

## **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 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance 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(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 Muslim Religious and Cultural Affairs was issued to the Accounting Officer on 31 May 2024 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 11 July 2024 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 2023, 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 following recommendations made by me on the financial statements of the preceding year had not been implemented.

<b>Reference paragraph in previous Year</b>	<b>Non- implemented Recommendation</b>	<b>Reference paragraph in this report</b>
1.6.1(a)	The cost related to the 70 items of furniture, computer equipment and office equipment used in the year 2021 had not been identified and deducted from the property, plant and equipment balance of the financial statements.	1.6.1

## 1.6 Comments on the Financial Statements

### 1.6.1 Accounting Deficiencies

#### (a) Property, Plant and Equipment

The cost related to 155 items of disposed furniture, computer equipment and office equipment by surveys in the years of 2021 and 2022 were identified and deducted from the property, plant and equipment balance in the financial statements.

#### (b) Non-maintenance of Documents and Books

	<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(i)	Liability register was not maintained in accordance with Financial Regulations 214 of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	It was informed that the subject officer has been informed to maintain the liability register in formal manner according to F.R 214.	The liabilities should be recorded in a liability register as that the liabilities can be checked regularly.
(ii)	According to Financial Regulations 1647(e), the register of vehicles had not been maintained.	It was informed that the subject officer has been informed to maintain a register of vehicles as per F.R. 1647(e)	Should be maintained a register of vehicles.

## 2. Financial Review

### 2.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Out of the provision of Rs. 45,400,000 for 2 recurrent expenditure subjects and one capital expenditure subject, Rs. 34,353,585 was remained and the balance was between 75 and 100 percent.	Expenditure was restricted as per circulars issued by the Ministry of Finance, Economic Stabilization and National Policy and circulars issued by the Ministry from time to time. Further, Rs. 49 million was transferred to the expenditure subject of 1409-36 for the purpose of conducting Ahadiya Diniyat examination and planned to hold the relevant examination, but it was informed that bills for the year 2024 have been submitted for the December examination as the relevant examination is conducted by the Department of Examinations.	Expenditure estimates should be prepared as accurately as possible.
(ii) Rs. 220,948 and Rs. 253,518 were respectively paid in the year 2024 for the expenditure subject No. 1405 and 1407, which are the provisions were not allocated in the year under review.	The cleaning and security services were allocated under the expenditure subject 1405 and 1407 in the year 2024 and it was informed that the bills received after downloading the 2024 CIGAS application were included in the relevant expenditure subject.	Provision should be made for liabilities.

## 2.2 Incurring into the Liabilities and Obligations

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) The cumulative obligations and liabilities report generated by the new CIGAS web application was not attached as annexure (iii) of the financial statements according to the guidelines of Public Accounts No. 05/2023 dated 30 November 2023.	All bills for the year 2023 had been paid until 31.12.2023 and payments for late bills in January were included in the CIGAS software application, but it is not uploaded on CIGAS web page due to technical reason. So, annexure iii which should be downloaded and inserted from CIGAS web page was not attached. But it was informed that the relevant information is included in the list of CIGAS opening liability list in the year 2024.	Public accounting guidelines should be followed in preparing financial statements.
(b) Although a liability amounting to Rs. 786,830 under non-departmental expenditure item No. 202-126-2-7-35-2401/12-P is included in the treasury computer printouts SA-92 as at 31 December 2023, the treasury was not informed about it and action was not taken to correct the print out.	It will be informed to the treasury and corrected in future.	Only liabilities belonging to the department should be included in the financial statements.

## 2.3 Certification to be done by the Accounting Officer

According to the provisions of section 38 of the National Audit Act No. 19 of 2018, the Accounting officer should have made certifications regarding the following matters, but it had not been act accordingly.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(i) The Chief Accounting Officer and the Accounting Officer shall ensure that the department develop and maintain an effective system of internal control for financial control and although the effectiveness of that system should be reviewed from time to time and the necessary changes should be made accordingly to make the effective system	It was informed that an effective internal control system will be prepared and relevant reviews will be done in future and action will be taken to inform regarding this matter to Auditor General in writing.	Action should be taken as per the provisions of section 38 of the National Audit Act No. 19 of 2018.

and those reviews should be done in writing and a copy of that should be submitted to the Auditor General, statements that such reviews were done were not submitted to the audit.

