

Head -202 - Department of Muslim Religious and Cultural Affairs

1. Financial Statements

1.1 Qualified Opinion

Head 202 - The audit of the financial statements of the Department of Muslim Religious and Cultural Affairs for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 containing my comments and observations on the financial statements of the Department of Public Trustee was issued to the Accounting Officer on 15 May 2023 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 16 May 2023 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of 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 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 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. 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 the 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 the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per 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 the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department 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 an auditor's summary 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 and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 terms of 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 by me on the financial statements of the preceding year had been implemented.

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Property, Plant and Equipment

Audit Observation	Comments of the Accounting Officer	Recommendation
There was not taken action to identify the cost of 70 items of used furniture, computer equipment and office equipment which were disposed by the Board of Survey in previous year and also not deducted it from the balance of property, plant and equipment in the financial statements.	As the 70 items of furniture and office equipment identified in the board of survey could not be valued and disposed, the value of those assets could not be removed from the financial statements. A dispose committee has been appointed for the dispose of the goods recommended as that and action is being taken to dispose activities of 2021 along with the board of survey in the year 2022.	Action should be taken to identify the cost of the relevant items within the specified period and deduct them from the balance of property, plant and equipment in the financial statements.

(b) Non-maintenance of Registers and Records

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) No arrangement was made to update and maintain a bail register containing the details of the officers and employees required to be bailed in terms of Financial Regulation 891(1).	A bail register is currently maintained as per F.R. 891 (1).	Should be maintained a bail register of the officers to be bailed as including the information mentioned in Financial Regulation 891 (1).
(ii) No arrangements have been made to update and maintain a register of vehicles in terms of Financial Regulation 1647 (e) of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	A register of vehicles is currently maintained as per F.R. 1647 (e).	Should be maintained a register of vehicles as per F.R. 1647 (e).

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| (iii) | No arrangements were made to update and maintain an inventory book in accordance with Financial Regulation 454 91) of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka. | An inventory register is currently maintained as per F.R. 454 (1). | Should be updated and maintained an inventory register as per general format 44 according to the provisions of Financial Regulation 454 (1). |
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2. Financial Review

2.1 Certification to be done by the Chief Accounting Officer/ Accounting Officer

Chief Accounting Officer/ Accounting Officer should certify the following matters in terms of provisions set out in section 38 of the National Audit Act No. 19 of 2018, but it had not been done accordingly.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the department and carry out periodic reviews to monitor the effectiveness of such systems and alterations as required for such systems to be effectively carried out. Such reviews should be carried out in writing, and a copy thereof should be submitted to the Auditor General, but no statements had been furnished to the audit that the reviews had been carried out.</p>	<p>As there are 6 vacancies in the department such as Internal Auditor, Accountant, Assistant Director, who perform the duties at the staff level, it has not been possible to prepare a formal control system for financial control and internal control. Some of these positions will be completed and a formal financial and internal control system will be prepared in future.</p>	<p>Action should be taken in accordance with the provisions of section 38 of the National Audit Act No. 19 of 2018.</p>

2.2 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to the Laws, Rules and Regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
(i) Section 45 of the Wakf Act No. 33 of 1982.	Although the relevant section of the Act has mentioned 5 tasks that can be performed for the betterment of the religion of Islam, no programme was implemented during the year under review to fulfill those functions.	As mentioned in the Act, programmes have already been implemented with attention of the Wakf association about 5 tasks and considering the betterment such as education that can be accomplished for the betterment of the Muslims and the religion of Islam. It is also planned to focus on the remaining sectors.	Should be act as per circular provisions.
(ii) Sub sections 4.2.5, 4.5, 4.6 and 6.3 in chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka.	Loan amounts of Rs. 70,504 to be charged from two transferred officers and Rs. 55,448 to be charged from two retired officers were not recovered even though they were over 5 years.	The balance of the loan is over 25 years and although attempts have been made on many occasions to recover from these officers, the loan has not been cut off. Action will be taken future in this regard.	Should be act in accordance with the provisions of the Establishment Code of the democratic Socialist Republic of Sri Lanka.
(iii) Financial Regulation 128 (1) (e) of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka	No verification was done regarding the vehicles owned by the department.	Adequate security is provided for vehicles owned by the department. The function of those vehicles will be checked. Delays occur in some cases due to non-availability of funds.	Should be act as per Financial Regulations.
(iv) Financial Regulation	The Hajj fund	I inform that financial	Should be act as

876 (30 as amended by section 15.1 (3) of the Public Finance Circular No. 01/2020 dated 28 August 2020. maintained by the department was not legally established by an Act of Parliament and no action has been taken to close the fund or obtain legal status as per the circular. statements have been prepared up to the year 2022 related to the Hajj fund and it will be submitted for audit. per Financial Regulations.

