

## **Samastha Lanka Shasanarakshaka Mandala Fund – 2018**

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### **1.1 Disclaimer of Opinion**

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The audit of the financial statements of the Samastha Lanka Shasanarakshaka Mandala Fund for the year ended 31 December 2018 comprising the Balance Sheet as at 31 December 2018 and the income and expenditure account, statement of changes in accumulated fund and cash flow statement 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 in conjunction with provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

Because of the significance of the matters described in paragraph 1.5 of this report, I do not express an opinion on these financial statements. I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion in respect of the balance sheet as at 31 December 2018 income and expenditure account, statement of changes in accumulated fund and cash flow statement for the year then ended.

### **1.2 Basis for Disclaimer of Opinion**

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I do not express an opinion based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my disclaimer of opinion.

### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Sub-Section 16(1) of the National Audit Act, No.19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institute.

## 1.4 Auditor's responsibility for financial statements

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following:

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Institute.
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Financial Statements

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### 1.5.1 Internal Control over the preparation of financial statements

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The Bureau is required to “devise and maintain” a system of internal accounting controls, sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

<b>Audit observation</b>	<b>Management’s Comment</b>	<b>Recommendation</b>
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(a) Sufficient internal control in respect of accounting is not maintained.	No comments.	Sufficient internal control in respect of maintaining primary subsidiary books and registers, ledger accounts needs to be implemented.
(b) Registers including the details such as requests made in granting aids under various projects, requests fulfilled, rejected claims etc. are not maintained.	No comments.	Registers need to be maintained in a manner that discloses sufficient information.

## 1.5.2 Accounting Deficiencies

The following observations are made.

Audit observation	Management's Comment	Recommendation
(a) In terms of Sub-section 16(1) of the National Audit Act, No.19 of 2018, it is the responsibility of the management to maintain proper books and records of all its income, expenditure, assets and liabilities to enable annual and periodic financial statements to be prepared. However, in preparing ledger accounts by the Fund, instead of preparing ledger account at the time of occurring events and transactions based on subsidiary registers, using bank statement and payment vouchers at the end of the year, only one entry for all similar transactions relating to each account made during the year had been posted to the ledger.	The cash book and the bank reconciliations are maintained up to date. As there are no sufficient transactions to be posted to the main ledger daily or monthly, balances of subsidiary books are transferred to the main ledger at the end of the year by one entry.	Attention needs to be drawn to maintain. Subsidiary books and records and ledger accounts appropriately.
(b) Potential to the Daham School Day of the year 2018, 1,050,000 flags printed at a value of Rs.11,250,000 had been distributed among 323 Shasanarakshaka Balamandala. Even though, the sales income of flags had in the year under review accounted as Rs.5,711,667, sales records of flags in order to ensure the sales value of Rs.3,238,977 were not made available. Furthermore, as the records of unsold number of balance flags as at 31 December of the year under review were not available with the Fund, the accuracy and the completeness of sales income accounted could not be established.	Even though, a methodology has been introduced for obtaining records, all information was not received as this is the first year of starting this method. It is expected that this will be succeeded in future years.	Regularize to get down the records under existing system, appointment of a supervisory officer and to introduce a methodology to count the balance flags as at 31 December.
(c) A sum of Rs.1,256,900 had been spent in the year under review for the payment of bursaries under the Daham Sisusaviya bursaries programme. Records to establish whether relevant payments for a sum of Rs.561,900 were received by scholarship holders were not made available.	Action will be take to get relevant evidence in due course.	Make aware of the principles of Daham schools that relevant records should be presented within a specific period of time after giving bursaries and to regularize the follow up process.

## 2. Financial Review

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### 2.1 Financial Results

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The operating result of the year under review had been a surplus of Rs.3,514,220 as against the deficit of Rs.317,489 in the preceding year. Accordingly, an improvement of Rs.3,831,709 in financial results was observed. Even though, a sum of Rs.2,300,000 had been spent as assistance of the Buduputh Mapiya Upahara Trust and buildings aids, that programmes had not been executed in the year under review and the decrease of medical assistance by Rs.2,149,000 in the year under review as compared with that of the preceding year had mainly attributed to this improvement.

