

## **Buddhasasana Fund - 2014**

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The audit of financial statements of the Buddhasasana Fund for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 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 12 (2) of the Buddhasasana Act, No. 35 of 1990.

### **1.2 Management’s Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Sri Lanka Public Sector Accounting Standard 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**

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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 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 judgements, including the assessment of the risks of material misstatements 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.

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**

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

**2. Financial Statements**

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**2.1 Qualified Opinion**

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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 2014 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**

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**2.2.1 Sri Lanka Public Sector Accounting Standards.**

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Although depreciations had been totally made, since a fair value of the using computers and equipment costing Rs.155,380 was not shown, action had not been taken to account them after being revalued in terms of Sri Lanka Public Sector Accounting Standard No.07.

**2.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) The Novice Monk Institution Allowance of Rs. 40,000 payable as at 31 December of the year under review had not been brought to accounts.
- (b) In the issuance of new cheques in place of the dishoured cheques, since the dishonoured cheques had not been brought to accounts, expenses of the year under review had been overstated by Rs.98,000.
- (c) Although a stock of books the total value of which amounted to Rs.11,944,380 given to a private institute for sale had been shown in the financial statements as receivable advances since a period of four years, action had not been taken to include the correct value in the financial statements after recognizing specifically the amount of books sold and making relevant adjustments.
- (d) The profit of Rs.50,840 received from the sale of books had been directly credited to the Buddhasasana Fund Account without being credited to the Income and Expenditure Account and as such surplus of the year had been understated by that amount.

**2.2.3 Lack of Evidence for Audit**

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The evidence indicated against each item of the following accounts had not been furnished to audit.

<b>Transactions Details</b>	<b>Value Rs.</b>	<b>Evidence not made available</b>
(a) Books on buddhism	14,613,004	Detailed registers, Board of Survey reports.
(b) Income on sales of books	1,007,982	Sales income records, receipts
(c) Amount payable for the translation of Pali Teekas	544,409	Balance confirmations

### **2:3 Accounts Receivable and Payable**

- (a) Although a sum of Rs.325,000 payable to the University of Pali and Buddhist had been shown in the financial statements since the year 2007, according to the information of that University it had been stated that the Fund did not have a liability of that nature. Nevertheless, action had not been taken to make necessary adjustments.

### **2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions**

Non-compliances with laws, rules and regulations etc. observed in audit are as follows.

<b>Reference to Laws, Rules, Regulations, etc.</b>	<b>Non-compliance</b>
(a) Buddhasasana Fund Act. No 35 of 1990.	
(i) Section 4.1	An advisory committee had not been appointed to assist and advise the Council
(ii) Section 17	Even though the Fund is exempted from Income Tax, action had not been taken for the recovery of tax amounting to Rs. 578,481 charged from the interest income on fixed deposits.
(b) Public Finance Circular No.P.F. 423 dated 22 December 2006.	
(i) Paragraphs 4.2 (b)	Official receipts in respect of other receipts including the donations valued at Rs.47,960,300 taken over in 9 instances of the year under review had not been issued.

(ii) Paragraphs 4.2 (c) The reports quarterly prepared by reconciling books and records relating to the bank accounts had not been furnished to the Director General of Public Finance.

(iii) Paragraph 4.3 Even though financial statements and the performance reports of the Fund should be furnished to the Auditor General with a copy to the Director General of Public Finance within 02 months from the close of the year of accounts, the accounts of the year under review had been furnished to audit on 11 May 2015. However, a copy of it had not been furnished to the Director General of Public Finance.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Financial Regulation 754

Although the Fund had utilized an inventory book, it had not been properly maintained. Action had not been taken to enter and control the items purchased and received from the Ministry during the year in the inventory book. Further, the inventory book of the Fund had not been reconciled as at the end of the year under review.

## **2.5 Transactions of Contentious Nature**

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Out of the total donations received by the Fund since the year 2011 up to the year under review, a sum of Rs.57,105,404 or 84 per cent had been received from a private company and those donations had been released through the Fund for sculpturing an image of the Buddha handled by a *vihara development society*. The Fund's involvement as a mediator in the transfer of this donation does not in conformity with the objective of the Fund and the tax deprivation to the Government had not been taken into consideration.

## **2.6 Transactions not Supported by an Adequate Authority.**

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(a) A sum of Rs. 76,089 deposited in the bank but not realized had been written off from books without an approval of the General Treasury.

