

Buddhist and Pali University of Sri Lanka - 2015

The audit of financial statements of the Buddhist and Pali University of Sri Lanka for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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 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 13(1) of the Finance Act, No. 38 of 1971 and Section 38 of the Buddhist and Pali University of Sri Lanka Act, No. 74 of 1981. My comments and observations which I consider should be published with the Annual Report of the University in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Management's Responsibility for Financial Statements

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

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 Auditing 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 judgment, 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 University'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 University'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. Subsections (3) and (4) of the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and 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.

2. **Financial Statements**

2.1 **Opinion**

The financial statements give a true and fair view of the financial position of the Buddhist and Pali University of Sri Lanka as at 31 December 2015 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**

2.2.1 **Accounting Deficiencies**

Even though the amount of depreciation calculated for the year under review for the vehicles received on Government grants had been shown as Rs.7,239,500 in notes to accounts, the depreciation of the year under review had been over stated by Rs.160,000 due to the same amount had been shown as Rs.7,399,500 under the property, plants and equipment. Similarly, the accumulated depreciation relating to the preceding years had been shown as Rs.20,416,667 according to the relevant notes, it had been shown as Rs.20,643,333 under property, plants and equipment. Therefore, it was observed that the accumulated depreciations had been overstated by Rs.226,666.

2.3 **Accounts Receivable and Payable**

The following observations are made.

- (a) Action had not been taken to bring to the income or settle the retention money totalling Rs.10,446,752 remained for more than five years even by the year under review.
- (b) An advance amounting to Rs.233,174 had been given in the year 2010 for the construction of a volley ball playground to the Central Engineering and Consultancy Bureau and the work had not been commenced even by the year under review. However, action had not been taken to recover the relevant advances .

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

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

Reference to Laws, Rules, Regulations etc.

Non-compliance

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| (a) | Section 3.1 of Chapter 20 and Section 1.6.1 of Chapter 10 of the Establishments Code of the University Grant Commission and Higher Education Institutions | A sum of Rs.65,603,821 had been paid as salaries and allowances without confirming the arrivals ,departures and leave of the academic staff. |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | |
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| (i) | Financial Regulation 371(2) | Advances totalling Rs.147,750 given to 4 officers in 5 instances had been settled after retaining in hand from 07 days to 94 days. |
| (ii) | Financial Regulation 371(2)(a)(b) | Ad-hoc advances totalling Rs.1,509,850 had been issued in 5 instances to 4 officers exceeding the limits. |
| (iii) | Financial Regulations 371(2)(c) | Even though the ad-hoc sub-imprests granted to officers should be settled within 10 days immediately after the completion of the purpose for which it was obtained , a sum of Rs.462,108 granted in 10 instances to the officers had not been settled and the settlement of the imprests of Rs.221,600 obtained in 5 instances had been delayed the periods ranging from 12 to 54 days. |
| (iv) | Financial Regulation 756 | Reports had not been furnished by carrying out a survey in respect of library books in terms of Financial Regulations. |
| (c) | Treasury Circular No.IAS/2002/02 dated 28 November 2002 | A Register on Computers and Computer Accessories had not been maintained. |

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the University for the year ended 31 December 2015 had resulted in a deficit of Rs.36,960,804 as compared with the corresponding deficit of Rs.2,626,061 for the preceding year, thus indicating a deterioration

of Rs.34,334,743 in the financial result as compared with the preceding year. Increase in salaries and other allowances by Rs.44,104,317 had mainly attributed to this deterioration.

In the analysis of financial results of the year under review and the 04 preceding years, a deficit increased continuously since the year 2011 to the year 2015. However, the contribution of the University from the year 2011 to the year 2015 had shown a plus value in considering personal emoluments, government taxes and depreciation on non-current assets and it had increased continuously and become Rs.192,617,441 at the end of the year under review.

4. **Operating Review**

4.1 **Performance**

The Buddhist and Pali University of Sri Lanka had been established by the Act No.74 of 1981 with the main objectives of the training of savants in the Buddhist Doctrine and Discipline for the purpose of the dissemination of Buddhism and nurturing of Buddhist missionary activities in Sri Lanka and abroad, the promotion of the study of the Pali Language, Buddhist Culture and Buddhist Philosophy in Sri Lanka and abroad, and the enhancement of those studies as befitting the modern world trends, the training of the student monks and the lay male students to teach Buddhism and Pali in the Pirivena, Schools and in similar institutions .

