

Samastha Lanka Sasanarakshaka Mandala Fund - 2021

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Samastha Lanka Sasanarakshaka Mandala Fund for the year ended 31 December 2021 comprising the statement of balance sheet as at 31 December 2021 and the income expenditure account, statement of changes in accumulated income, 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(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements of the Fund give a true and fair view of the financial position of the Fund as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basiss for the qualified Opinion

I expressed qualified opinion on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 qualified opinion.

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

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 determines 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 Fund.

1.4 Auditor's Responsibility for the Audit of the Financial Statements

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 statements 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 fund;
- Whether the fund has performed according to its powers, functions and duties; and whether the resources of the fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) As of 31 December 2021, the value of the remaining flags, stickers and printed fabric flags was Rs.326,250, Rs.34,750 and Rs.741,300 respectively and those values had not been disclosed in the financial statements as current assets. Also, the year-end stock count had not been done and the flags and stickers had not been properly stored, so the physical stock could not be ascertained in the audit.	Due to giving the flags to the monk of registrars, it is difficult to get the correct data regarding the remaining flags, so I expect to inform the new governing body in the future and get a solution.	That the relevant values should be disclosed in the financial statements
(b) Due to the correction of Rs.83,466 in the calculation of fixed deposit interest in previous years, the interest income of the reviewed year should be Rs.2,091,575 due to the adjustment through the interest account of the reviewed year, but it was shown as Rs.2,008,019 in the income and expenditure account.	Although the interest is applied from the beginning date to the completion date of a year for fixed deposits in the preparation of accounts in previous years, the interest should be applied from January 01 to December 31 as the financial year for the final financial statements and this difference is due to adjusting the values that have changed from previous years to this year's interest. Accordingly, this will be presented correctly in the financial statements from next year onwards.	That the interest income should be properly accounted.

- (c) Rs.98,400 dry ration cost given to temples in financial difficulties due to Corona epidemic in the year 2020 was accounted as an expense of the reviewed year as the necessary provision was not made in the previous year for reimbursement.
- By the end of the year 2020, an amount of Rs.2,453,380 had been spent for the provision of dry rations, and as there were no demands made with the bills in the correct manner, the money was presented to the General Assembly and the payment was stopped. But in the year 2021, due to the correct bills spent by the Divisional Secretariat offices, the money was reimbursed.
- That the payable expenses should be accounted for as accrued expenses

1.6 Non-compliance with laws, rules, regulations and management decisions etc

Audit Observation	Comments of the Management	Recommendation
In terms of Financial Regulation 135 of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka, the delegation of authority for the functions related to the financial control of the Fund had not been done.	Regarding the delegation of authority in accordance with the Financial Regulation 135, I have informed the new governing body and made a note to present it.	That action should be done according to the Financial Regulations.

2. Financial Review

2.1 Financial results

The operational result of the year under review was a deficit of Rs.1,192,333 as compared to the corresponding deficit of Rs.2,651,735 for the preceding year. Accordingly, increase of Rs.1,459,402 was observed in the financial result. Although the total interest income on deposits showed a decrease of Rs.2,052,328, this growth was mainly due to the non-disbursement of Sisu Saviya scholarship aid and building aid grants during the year under review.

3. Operational Review

3.1 Management inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) According to sub-paragraph (f) of paragraph 6 of the Samastha Lanka Sasanarakshaka Mandala (In-corporation) Act No. 16 of 2014, the necessary arrangements had not been made for the appointment and employment of sufficient officers and employees required to implement the objectives of the fund.	The new governing body has been briefed and informed in this regard.	That the staff should be appointed according to the provisions of the Act.

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| (b) | There was no follow-up action that the remaining amount of Rs. 6,787,371 of the flags and stickers issued to dhamma schools for sale in 2019 was sold by dhamma schools or that there was any remaining. | Due to the fact that the registrars periodically credit the flag sale money to the account and the relevant information is not sent from many districts, it is not possible to show the exact value of the remaining stock of flags and stickers in the accounts. | That the follow up action should be done relating to the flags and stickers are issued and on sales. |
| (c) | According to a suggestion passed in connection with giving Rs. 200,000 to one house in one Sasanakraksha Mandala in Kalutara district where the state Vesak festival was held in the year 2020 under the Budhuputh Parents Tribute Home Project, 17 monks of Kalutara district and Rs.100,000 to the parents of one family in Kandy who bequeathed two monks to Sasuna, an amount of Rs.1,800,000 was paid in the year 2021 for the first phase. Nevertheless, a specific decision was not reached regarding the payment of the amount of Rs.1,800,000 which was to be paid as the second installment amount of Rs.100,000. | Although the new governing body was informed about this, a decision was not taken to provide Rs. 100,000 each in the second phase, so it has not been shown as a liability in the financial statements.. | That the Board of Governors should reach a definite decision regarding the payment. |

3.2 Operational inefficiencies

Audit Observation	Comments of the Management	Recommen-dation
(a) According to paragraph 3 of the Samastha Lanka Sasanarakshaka Mandalaya (In-corporation) Act No. 16 of 2014, as on December 31 of the year under review, there was an amount of Rs.52,769,047 in the savings, current and fixed deposit accounts of the fund, but the amount spent in the year under review was only Rs.3,992,400 to achieve the relevant objectives. . Accordingly, it was observed that there was no focus on the efficient use of the fund to fulfill the objectives of the fund.	It has not been possible to fulfill the objectives of the fund due to the poor health situation in the country. I made a note to work to achieve the goals in the future.	That attention should be paid to the efficient use of funds to achieve the objectives of the fund.

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| (b) | The number of qualified applicants for the Mihindu Housing Project implemented together with the National Housing Development Authority by 31 December 2021 was 1097, of which 661 houses have been started. However, according to the progress reports, it was observed that only 189 houses had been completed. | This Mihindu housing project is a project carried out by the Department of Buddhist Affairs in collaboration with the National Housing Development Authority. | That monitoring and follow-up should be done on the projects. |
| (c) | Among the main functions of the fund, providing building aid to temples and providing scholarship aid to Dhamma school students had not been done in the year 2021, and attention had not been paid to identifying performance indicators and identifying sustainable development goals. | Due to the non-submission of building aid applications for the northern and eastern temples and due to the poor health situation in the country, the Dhamma school examinations were not held from the year 2020, the student scholarship program had not been implemented and I will work to bring to the attention of the new governing body to identify performance indicators and sustainable development objectives to implement those programs in the future. | That action should be made to identify performance indicators and sustainable development objectives related to the fulfillment of the main tasks of the Fund. |

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

Although the National Audit Act No. 19 of 2018, Sections 38(e) and 40 require an internal audit to be conducted for each entity, no internal audit was conducted in respect of the fund.

Comments of the Management

The new governing body was informed that an internal audit should be conducted in the future in accordance with Sections 38 (f) and 40 of the National Audit Act No. 19 of 2018 and Financial Regulations 133 and I will discuss and proceed accordingly.

Recommendation

That the provisions of the National Audit Act should be followed.

4.2 Budgetary control

Audit Observation

**Comments of the
Management**

Recommendation

As per Section 877(1)(c) of the Financial Regulations inserted by paragraph 15.1 of Public Finance Circular No. 01/2020 dated 28 August 2020, the annual budget shall be prepared by the governing authority of a fund in accordance with the purpose of the fund and approved by the Treasury before 30 September with specific approvals. It should have been submitted for, but it had not been dealt with accordingly.

According to the Finance Act No. 38 of 1971, the annual budget prepared for the year 2022 was submitted to the Director General of National Budget under the approval of the Honorable Minister.

That the budget for the relevant year should be prepared and approved.