### 2.2 Trend analysis of main income and expenditure items

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Item	2018	2017	Income (Decrease) increase expenditure (Increase)/ decrease	Percentage
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	Rs.000	Rs.000	Rs.000	
<b>Income</b>				
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Flag income	5,712	5,442	270	5.
Interest on fixed deposits	1,898	1,705	193	11.3
Interest on Buduputh Mapiya Upahara Trust	157	667	(510)	(76.5)
Savings deposit interest	507	568	(61)	(10.7)
<b>Expenditure</b>				
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Sisusaviya Scholarship aids	1,257	1,675	418	25
Medical Assistance	153	2,302	2,149	(93.4)
Heart operations aids	2,074	1,377	(697)	(50.6)
Buduputh Mapiya Upahara Trust	-	1,250	1,250	100
Salaries	372	194	(178)	(91.8)
Withholding Taxes	124	100	(24)	(24)
Flags printing expenses	812	672	(140)	(20.8)
Buildings Aids	-	1,050	1,050	100

### 3. Operating Review

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#### 3.1 Non-compliance with powers, functions and duties

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<b>Audit observation</b>	<b>Management's Comment</b>	<b>Recommendation</b>
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Non-compliance with requirements of the Samastha Lanka Shasanarakshaka Mandalaya (Incorporation) Act No.16 of 2014.		
(i) Even though, 9 general objectives from paragraphs (a) to (i) of the Fund are stated, except objective (e) and (f), other objectives had not been performed. Furthermore, there was a balance of Rs.37,441,929 in fixed deposits and savings accounts as at 31 December of the year under review, but the attention of the Fund had not been paid for the utilization of such funds efficiently for the achievement of common objectives.	Out of the money receives from sale of flags functions such as Sisusaviya scholarship aids medical assistance, heart operations and Buduputh Mapiya Upahara had been fulfilled.	By identifying problems exist for the achievement of objectives intended by the establishment of the fund, action needs to be taken to resolve such problems.
(ii) As stated in sub-paragraphs (a) and (f) of paragraph 6 of the Act under the general powers of the Fund, action had not been taken to recruit and employ sufficient number of officers and employees for the fulfilment of the above objects of the Fund.	In order to implement objectives, 2 female officers are employed now.	Action needs to be taken to get a permanent staff approved.

#### 3.2 Management Inefficiencies

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<b>Audit observation</b>	<b>Management's Comment</b>	<b>Recommendation</b>
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According to the data of the Department of Buddhist Affairs, the overall number of daham school students by the end of the year under review in the Island had exceeded 2.19 million. For the sale of flags on	It was planned to conduct publicity programmes in the year 2019.	Sufficient awareness programmes on Daham Schools Day and sale of flags programmes need to be conducted.

behalf of Daham Schools Day, 1,050,000 flags had been printed in the year under review. According to the information made available, only about 230,603 flags thereof had been sold. It was therefore observed that the Fund had not taken steps to implement sufficient awareness programs on Daham Schools Day.

### 3.3 Underutilization of Funds

#### Audit observation

A fund named as “Buduputh Mapiya Trust” with the objective of assisting parents of Buddhist priests is established. As intended objectives are not sufficiently fulfilled, the balance of that Fund by the end of the year under review had improved up to Rs.7,404,270.

#### Management’s Comment

All objectives could not be achieved from the interest receives per year within one year period.

#### Recommendation

Funds need to be utilized in order to achieve the objectives of the establishment of the Fund.

## 4. Accountability and Good Governance

### 4.1 Internal Audit

#### Audit observation

An internal audit had not been carried out in terms of Financial Regulation 133(b) of the Democratic Socialist Republic of Sri Lanka and paragraph 3 of the Department of Management Audit Circular No.DMA/2009(1) dated 09 June 2009.

#### Management’s Comment

As there is no internal audit division, an internal audit has not been carried out.

#### Recommendation

Establish an internal audit division or get the internal audit done by the audit division of the Ministry.