- (ii) Although the Chief Accounting Officer and the Accounting Officer shall ensure that there is an effective system for the proper execution of internal audit functions, that requirement was not fulfilled as per the observations mentioned in paragraph 4.1 of the report. As the post of Internal Auditor was vacant until recently from the approved date, it was not possible to hold internal audit functions and Audit and Management Committee meetings, but it was informed that the internal audit unit has been established now and action will be taken to prepare a formal system and conduct Audit and Management Committee meetings with the help of the Internal Auditor of the ministry. Action should be taken as per the provisions of section 38 of the National Audit Act No. 19 of 2018.

## 2.4 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions of laws, rules and regulations observed during sample audits are analyzed below.

	Reference to Laws, Rules and Regulations	Observation to Amount Rs.	Non-compliance	Comments of the Accounting Officer	Recommendation
(a)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
i	Financial Regulations 128(1)(e) and 1647 (b)	-	Verification was not done regarding the vehicles owned by the department.	As indicated by the audit, It is expected to carry out an inspection regarding the vehicles owned by the department in future.	Should be act as per the Financial Regulations.
ii	Financial Regulations 876(3)	-	The Hajj fund maintained by the department was not legally established by an Act of Parliament and action had not been taken to obtain legal situation with considering the necessity of holding the fund according to circulars.	It was informed that the actions to establish the Hajj fund through a legal act are currently being carried out together with the ministry.	Should be act as per the Financial Regulations.

(b)	Public - Administrati on Circular No. 30/2016 dated 29 December 2016	Fuel inspection was not done after the year 2019 regarding 2 vehicles owned by the department and the transport service chart was not completed on a monthly basis as mentioned in Annexure 01 of the circular.	It was informed that the vehicles owned by the department were in condition to be repaired last year, the fuel inspection was done except for two vehicles and the repairs of the relevant vehicles were completed.	Should be act as per the circular.
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## 2.5 Issuance and Settlement of Advances

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
According to Financial Regulations 371, the information related to the interim imprest settlement of Rs. 550,796 issued to 06 officers during the year under review was not included in the advance register and confirmations were not submitted to the audit that they were settled.	It was informed that the relevant imprest settlement information has been updated.	The answer is incorrect. Action should be taken as per Financial Regulations.

## 3. Operational Review

### 3.1 Non-performance of Duties

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
According to section 45 of the Wakfs Act No. 33 of 1982 related to the Wakfs Fund operating under the department, only an amount of Rs. 161,500 was spent in the year under review to implement only one programme related to one of the 5 tasks to be performed for the betterment of the Muslims and the religion of Islam and the amount spent on salaries and allowances of the fund was Rs. 2,518,027 or 93 percent of the total expenditure. The amount of money owned by the fund was Rs. 79,538,421 due to the non-implementation of the objectives of the fund.	According to the Wakfs Act, it was informed that the attention of the Wakfs council will be implemented in order to fulfill the 5 tasks that can be accomplished for the betterment of Muslims and the religion of Islam and it was informed that attention will be paid to the remaining sectors in future.	Should be act as per the provisions of the Act.



### 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.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) The non-compliance requirements such as updating and maintaining the accounts payable register and vehicle log books, preparing daily running charts and monthly summary reports for reserve vehicles and submission them to the Auditor General on due date, fuel consumption of vehicles has been re-checked, balances revealed by bank reconciliation statements and should have been reconciled, settlement within a period of one month as per the Financial Regulations and not exceed the remaining provisions at the end of the year to reach the liabilities as per Financial Regulations 94(1), etc, had been mentioned as compliance requirements in the compliance report of the performance report.	It was informed that the books and documents that have not been updated will be identified and maintained in accordance with the Financial Regulations and circulars.	Complaint requirements should be entered as compliant and non-compliant requirements as non-compliant in the compliance report.
(b) Although the performance indicators of the department were submitted as per the performance report, information required to check the accuracy of the performance indicator calculations was not submitted to the audit.	It was informed that the officers have been informed to pay attention to that matter in future.	Information related to the calculation of performance indicators should be submitted to the audit.