(v) Public Administration Circular No. 30/2016 dated 29 December 2016.

- Section 3.1 A re- fuel inspection should be carried out after every fuel inspection after a period of 12 months or after running 25,000 km or after repairing the engine, whichever occurs first, but such inspection was not done after the year 2019 in relation to all the vehicles of the department. Fuel should be applied at capacity before and after the fuel inspection and it has not been possible to carry out fuel inspection due to difficulty in getting fuel under QR system. Although a written request was made to the respective filling station, no good response was received. The Ministry of Energy will be informed future through the Ministry and arrangements will be made to conduct the fuel inspection. Should be act as per the circular.
- Section 3.3 The transport service notes mentioned in Annexure 01 of the circular should be completed monthly in order to identify any adverse change in fuel usage, but it was not done accordingly. As mentioned in the above comment, this problem has arisen due to difficulty in getting fuel. Should be act as per the circular.

(vi)	Public Finance Circular No. 01/2015 dated 29 June 2015 and circular No. 4/2015 dated 14 July 2015.	02 Vehicles owned by the department were insured from Ceylinco Insurance Company without getting quotes as per the circular.	Although the quotes were called from new insurance companies, the insurance was done with the same company as it was economically effective under the same insurance premium as previous. However, as indicated by the audit, officers have been informed to take action in future.	Should be act as per the circular.
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2.3 Deposit Balances

Audit Observation	Comments of the Accounting Officer	Recommendation
The deposit balances between 01-02 years and more than 07 years, which were Rs. 1,009,118 and a total of Rs. 17,422,508 respectively as at 31 December of the year under review, had not been act as per the Financial Regulations of the date of this report.	These deposits are retention money related to the departmental building. As the work on the building has not yet been completed, it has not been possible to release the money because the State Engineering Corporation, which is the consulting institute of the project, has not recommended releasing the money.	Action should be taken to release the relevant deposits or credit the income immediately.

3. Operational Review

3.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to section 03 of the Public Finance Circular No. 02/2020 dated 28 August 2020; the Action Plan for the next year should be prepared before 15 December of the conversion year and submitted to the Chief Accounting Officer for approval. However, the approval of the Secretary of the Ministry for the Action Plan for the year 2022 was not obtained.	The Action Plan for the year 2022 has been referred to the Secretary of the Ministry for approval and the work is being done to correct it.	Should be act as per the circular.

- (b) Although the department had prepared the Action Plan in accordance with Appropriation Act No. 30 of 2021, which had been approved for incurring expense in the year 2022, no revised action plan had been prepared in accordance with it after the passage of Appropriation Act No. 21 of 2022 dated 02 September 2022.
- As there were no changes in the first action plan, the revised action plan was not submitted.
- Should be act as per the circular.

3.2 Annual Performance Report

The Annual Performance Report should have been prepared as per the format mentioned in Guideline No. 14 issued by the Public Finance Department as per paragraph 10.2 of Public Finance Circular No. 2/2020 dated 28 August 2020. The following observations are made in this regard.

Audit Observation	Comments of the Accounting Officer	Recommendation
According to section 12.1 of the Public Finance Circular No. 02/2020 dated 28 August 2020, the performance report for the year should be tables in Parliament within 150 days of the end of the financial year, but the performance report related to the year 2021 was tabled in Parliament on 03 November 2022.	Although there is a delay in submitting the performance report of the year 2021, the necessary arrangements are being made to table the performance report of the year 2022 in the Parliament on due date without delay. Currently, the Sinhala and Tamil translations of the prepared report in English are being done.	Should be act as per the circular.

3.3 Procurements

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A small refrigerator and a micro wave oven were purchased at an expenditure of Rs. 31,990 and Rs. 44,900 respectively during the year under review and a laptop computer was purchased at an expenditure of Rs. 259,900 without the approval of the procurement committee.	With considering the matters pointed out by the audit query, the procurement activities are currently being carried out in a formal manner.	Should be followed the government procurement guidelines.
(b) Although an expenditure of Rs. 274,500 was incurred for the provision of food and beverages to the participants for the National Milad Prize giving ceremony, the tender procedure was not followed in this regard.	Due to the office work was not going as normal due to Covid, it was uncertain to hold ceremony. However, later on the advice of Hon. Minister, the state ceremony has been planned. Since the event held in a short period of time, and	Should be followed the government procurement guidelines.

nearly 1000 persons participated in this, I point out that the prices mentioned in the estimate have been called through the institute that provides long-term supply services to the department. With considering the issues pointed out by the audit query, the procurement activities are being carried out in a formal manner.

