

**Postgraduate Institute of Pali and Buddhist Studies Affiliated to the University of Kelaniya - 2013**

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The audit of financial statements of the Postgraduate Institute of Pali and Buddhist Studies Affiliated to the University of Kelaniya for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes 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 23 of the Postgraduate Institute of Pali and Buddhist Studies Ordinance No. 08 of 1979 enacted in terms of Section 18 of the Universities Act, No. 16 of 1978 and Sub-section 107(5) of the Universities Act. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Sub-section 108(1) of the Universities Act appear in this report.

**1.2 Management's Responsibility for the Financial Statements**

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The management is responsible for the preparation and fair presentation of these financial statements in accordance with 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**

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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 Institute'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 Institute'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 Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the 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**

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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 Postgraduate Institute of Pali and Buddhist Studies Affiliated to the University of Kelaniya as at 31 December 2013 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 Accounting Deficiencies**

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The following observations are made.

- (a) Instead of showing the stock of Rs.385,676 shown in the stock verification report as the closing stock as at that date in the financial statement as at 31 December of the year under review, a sum of Rs.70,953 had been overstated in financial statements due to showing the book balance of Rs.456,629.
- (b) Even though 03 computers, a printer and a van valued at Rs.637,957 received under donations and aid had been sold in the previous years, action had not been taken to adjust those to the Donations and Aid Account even by 31 December 2013.

##### **2.2.2 Unreconciled Control Accounts**

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“Stock of Publications” shown in financial statements as at 31 December 2013 amounted to Rs.1,142,616. However, according to the stock registers, the balance as at that date amounted to Rs.1,024,368 thus a difference of Rs.118,248 between those balances existed.

#### **2.3 Accounts Receivable and Payable**

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The following observations are made.

- (a) Action had not been taken even as at 31 December 2013 to recover the loans older than 5 years totalling Rs.179,521 included in the financial statements.
- (b) Action had not been taken even as at 31 December 2013 to settle the two liabilities totalling Rs.18,249 for older than 05 years shown under other current liabilities in financial statements and refundable library deposits payable amounting to Rs.4,000 shown in accounts for more than 02 years .

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

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Non-compliances with the following laws, rules, regulations and management decisions were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
(a) Financial Regulation 757 of the Democratic Socialist Republic of Sri Lanka	According to the Board of Survey Report of the year under review, the shortages of the inventory goods as at 31 December had been 83 units and the excess had been 342. Appropriate action had not been taken relating to those excesses and shortages .
(b) Establishments Code for University Grants Commission and Institution of Higher Educational Section 3(1) of Chapter XX and Section 1.6.1 of Chapter X	The Attendance Register and Leave Register of the academic staff had not been presented to the audit for examination of the accuracy of the salary and allowances totalling Rs.5,389,165 paid for the academic staff in the year under review.
(c) Public Finance Circular No.438 dated 13 November 2009.	Action had not been taken to dispose of damaged goods in the stores and other sections.
(d) Treasury Circular No.842 dated 19 December 1978	Register of Fixed Assets had not been updated and a difference of Rs.4,019,813 between the Register of Fixed Assets and the Schedule of Financial Statements was observed.

## 2.5 Transactions Not Supported by Adequate Authority

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Action had been taken to pay the monthly allowance of Rs.60,000 for the retired Senior Assistant Bursar who was appointed only on the approval of the Board of Management for the period of six months since 17 April 2013. Approval of the Secretary to the Ministry of Higher Education had been obtained to get the service of that officer again for the maximum period of six months from the date of 17 October 2013. That appointment had been made without the approval of the Cabinet of Ministers based on exigencies of service and allowances amounting to Rs.718,064 had been paid from 17 April 2013 to 12 April 2014 and Rs.30,607 had been reimbursed for mobile and direct telephone bills.

## 3. Financial Review

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### 3.1 Financial Results

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According to the financial statements presented, the deficit for the year under review amounted Rs.3,467,632 as compared with the deficit of Rs. 2,709,969 for the preceding year. Thus, the increase in the deficit for the year under review as compared with the preceding year amounted to Rs.757,663 and it had been mainly due to the decrease of course income by Rs.2,469,162 and increase of the salaries and wages of the academic service by Rs.2,944,726.

#### **4. Operating Review**

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##### **4.1 Academic Performance**

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The following observations are made.

- (a) Out of the 07 one year courses conducted by the Institute in the year under review, registration of students for the Postgraduate Degree in Buddhist Studies, Master of Arts Degree in Pali Studies, Postgraduate Diploma Course in Buddhist Ayurvedic Counselling Studies and Masters of Arts Degree in Buddhist Ayurvedic Counselling Course had been only about 16 per cent of the overall registration of students.
- (b) As compared with the overall registration of students, the contribution for the Masters of Arts Degree in Buddhist Studies Course represented an excessive 82 percent the total registration of students and the contribution for the Postgraduate Diploma (Singapore) and Master of Arts Degree Course (Singapore) represented the lowest 2 per cent of the overall registration of students.

##### **(c) Sitting Examinations and Examination Results**

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The following observations are made.

- (i) The overall registration of students in the year 2013 had been 456 and students who sat the examinations had been 373 and the number of students passed had been 298.
- (ii) Out of the total of 203 students who followed the Master of Philosophy in Buddhist Studies and the Doctor of Philosophy in Buddhist Studies conducted by the Institute, number of students who completed the Degree in the year under review had been only 17.

##### **4.2 Management Inefficiencies**

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The following observations are made

- (a) The balance as at 31 December 2013 amounting to Rs.226,987 of the E.W. Gunatilake Fund established since the year 1984 and aid for foreign scholarships amounting to Rs.736,094 had not been utilized for the relevant objective over several years.
- (c) The recovery of 170 library books valued at Rs.38,212 borrowed had not returned as at 31 December 2013 was observed as uncertain as the borrowers had either left the institution or deceased.

#### **4.3 Staff Administration**

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Reconciliation of the information on the approved cadre as at 31 December 2013 furnished to audit revealed the existence of only 02 vacancies.

### **5. Accountability and Good Governance**

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#### **5.1 Action Plan**

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The Action Plan prepared by the Institution for the year 2013 had not been prepared according to a specific format and in a manner to enable separate identification of progress by indicating the details on activities, expected time period, budgetary provisions, financing of expenditure and officer assigned with responsibilities. Construction of permanent building and establishment of new section for the practical studies for Buddhist Ayurvedic Counselling Courses and new courses indicated in the Action Plan had not been fulfilled in the year under review.

#### **5.2 Budgetary Control**

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Variances ranging from 10 per cent to 161 per cent were observed at a reconciliation of the budgeted provisions and the actual expenditure in the year under review. As such, it was observed that the budget had not been made use of as an effective instrument of management control.

### **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 Director of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Stores Control
- (c) Fixed Assets Control
- (d) Library Administration
- (e) Motor Vehicles Control