### 3.3 Assets Management

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Although the building maintained by the department was constructed in the year 2017 on the land of 80 perches belonging to the Railway Department which had been approved by the Cabinet of Ministers, the legal ownership of the land had not been taken over even at the end of the year under review.	According to the decisions of the audit and management committee, it was informed that the ministry will proceed with the taken over of this land with the intervention of the department.	Action should be taken to take over immediately.

### 3.4 Bail of Government Officers

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
According to the Financial Regulations 880 of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka, according to the authority of 612 of the Government Officers' Bail Ordinance and as per the annexure mentioned in the Public Finance Circular No. 07/2019 dated 28 November 2019, bail should be charged from all officers who have to deposit bail. However, action was not taken to collect bail money from 09 officers related to the posts of Deputy Assistant Director, Accountant, Administrative Officer, Shroff, Store Keeper and Driver.	According to the Government Bail Ordinance Act, the bail money has been collected from all the officers who are required to collect the bail money except for the new officers and it was informed that according to the Government Bail Ordinance Act, the bail money is also being collected from the new officers.	The answer is incorrect. Action should be taken as per the Financial Regulations.

### 3.5 Management Inefficiencies

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Any action has not been taken until the date of this report regarding the centralized air condition system for the departmental building which has been inactive from the established year of 2018	According to the decisions of the Audit and Management Committee, as it has been recommended that a committee consisting of officers of the ministry should be named and economically more effective decisions should be made, it was informed that hope to act according to recommendations of the appointed committee in future.	Action should be taken to recover the relevant loss from the contractor according to the provisions of the contract agreement.
(b) Action had not been taken to recover the total old loan balance of Rs. 70,504 to be charged from two transferred officers from more than 20 years old and Rs. 202,250 arrears from 01 year to 20 years to be charged from deceased officer and the total loan amount of Rs. 55,448 to be charged from two retired officers.	The balance of Rs. 52,800 belongs to an officer who was transferred from the department in the year 2004 and the related loan amount is being recovered. As there is not relevant information regarding remaining loan amount of Rs. 17,704, arrangements are being made to cut off the loan. The Department of Pensions had	Action should be taken as per the provisions of the Establishment Code of the Democratic Socialist Republic of Sri Lanka.

released provisions to recover the loan amount of Rs. 529,708 to be charged from the retired officers in the month of May and it was informed that it would be accounted through CIGAS.

#### 4. Good Governance

##### 4.1 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>According to section 40(2) of the National Audit Act No. 19 of 2018, an Internal Auditor should be appointed. However, the position of Internal Auditor, which was established in the year 2015, remained vacant as the date of this report and although an officer had been appointed to act in the position in November 2023, any internal audit work had not been carried out.</p>	<p>It was informed that the internal audit unit has been established with the help of the Internal Auditor of the ministry and a formal system will be prepared and Audit and Management Committee meetings will be held in future.</p>	<p>Should be act as per provisions of the Act.</p>

##### 4.2 Audit and Management Committee

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>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, any Audit and Management Committee meetings were not held by the Department for the year under review.</p>	<p>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. But, 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.</p>	<p>Should be act as per provisions of the Act.</p>

## 5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>According to the Public Administration Circular No. 18/2001 dated 22 August 2001, every officer who has worked in the same work place in 05 years should be transferred to allow him to work in other work place, but arrangements have not been made to transfer 39 officers who have worked from more than 05 years in the department. 08 Officers among them had worked in the department from a period of 18 to 24 years.</p>	<p>Although transfers were not made by the Ministry of Public Administration because the department was not a desirable place and no other officer applied for transfer to this department due to the problem of providing a successor, it was informed that the list of offices with more than 05 years of service is included in the annual transfer list in every year.</p>	<p>Arrangements should be made to provide transfers in coordination with the Ministry of Public Administration for officers who have been in the institute for a long time</p>