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| (c) | Rs. 450,000, Rs. 310,100 and Rs. 310,000 worth of 03 vouchers were used to purchase furniture worth at a total of Rs. 1,071,100 on the same day from the same institute and it is observed that the purchase was made through departmental tenders not to exceed the purchase limit of Rs. 500,000. | These purchases were made from the State Trading Corporation, which is government institute. With considering the matters pointed out by the audit query, the procurement activities are currently being carried out in formal manner. | Should be followed the government procurement guidelines. |
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3.4 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
The land owned by the Railway department, on which the building maintained by the department, had not been taken over to the name of the department as at the date of this report.	Action is being taken to taken over this land by the ministry.	Should be done taken over actions immediately.

3.5 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although established in the year 2018, no any action has been taken regarding the centralized air condition system as at the date of this report for the departmental building, which is inactive.	Removing the old air condition system and installing a new air condition system or renewing will incur huge cost. The ministry will be contacted and appropriate action will be taken in this regard.	Formal action should be taken as idle assets can be utilized.

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| <p>(b) Although the distribution of dates should be done during Ramazan, those activities were not formally scheduled in the year under review. Due to that, it was observed that in some cases, suppliers were informally selected outside of the tender process and in some cases, advances were made to several officers of the institution and the work has done without transparency.</p> | <p>Although it was expected to get the vehicles of Sathosa institute for the transportation of dates, but due to the non-availability of those vehicles, the prices were obtained from several private transporters, but due to the fuel crisis, those transporters were also informed that they were unable to transport the dates. I would like to inform that the procurement activities could not be done properly due to the lack of fuel and because the dates should be transported to all the churches in the island before the end of the Ramazan.</p> | <p>Distribution of dates should be properly planned and act with in accordance to rules and regulations.</p> |
| <p>(c) 06 Officers of the department had been provided accommodation in the departmental premises as at 31 December of the year under review and the economic rent be charged from the officers was decided without obtaining a report from the Chief Assessor as per section 5.2.3 and 5.6 of Chapter XIX of the Establishment Code.</p> | <p>The rent is recovered after a formal assessment by the Valuation Department for the provision of accommodation.</p> | <p>Should be act as per provisions of the Establishment Code.</p> |

4. Good Governance

4.1 Internal Audit

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>According to section 38(i) (f) of the National Audit Act No. 19 of 2018, the Accounting Officer should ensure that there is an effective system for the proper execution of internal audit functions. Further, according to Financial Regulation 133, the Accounting Officer should establish internal audit division within his department to discharge his duties and responsibilities as specified in Financial</p>	<p>As the position of Internal Auditor has been vacant since the date of its approval, it has not been possible to carry out the internal audit functions properly and establish an effective system. The Ministry of Public Administration has informed that currently the vacancies of Internal Auditor and Accountant posts cannot be filled. However, I expect to prepare a formal system</p>	<p>Should be act as per provisions of the Act.</p>

Regulation 128. However, it was not acted accordingly.

with the help of the Internal Auditor of the ministry. Although an Internal Audit Division consisting of two Development Officers has been established, due to the vacancy of the Internal Auditor, there are deficiencies in the monitoring activities.

4.2 Audit and Management Committee

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the Audit and Management Committees should be held for each entity as per the provisions of section 41 of the National Audit Act No. 19 of 2018, Audit and Management Committee meetings were not held by the Department for the year under review.	Internal Audit function, Audit and Management Committee meetings have not been held since the date of approval of the post of internal Auditor till now as the post is vacant. However, arrangements are being made to prepare a formal system and conduct Audit and Management Committee meetings with the help of the Internal Auditor of the Ministry.	Should be act as per provisions of the Act.

5. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The approved staff of the department was 123, but actual staff was 109 as at 31 December of the year under review. It was observed that there is an excess of 07 officers in the post of Development Officer and 21 vacancies in other posts.	There is a surplus of Development Officers as the recruitment of Development Officers in the year 2021 has been done without considering the vacancies. However, according to Public Administration Circular No. 14/2022, 09 Development Officers have taken leave without pay domestic/ foreign leave. Although the Ministry of public Administration has been informed several times through the Secretary of the ministry that the vacancies will be filled, it has been informed that some vacancies cannot be filled at now.	Immediate action should be taken to fill the vacancies.

- b) According to Public Administration Circular No. 18/2001 dated 22 August 2001, every officer who has worked in the same workplace in 5 years should be given transfers to allow him to work in other workplaces, but transfers were not arranged for 45 officers who had been in the department for more than 05 years. Among these, 10 officers had worked in the department from more than 15 years.
- Although Development Officer, Management Service Officer , Driver and Office Employment Service officers with more than 05 years of service apply for transfers in annually, due to this department is not a pleasant workplace and no other officer applies to this department for a transfer, even if the Ministry of Public Administration does not given transfer due to the problem of providing a successor, the list of officers with more than 05 years of service will be included in the annual transfer list in every year.
- Should be act as per the circular.