

Samastha Lanka Sasanarakshaka Mandala Fund – 2015

The audit of financial statements of the Samastha Lanka Sasanarakshaka Mandala Fund for the year ended 31 December 2015 comprising the balance sheet as at 31 December 2015 and a summary of income and expenditure account and cash flow statement and other explanatory Information for the year then ended 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 Section 10(3) of the Samastha Lanka Sasanarakshaka Mandala Act No.16 of 2014.

1.2 Management’s Responsibility for Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards 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 consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraphs 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the balance sheet, income and expenditure account and cash flow statement .

2. Financial Statements

2.1 Disclaimer of Opinion.

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements.

2.2.1 Lack of Evidence for Audit

The following observations are made.

- (a) According to the report of the sale of flags of Dhamma Schools 2015, 499,710 flags valued at Rs.12,492,750 had been distributed among 319 Regional Sasarakshaka Mandala in 21 Districts. However, the accuracy and the completeness of the income could not be ascertained due to failure to satisfactorily vouch or verified the income of sale of flags amounting to Rs.11,981,679 which had been 92 per cent of the total income as a result of no any evidence presented to audit to confirm the number of printed flags, number of flags remained without sold and the place in which the unsold flags kept .
- (b) Confirmations had not been obtained whether the medical aids totalling Rs.495,000 which had been paid by the Fund in the year under review received only to the relevant beneficiaries.

2.2.2 Unexplained Differences

The following observations are made.

- (a) A sum of Rs.11,143,068 had been transferred to the Current Account from the Savings Account of the Samastha Lanka Sasarakshaka Bala Mandala in the year under review. Nevertheless, a difference of Rs.457,897 was existed as the amount transferred to the Current Account from the Savings Account amounted to Rs.10,685,171 according to the Receipt and Paying Account presented with the Ledger Accounts.
- (b) The annual income of the sale of flags amounted to Rs.12,381,181 according to the register presented as a substitute to the cash book. However, as the said income amounted to Rs.11,981,679 in the Income and Expenditure Account , a difference of Rs.399,502 was existed.
- (c) The total receipts including the balance brought forward as at 01 January 2015 according to the Current Account of the Fund amounted to Rs.10,878,273 and the payments made by cheques during the year amounted to Rs.11,068,488. As such , bank overdraft amounting to Rs.190,215 should have been existed, a surplus of Rs.203,785 had been shown in the balance sheet. Failure to clarify the reasons for the difference of Rs.394,000 due to the Fund had not prepared the Bank Reconciliation Statements.

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

Instances of non-compliance with laws, rules and regulations, etc., observed during the course of audit are given below.

Reference to Laws, Rules and Regulations, etc.

Non-compliance

- a) Financial Regulation 395(c) of the Financial Regulation of Democratic Socialist Republic of Sri Lanka
- (b) Public Enterprises Circular No.PED 33 dated 19 December 2005

Every Department which maintains a bank account should prepare a Bank Reconciliation Statement as at the end of each month, before the 15th of following month. However, the Fund had not prepared a Bank Reconciliation Statement relating to the Bank Current Account from April 2014.

Even though investments in all public Institutions should be done only in State Banks, the Institute had invested a sum of Rs.5,495,000 in a Fixed Deposit Account in a Private Bank.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Fund for the year ended 31 December 2015 had resulted in a surplus of Rs.1,541,721 as compared with the corresponding surplus of Rs. 1,158,685 for the preceding year, thus indicating an increase of Rs.383,036 or 33 per cent in the financial results for the year under review. Even though the expenditure on Sisu Saviya scholarships aids had increased by Rs.4,033,000 , increase of the income of sale of flags by Rs.5,885,699 had mainly attributed to the above increase.

4. Operating Review

4.1 Performance

The payment relating to the year 2015 of the monthly allowance of Rs.1,000 paid for the teachers who completed 50 years in the Dhamma School service had been commenced in August 2016. Accordingly , action had not been taken to make the payments relating to the year, in the same year.

4.2 Operating Activities

The amount credited from 02 January to 31 December in the year 2015 to the Bank Savings Account had been shown in the financial statements as the income of the sales of flags amounting to Rs.11,981,679. However, as the flags of the year 2015 had been printed in September 2015, it was observed that the money deposited before September 2015 was the income earned from the sale of flags in the year 2014. As such, it was observed that a methodology for the definite calculation of the income of annual sale of flags had not been available for the Fund. Similarly, it was observed that a risk of take opportunity to misappropriate the collected money and failure in accurate accounting .

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements should be presented to the Auditor General within 02 months after close of the year of Accounts in terms of Paragraph 4.3 of the Public Finance Circular No.PF/423 of 22 December 2006, the financial statements for the year under review had been presented to the Auditor General only on 04 January 2017.

5.2 Action Plan

An Action Plan for the year had not been prepared in a manner to achieve the objectives mentioned in the Paragraph 3 of the Samastha Lanka Sasarakshaka Mandala Act, No.16 of 2014 in terms of the Public Finance Circular No.01/2014 dated 17 February 2014.

5.3 Internal Audit

Even though it should have been to carry out an internal audit in the Fund in terms of the provisions of Financial Regulations 133 (b) and the Paragraph 03 of the Circular No.DMA/2009(1) dated 09 June 2009 of the Department of Management Audit, it had not been so done during the year under review.

6. Systems and Controls

The deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman to the Fund from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

Observations

(a) Accounting	(i) Ledger Accounts had not been maintained in a manner to clearly identify the income and expenditure of the flags printed and sold by the Fund. (ii) Ledger Accounts had not been maintained clearly, accurately and properly. (iii) A cash book had not been maintained for the expenses incurred by the current account and vouchers had not been properly prepared. (iv) Receipts had not been issued for the income received.
(b) Printing and sale of Flags	A methodology for such as serial numbers had not been put for the flags printed and, taking over and reporting the flags unsold and proper calculation of received and receivable income had not been available.