as soon as it is approved by the Attorney General. The staff was also instructed to abide by the public finance circular until the Act is passed.</p>
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| (ii) The financial statements of the Hajj Fund for the years 2018 and 2019 had not been prepared even as of the date of the audit in November 2020. Furthermore, only the receipts and payments account for the year ended 31 December 2015 was audited and the financial statements for 2016 and 2017 were not audited. | Financial statements need to be furnished without delay and get done an audit. | Not commented |
| (f) Even though a centralized air conditioning system was installed in 2018 using government funds for the department building, it was revealed that it had only been in operation for two months. It was also observed that the relevant expenditure was an idling expenditure as it was still inactive at the time of the audit in October 2020. | Management should pay attention on this regard and take action to replace the air conditioning system. | -Do- |