(b) The approval of the Treasury had not been obtained to open treasury bills and fixed deposits totalling Rs.432,035,581 which had been invested in 03 state banks.

(c) Out of the donations received by the Fund during the year under review, a sum of Rs.450,226 or 1 per cent had been retained as revenue of the Fund without proper authority.

**3. Financial Review**

**3.1 Financial Results**

According to the financial statements presented, income and expenditure of the Fund for the year ended 31 December 2014 amounted to Rs.39,502,102 and Rs.7,100,198 respectively and it's financial result was a surplus of Rs.32,401,904 as compared with the corresponding income and expenditure of the preceding year amounted to Rs.45,604,422 and Rs.3,623,195 respectively thus resulting in a surplus of Rs. 41,981,227 in the preceding year, thus indicating a deterioration of Rs.9,579,323 of the financial results of the year under review as compared with the preceding year. Decrease in the investment income by Rs.7 million had been the main reason for this deterioration.

**4. Operating Review**

**4:1 Performance**

The following observations are made.

- (a) The duty of the Buddhasasana Fund is to invest funds in the activities which the Board of Governors deems very appropriate for preserving and fostering Buddhasasanaya. Nevertheless, the Buddhasasana Fund which comprised an investment of Rs.441 million during the year under review had spent only 7 million or 18 per cent of the total income for the betterment of the Buddhasasanaya. Therefore, it was observed that except for the collection of interest through the investment of money , no significant work whatsoever had been done by the Fund for the enhancement of the Buddhasasanaya.
- (b) According to a decision taken by the Board of Governors of the Buddhasasana Fund, translation, printing and sales of *Pali Attakatha* had been entrusted to a private institution and a sum totalling Rs.7,489,275 had been paid in 4 instances. The following observations are made in this connection.
  - (i) Action had not been taken to recover a sum of Rs.3,696,212 receivable to the fund from the sale of printed books as at 31 December of the year under review.
  - (ii) Documents had not been maintained so as to identify separately the number of books translated, printed and sold and the number of books remaining and accounts had been prepared based on the reports submitted by a private institute.
  - (iii) The Fund had failed to maintain a proper control over the translation and printing of books.
- (c) For the purpose of translating 12 *Pali Attakatha* books in to English, an advance of Rs.1,080,165 had been paid to a private institute in the year 2010. Although only 06 out of 12 *Atta Katha* books had been translated and printed, so far no action had been

taken to obtain any of these printed books to the Fund and as such the objectives of the project to translate *Pali Attakatha* in to English and print such books had not been achieved.

- (d) Even though Samanera Foster Dayakakramaya should be operated with the use of interest income earned from the investment of Rs. 28million belonging to the Samanera foster Dayakakramaya, it had not been properly functioned during the year under review as well as in the previous years. Although an annual interest income of Rs.2,924,716 had been earned from the above investment during the year under review, due to the absence of a proper plan, only a sum of Rs.1,629,460 or 55 per cent had been contributed to the Samanera foster Dayakakramaya. An allowance of Rs.500 is paid to a monk for the Samanera foster Dayakakramaya, but action had not been taken to revise it periodically..

#### **4.2 Idle and Underutilized assets.**

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- (a) A sum of Rs.1,448,096 and Rs.1,348,796 received as Tsunami aid and *Sivpasa* aid respectively had been deposited in the bank for over a period of 10 years without being utilized for the relevant purposes.
- (b) The stock of *Buddajayanthi* coins valued at Rs.317,400 had remained idle since a period of 4 years without being sold.

#### **4.3 Management Inefficiencies.**

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The following weaknesses were observed in connection with the payment of Novice Monk Institution monthly allowance.

- (i) Although it was informed that there were 20 Novice Monk Institutions in operation since August 2011, information relating to 17 institution had been furnished along with the annual reports relating to the year under review.
- (ii) Although a payment register had been maintained in respect of Novice Monk Institutions, it had not been properly maintained so as to include complete details.

### **5. Accountability and Good governance**

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#### **5.1 Internal Audit**

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An internal audit on the activities of the Fund had not been carried out during the year under review.

#### **5.2 Unresolved Audit Paragraphs.**

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Proper action relating to the matters contained in the audit paragraphs with regard to the value of Rs.28 million pointed out by the Auditor General's Report of the preceding year as well as by 03 audit queries during the year under review had not been taken.

**6. Systems and Controls**

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

- (a) Investment and utilization of funds
- (b) Accounting
- (c) Performance
- (d) Printing, storing and sale of books