

Ambuluwawa Dissanayake Mudiyansele Jayaratne Religious Centre and Bio-diversity Complex Trust Fund – 2011

The audit of financial statements of the Ambuluwawa Dissanayake Mudiyansele Jayaratne Religious Centre and Bio-diversity Complex Trust Fund comprising the balance sheet as at 31 December 2011 and the income and expenditure account for the year then ended and a summary of other explanatory information 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 read in conjunction with the Section 10(4) of the Ambuluwawa Dissanayake Mudiyansele Jayaratne Religious Centre and Bio-diversity Complex Trust Fund Act, No.44 of 2009. My comments and observations on these financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust Fund's preparation and fair presentation of the financial statements 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 Trust Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Adverse Opinion

Had the matters described in paragraph 2.2 of this report been adjusted, many elements in the accompanying financial statements would have been materially affected.

2. Financial Statements

2.1 Adverse Opinion

In my opinion, because of the significance of the matters described in paragraph 2.2 of this report, the financial statements do not give a true and fair view of the financial position of the Ambuluwawa Dissanayake Mudiyansele Jayaratne Religious Centre and Bio-diversity Complex Trust Fund as at 31 December 2011 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Accounting Policies

The accounting policies adopted for the preparation of the financial statements had not been disclosed with the financial statements of the Ambuluwawa Trust Fund presented for the year under review.

2.2.2 Accounting Deficiencies

In view of the following matters revealed at the test check carried out, due to the non-implementation of a systematic accounting system and the non-maintenance of the basic source documents, specified subsidiary books and records, it was questionable in audit in placing any reliance on the financial statements presented.

- (a) The sum of Rs.7,305,030 given to the Fund by cheques by the Department of Public Trustee in 8 instances during the years 2009, 2010 and 2011 had not been brought to account.
- (b) Two buildings constructed at Ambuluwawa at a cost of Rs.6,670,000 had not been capitalized.
- (c) According to the confirmation of balances received in audit from the Public Trustee, sums of Rs.2,000,000 and Rs.14,458,126 had been spent as the capital expenditure and revenue expenditure of the Trust Fund respectively and confirmed that such money is receivable by the Trust Fund of the Department. But such position had not been disclosed in the financial statements of the Trust Fund.
- (d) The interest receivable in respect of the year under review amounting to Rs.1,625,000 on the sum of Rs.15,000,000 deposited in the Savings Bank of Sri Lanka in the name of the Ambuluwawa Trust Fund by the Public Trustee in 25 October 2009 had not been brought to account.
- (e) The salaries of garden employees amounting to Rs.140,218, contributions to the Employees Provident Fund amounting to Rs.108,183 payable as at 31 December of the year under review had not been brought to account.

- (f) The value of four water motors, a hand tractor engine and a generator received as donations to the Ambuluwawa Bio-diversity Complex had not been computed and brought to account under the non-current assets.

2.2.3 Lack of Evidence for Audit

Five items of account totalling Rs.10,589,640 appearing in the balance sheet as at 31 December of the year under review could not be satisfactorily vouched and accepted in audit due to the non-submission of receipts, documents, schedules, Reports of Boards of Survey and Bank certificates.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances with laws, rules, regulations and management decisions were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Decision No.I of the Minutes of the meeting dated 02 October 2009 of the Board of Governors of the Ambuluwawa Bio-diversity Complex Trust Fund dated 02 October 2009.	Even though 12 meetings of the Board of Governors should be held in the year under review only one meeting had been held in the year 2011.
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(b) Paragraph 4.3(a) to (e) of the Circular No.PF/423 dated 22 December 2006 of the Deputy Secretary to the Treasury.	The Performance Report, the cash flow statement, the statement of changes in the Accumulated Fund, the basic accounting policies and the detailed Notes of the financial statements which should be presented to the Auditor General along with the financial statements had not been presented.
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(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	

(i) Financial Regulation 395	Monthly Bank Reconciliation Statements had not been prepared.
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(ii) Financial Regulation 756	An annual Board of Survey had not been conducted.
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(d) Management Audit Circular No.DMA/2009/01 of 09 June 2009.	An adequate internal audit had not been carried out.
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3. Financial Review

3.1 Financial Results

According to the financial statements presented the financial result of the Fund for the year ended 31 December 2011 amounted to a net income of Rs.2,445,389 as compared with the net income of Rs.1,330,749 for the preceding year thus indicating an improvement of Rs.1,114,640 in the financial result for the year under review.

3.2 Analytical Financial Review

Out of the total assets valued at Rs.338,187,557 as at the end of the year under review, Rs.338,680,000 had been contributed as Government Grants.

3.3 Income Administration

The following observations are made.

- (a) (i) Even though Ambuluwawa with highly attractive scenery is situated bordering the Kandy-Nuwara Eliya Road, only 890 foreign tourists had visited during the year under review.
- (ii) Even though the Trust Fund owns two fully furnished Circuit Bungalows constructed at a cost of Rs.10,500,000 met from Government Grants, the income earned during the year under review amounted to Rs.100,000.
- (b) According to the agreement covering the period 07 June 2010 to 06 June 2015 entered into with a Telecommunications Company a sum of Rs.54,000 is receivable monthly. The evidence in support of the receipt of that money was not produced to audit. An income of Rs.648,000 had been deprived of for the year 2011.

4. Operating Review

4.1 Performance

The Trust Fund had not taken any action whatsoever for the achievement of the 20 objects set out in Section 4 from (a) to (t) of the Ambuluwawa Dissanayake Mudiyansele Jayaratne Religious Centre and Bio-diversity Trust Fund Act, No.44 of 2009 except 3 objects.

4.2 Management Inefficiencies

The following observations are made.

- (a) A sum of Rs.1,073,947 had been spent without following the Procurement Procedure for the purchase of glasses for the Tea, Coconut and Rubber Research Institutes.

- (b) The receipt and issue of goods valued at Rs.427,139 had not been recorded in the stock books.

4.3 Identified Losses

Even though the Cafeteria constructed by utilizing a Government Grants amounting to Rs.1,800,000, had been given along with the furniture to external parties for running businesses the Trust Fund had not received any income from that.

4.4 Idle and Underutilized Assets

The following observations are made.

- (a) The buildings constructed for the Ambuluwawa Bio-diversity Complex by utilizing Government Grants amounting to Rs.19,100,000 had not been made use of for any purpose whatsoever over several years.
- (b) Even though the Trust Fund owns a fully equipped Hall constructed by utilizing a Government grants amounting to Rs.10,000,000 that remained underutilized.
- (c) Four trade stalls constructed near the entrance gate of Ambuluwawa at a cost of Rs.1,270,000 had been closed.
- (d) Even though a period of 3 years had elapsed after the construction of the walls and the Concrete Slab of the building containing three trade stalls near the entrance of Ambuluwawa, it had not been brought to the usable condition.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

According to paragraph 4.3 of the Public Finance Circular No.PF/423 of 22 December 2006, the financial statements of the Funds should be presented to the Auditor General within 60 days after the close of the year of accounts. Nevertheless, the financial statements for the year under review had been presented only on 27 March 2014, that is, after a delay of 2 years.

5.2 Budgetary Control

A budget for the year under review had not been prepared.

5.3 Procurement Plan

A Procurement Plan covering the purchases and construction work of the Trust Fund had not been prepared.

6. Systems and Controls

Special attention is needed in respect of the following areas of control.

- (a) Income Administration
- (b) Internal Control
- (c) Accounting