

Buddhasasana Fund - 2015

The audit of financial statements of the Buddhasasana Fund for the year ended 31 December 2015 comprising the Balance sheet as at 31 December 2015 and the Income and Expenditure Account, Statement of changes in funds and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 13(1) of the Finance Act No.38 of 1971 and Section 12 (2) of the Buddhasasana Fund Act, No. 35 of 1990. My comments and observations which I consider should be published with the Annual Report of the Fund in terms of Section 14(2) (c) of the Finance Act 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 the 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 the audit conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). 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 judgement, 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 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 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. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

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 Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Buddhasasana Fund as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

Even though rectifications should be made retrospectively after finding prior period errors by an Entity in the first set of financial statements released in terms of Sri Lanka Public Sector Accounting Standard 03, a sum of Rs.481,982 and a sum of Rs.202,734 had been adjusted to the Income and Accumulated Fund in the year under review respectively instead of retrospectively adjusting expenditure and receipts amounting to Rs.684,716 made relating to the preceding years in the year under review.

2.2.2 Accounting Policies

The Accounting Policy adopted in identifying various donations received by the Fund as an income or considering as a component of the equity had not been disclosed in the financial statements.

2.2.3 Accounting Deficiencies

A sum of Rs.8,000,000 received from the Buddhasasana Ministry on reimbursement basis for the State Vesak Festival had been stated as donations instead of bringing to account as liabilities.

2.2.4 Lack of Evidence for Audit

Registers and Boards of Survey reports inclusive of details of Buddhist Dharma Books, the value of which was stated in the accounts as Rs.12,896,050 were not submitted to audit.

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

The following non-compliances with Laws, Rules and Regulations etc. were observed.

Reference to Laws, Rules and Regulations

Non-compliance

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| (a) Section 8(b) of Buddhasasana Fund Act No 35 of 1990 | Even though the income received from investments should be credited to the current account opened in the Central Bank of Sri Lanka, income amounting to Rs.1,726,348 had been deposited in a savings account in the National Savings Bank. |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
Financial Regulations 756 and 757 | Survey of goods for the year under review had not been conducted. |
| (c) Public Finance Circular No. P.F. 423 dated 22 December 2006
Paragraph 4.2(d) | Bank Accounts and Books had not been presented to the Director General of Public Finance by regularly reconciling and preparing reports in quarters. |

2.4 Transactions not supported by adequate authority

Eighty- five per cent equivalent to Rs.66,820,561 out of the total amount of donations received to the Fund from the year 2011 to the year under review had been received from a private company and those donations had been released for a function of carving of a Buddha Statue conducted by a Vihara Development Society through the Buddhasasana Fund. The Fund had not intervened for the awarding of this contract and it had been awarded by the company which had granted donations itself. As such, the Fund had acted as an intermediary only for the transfer of donations and it was observed that it did not comply with the objectives of the Fund. Moreover, action had not been taken by the Fund to get down the bills to ensure the expenditure for the carving of the Buddha Statue. Even though one per cent commission income of Rs.137,000 had been collected to the Fund by releasing donations received in the year 2015, attention had not been paid to the occurrence of the loss of tax revenue to the government by stating the entire amount as donations made to an accepted charity institution.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Fund for the year under review had been a surplus of Rs.27,945,573 as compared with the corresponding surplus of Rs.32,401,904 for the preceding year, thus indicating a deterioration of Rs.4,456,331 in the financial results. The decrease of the Investment Income by Rs.4,005,330 had mainly attributed to the deterioration of the financial results.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) The function of the Buddhasasana Fund is to deploy money in a manner considered by the Board of Control as most suitable for the function of such consideration with regard to protecting and fostering the Buddhasasana. As such, powers had been entrusted to the Fund to acquire any movable or immovable property, hold and manage, dispose of any movable or immovable object belonging to the Fund, assisting in the management of the institutions engaged in protecting and fostering of the Buddhasasana, make rules relating to all matters connected to the administration of the Fund in terms of Section 7 of the Buddhasasana Fund Act.
- (b) Eighty per cent of the total expenditure or a sum of Rs.5,075,942 only had been spent for the revival of the Buddhasasana by the Fund in the year under review and 91 per cent of the total amount of assets belonging to the Fund or a sum of Rs.483,124,345 had been invested in three State Banks. Even though interest had been earned by investing money, a specific methodology had not been adopted to collect money to the Fund either locally or internationally by using powers vested by the Buddhasasana Fund Act and action had not been taken to spend money existing in the Fund for the revival of the Buddhasasanaya.
- (c) A sum of Rs.2,357,957 had been spent in the year under review by the Ministry of Buddhasasana for the administrative activities of the Fund in addition to a sum of Rs.780,510 spent by the Fund. However, even though only a part of traditional activities had been continuously achieved by the Fund, sufficient attention had not been paid to the other activities that should be achieved for the fulfillment of the objectives of the Fund.
- (d) A sum of Rs.1,348,796 and a sum of Rs.1,448,096 received as Tsunami Aids, and 'Sivupasa' Aids and various donations respectively had been invested in fixed deposits without deploying them in the intended functions for over 10 years.
- (e) The stock of Buddha Jayanthi coins valued at Rs.317,400 had been stored in the safe without selling.

4.2 Management Activities

The following observations are made.

- (a) Activities of translation of Pali Attakatha into Sinhala and English, printing and selling had been entrusted to a private printing press in terms of a decision made by the Board of Control of the Fund in the year 2010 and an amount totalling Rs.8,569,440 had been paid in 5 instances for those activities. The following observations are made in this regard.

- (i) Even though advances amounting to Rs.1,080,165 had been paid for the translation and printing of 12 Pali Attakatha into English, action had not been taken to settle the Receivable Advance Account by getting the printed books to the Fund.
 - (ii) Action had not been taken to recover a sum of Rs.7,988,635 receivable to the Fund by printing and selling of Sinhala books of Pali Attakatha up to 31 December 2015. Moreover, a sum of Rs.544,409 payable for Sinhala translation of Pali Teeka existed in the Accounts older than 2 years had not been settled.
- (b) Even though it was planned to implement 9 projects in terms of the Action Plan of the year under review, action had not been taken to commence any new project during the year under review in addition to the 03 projects implemented within several years by the Fund. The following observations are made relating to the implementation of projects of the Fund.
- (i) Even though a sum of Rs.5,000,000 had been issued by the Ministry to initiate a Medical and Life Insurance Scheme for the ordained monks living islandwide, any step had not been taken out of that money other than opening a Fixed Deposit for the commencement of the project up to the end of the year.
 - (ii) Even though providing opportunities for the elderly monks who had not been to the pilgrimage in India to worship those shrines was one of the objectives, that programme had not been commenced.

4.3 Personnel Administration

The process of distribution of work of the Institution had not been completed due to not approving a cadre to enable the absorption of sufficient and suitable officers and it was observed that a proper approval had not been obtained in recruiting retired officers.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Secretary of the Fund from time to time and special attention is needed in respect of the following areas of control.

Area of Control	Observation
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(a) Control relating to utilization of funds	Attention had not been paid for the fostering of the Buddhasasana rather than earning income by investing financial resources belonging to the Fund in external institutions.
(b) Internal Control on Accounting	Distribution of work had not been done in a manner to maintain internal control and supervision over accounting.

- (c) Control relating to promotion of publication of books
- Conducting Annual Survey, maintaining accurate and complete records, updating inventory books, printing and selling and storing of publications relating to the Books belonging to the Fund had not been carried out properly.