

Ambuluwawa Dissanayake Mudiyansele Jayaratne Religious Centre and Bio-diversity Complex Trust Fund – 2016

The audit of the financial statements of the Ambuluwawa Dissanayake Mudiyansele Jayaratne Religious Centre and Bio-diversity Complex Trust Fund for the year ended 31 December 2016 comprising the balance sheet as at 31 December 2016 and the income and expenditure account 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 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with provisions of 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 Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to conduct an audit of the Fund's financial statements in accordance with Sri Lanka Auditing Standards that are in compliance with International Auditing Standards (ISSAI 1000 – 1810) of Supreme Audit Institutions and to issue an auditor's report that includes my opinion.

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 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 and the income and expenditure account.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of matters described in paragraph 2.2 of this Report, I have not been able to obtain sufficient and 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 Accounting Policies

Accounting Policies (other than the Policy of Depreciation) adopted as the basis for the preparation of the financial Statements had not been disclosed.

2.2.2 Accounting Deficiencies

The following matters were observed.

- (a) The expenditure of capital nature amounting to Rs. 5,356,315 incurred during the year under review had been brought to account as revenue expenditure.
- (b) Although the contribution for the Employees' Provident Fund pertaining to the year under review amounted to Rs. 330,705, it had been stated at Rs. 406,411 in the income and expenditure account. Accordingly, a sum of Rs. 75,706 had been overstated in the account and payable contribution of the Employees' Provident Fund for the year under review had been understated by Rs. 101,208 in the account
- (c) Although the contribution for the Employees Trust Fund pertaining to the year under review amounting to Rs. 49,606, a sum of Rs.112,108 had been brought to account as an expenditure. Accordingly, Rs. 62,502 had been overstated in the account and the contribution payable to the Employees Trust Fund as at 31 December of the year under review had been overstated by Rs. 6,802 in the account.
- (d) As the telephone tower income had been brought to account on cash basis, income of 05 telephone towers pertaining to the year under review had been overstated by Rs. 525,833 in the account
- (e) According to the balance sheet for the year under review, depreciation of Rs.18,284,101 had been adjusted to the assets, whereas it had not been stated as an expenditure in the income and expenditure account.

2.2.3 Lack of Evidences for Audit

The following observations are made.

- (a) Ledger accounts, board of survey reports and registers of fixed assets had not been maintained in relation to property, plant and equipment amounting to a value totalling Rs.347,682,015 and as such, the accuracy thereof could not be substantiated in audit.
- (b) As ledger accounts and schedules had not been maintained in respect of non-current liabilities amounting to Rs. 348,638,234, their accuracy and existence could not be substantiated.

- (c) As receipts and registers of income had not been furnished on the tickets income totaling Rs.5,129,165, it could not be satisfactorily vouched.

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

The following non-compliances with laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules Regulations etc.	Non-compliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
i. Financial Regulation 237 (b)	Stock certificates of the vouchers on tickets books worth Rs.270,720 had not been included and entries had also not been made in the stock register.
ii. Financial Regulation 395 (C)	Bank Reconciliation Statements had not been prepared by the end of each month
iii. Financial Regulation 756	An annual board of survey had not been conducted.
(b) Section 4.3 of the State Finance Circular No.PF/423 dated 22 December 2006.	The cash flow statements and the statement depicting the differences of the accumulated fund had not been submitted together with the financial statements presented.

3. Financial Review

Financial Result

As per the financial statements presented, the operational activities of the Fund for the year ended 31 December 2016 had resulted in a surplus of Rs. 218,799 as compared with the corresponding surplus in the preceding year amounting to Rs.617,658. Accordingly, an deterioration of the financial result amounting to Rs.398,859 was observed during the year under review.

4. Operational Review

4.1 Operating Inefficiencies

In terms of Section 8 of the Part II of the Employees' Provident Fund Act No.15 of 1958, the Trust Fund is bound to pay contributions in respect of its all employees to

the Employees' Provident Fund. Nevertheless, contributions had not been made during the year under review in respect of three employees recruited on contract basis.

4.2 Management Inefficiencies

The following observations are made.

- (a) The Fund has 02 circuit bungalows equipped with all facilities and expenditure of Rs.608,000 had been incurred during the year under review for renovations of the access roads of those bungalows. Nevertheless, due to not taking necessary steps to give wide publicity on these circuit bungalows to increase tourist attraction, no income whatsoever had been earned from those circuit bungalows during the year under review.
- (b) The Fund had incurred total of Rs.180,538 on 07 occasions to repair and maintain two vehicles not belonging to the Fund.
- (c) Although Rs. 5,313,884 had been paid for the renovation of the old building during the year under review, details on the selection of the contractor, the existence of an abnormal price variation between the estimated value and the agreed value and the approval of the Board of Trustees for the payment were not submitted for audit.

4.3 Identified Losses

Since the payment of annual contributions for the Employees Provident Fund for the preceding years had been delayed, a surcharge of Rs. 290,444 had been paid during the year under review and due to the delay in making contributions to the Employees Trust Fund, a surcharge of Rs.17,206 had also been paid during the year under review.

4.4 Performance

The Fund had not taken any action to accomplish the other objectives except for 5 out of 20 objectives stated from (a) to (t) in Section 4 of the Ambuluwawa Dissanayake Mudiyansele Jayaratne Religious Centre and Bio-diversity Complex Trust Fund Act , No. 44 of 2009.

5. Accountability and Good Governance

5.1 Unresolved Audit Paragraphs

In accordance with the Ledger maintained by the Public Trustee, a sum of Rs.2,600,000 had been spent for the capital expenditure of the Ambuluwawa Trust Fund in the preceding years. Nevertheless, the Fund had not recognized and adjusted that expenditure.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Fund from time to time. Special attention should be focused on the following areas of control.

- (a) Revenue Administration
- (b) Accounting
- (b) Control of Stocks
- (c) Control of Assets