The following observations are made in respect of achieving the above objectives.

- (a) Four hundred and forty four General Degrees, 11 Postgraduate Diplomas and 124 Postgraduate Degrees had been awarded in the preceding year by the External Examination Division of the University. Even though only 121 Postgraduate Degrees and 5 Postgraduate Diplomas had been awarded in the year under review , no any General Degrees had been awarded.
- (b) It was observed that, the awarding of External Degrees had been at a very high level as compared with the awarding of internal Degrees for which more resources of the University had been utilized. Accordingly, 1800 external Degrees had been awarded within 5 preceding years, whereas the number of Internal Degrees awarded during this period had limited to 368.
- (c) The total recurrent expenditure incurred for 350 students for studies in the year under review amounted to Rs.289,950,228 and the total recurrent expenditure incurred for 359 students for the preceding year amounted to Rs,235,642.269. Accordingly, the cost per student in the year under review and the preceding year were Rs.828,429 and Rs.656,385 respectively and it had increased by 26 per cent.

4.2 **Management Activities**

The following observations are made.

- (a) The Projects relating to Rs.1,367,386 lapsed for the period from 3 to 6 years after advances had been granted had not been implemented and no action had been taken against officers responsible to recover the advances or performance bonds or to take legal actions .

- (b) Even though in terms of Sub-section 26.1 of Chapter iii of the Establishments Code of the University Grant Commission and Higher Education Institutions , it had been stated that the practice of obtaining visiting lecturers from other Institutions should be discouraged , 30 visiting lecturers had been employed exceeding 44 approved posts of lecturers of the Buddhist and Pali University of Sri Lanka and a sum of Rs.5,694,623 had been paid to them as allowances during the year under review. That increased 291 percent more than the estimated expenditure.

4.3 **Operating Activities**

The following observations are made.

- (a) The balance of the Scholarships and Rewards Fund Investment Savings Account as at 31 December 2015 amounted to Rs.2,424,883 and that money had been operated as a savings deposit instead being invested in fixed deposits.
- (b) The “Geun” Buddhist Research and Publication Fund established for the purpose of providing funds limited only for the researches of the Buddhist studies and Pali Language had not been utilized after the year 2006 to achieve the intended objectives and a sum of Rs.264,084 had been spent for the activities extraneous to the Fund during the year under review .Accordingly, the balance remained in the Fund as at the end of the year under review was Rs. 1,870,138.

4.4 **Underutilization of Funds**

The utilization of Government Capital Grants provided for the capital improvement of the University had been at a very weak level. Capital Grants of Rs.22 million provided in the preceding years had not been utilized and only Rs.60 million had been utilized out of Rs.99.2 million received in the year under review. Accordingly, the total capital grants under- utilized at the end of the year under review had exceeded by Rs.61 million .

4.5 **Idle and Underutilized Assets**

The following observations are made.

- (a) Even though accommodations could be supplied for 208 students in the building constructed for the purpose of supplying residential facilities for foreign students, accommodations had been supplied only for 30 foreign students and 25 laic students at the end of the year under review. It was observed that the building constructed by spending Rs.220 million had been underutilized.
- (b) Twenty items of goods valued at Rs.242,960 were remained idle in the stores for a period ranging from 2 years to 12 years.

5. Accountability and Good Governance

5.1 Procurement Plan

Even though ,estimations of Rs. 4,671,162 had been made for the purchase of 201 items of goods including furniture , equipment according to the Procurement Plan of the University, 682 items of goods had been purchased at a cost of Rs.21,691,676 in the year under review. Accordingly, it was observed that the Procurement Plan had been prepared without being identified the needs of the Institute and without paying attention on necessary forecasts.

5.2 Budgetary Control

Savings ranging from 16 per cent to 291 per cent were observed under 11 items between the budgeted recurrent expenditure of the year under review as compared with the actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were brought to the attention of the Reverend Mahopadyaya of the Buddisht and Pali University from time to time. Special attention is needed in respect of following areas of control.

Areas of Systems and Controls

Observations

(a) Fixed Assets Control

The Registers of Fixed Assets had not been maintained in an updated manner.

(b) Contract Administration

Attention had not been paid on the provisions of the Guideline of 2006.