

## **Postgraduate Institute of Pali and Buddhist Studies - 2015**

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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 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 23 of the Postgraduate Institute of Pali and Buddhist Studies Ordinance, No. 08 of 1979 and Sub-section 107(5) of the Universities Act enacted in terms of Section 18 of the Universities Act, No.16 of 1978. 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 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 judgement, including the assessment of the risks of material misstatement 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. Section 111 of the Universities Act, No. 16 of 1978 gives 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

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### 2.1 Opinion

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In my opinion, 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 31st 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

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#### 2.2.1 Sri Lanka Public Sector Accounting Standards

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The assets donated should be amortized in terms of Public Sector Accounting Standard 07. Even though a van valued at Rs.9,100,000 received as donations in the year 2012, had been properly depreciated, amortization had been done only for the year 2015. Even though the carrying amount of the asset as at the end of the year under review was Rs.2,123,334, the balance of the Donations Account represented by it, was Rs.7,280,000.

#### 2.2.2 Accounting Deficiencies

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The interest of Rs.44,824 receivable for the fixed deposits as at the end of the year under review, had not been brought to account.

#### 2.2.3 Unreconciled Control Accounts

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A difference of Rs.2,896,803 was observed between the value of office equipment and furniture books and magazines as per the financial statements and the Register of Fixed Assets.

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

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

<u>Reference to laws, rules and regulations</u>	<u>Non-compliances</u>
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 757(2) (a)	Reports of Survey on library books carried out in the year under review had not been submitted to audit even by 30 June 2016.
(b) Section 3(1) of Chapter XX and Section 1.6.1 of Chapter X of the Establishments Code for the University Grants Commission and Institutions of Higher Education	A sum of Rs. 14,347,377 had been paid to the academic staff as salaries and allowances during the year under review without establishing their arrival, departure and leave.

(c) Public Enterprises Department  
Circular No.95 of 14 June 1994

According to the Establishment Circular No.06/2014 of 26 March 2014 of the University Grants Commission, a sum of Rs.178,955 had been paid as entertainment allowances on salaries instead of being reimbursed the entertainment expenses without an approval of the Treasury.

### **3. Financial Review**

#### **3.1 Financial Results**

According to the financial statements presented, the financial result of the year under review had been a deficit of Rs.6,971,036 as compared with the corresponding deficit of Rs.781,671 for the preceding year thus indicating an increase in the deficit by Rs.6,189,365 in the year under review as compared with the preceding year. Even though the income of the year under review had increased by Rs.3,043,320 as compared with the preceding year, increase in the employees' remuneration by Rs.5,106,340 and other expenditure by Rs.4,008,985 had specifically attributed to the increase in the above deficit.

In the analysis of financial results of the year under review and 4 preceding years, even though there had been a surplus in the financial result of the Institute in the year 2011, consequently, it had become a deficit which continuously and gradually improved. However, after adjusting the employees remuneration and depreciation for non-current assets, the contribution had taken a positive value and it was Rs.29,817,441 as at the end of the year under review.

### **4. Operating Review**

#### **4.1 Performance**

The main objectives of the Institute was admission of students, providing for the postgraduate instructions, training and researches in the field of Pali and Buddhist studies, determining the postgraduate degrees, diplomas, certifications and academic distinctions and recommendation to the University, of qualified persons to be awarded and recommendation of creation, suspension and abolition of posts to the University.

The following observations in respect of the performance are made.

- (a) The Institute had prepared an Action Plan with 26 objectives intended to be fulfilled in the year 2015 and out of those, 18 could have been completely fulfilled during the year. Five activities are being completed by now and 03 activities could not be implemented during the year. However, particulars in respect of physical and financial progress of the activities intended to be fulfilled through this Action Plan had not been shown.
- (b) In considering the academic performance, the following matters were observed at the examination of summarized information in 03 years relating to 07 courses conducted by the Institute.

- (i) As compared with two preceding years, a significant decrease had not been shown in the overall registration of students and as compared with the registration of students according to the courses, more students had been registered for the Course for Master's Degree in Buddhist Studies.
  - (ii) Out of the total students of 215 who had read for the Master of Philosophy Degree in Buddhist Studies (M.Phil.) and the Doctor of Philosophy Degree in Buddhist Studies (Ph.D.), the number of students who had completed the degree programme in the year under review stood at only 06. Moreover, the Institute had informed the audit that the full occupation in employment of most of the candidates, had attributed to that position.
- (c) Even though provisions amounting to Rs.650,000 had been made by the Annual Budget for research aid, the Lecturers had not requested for research aid during the year. A sum of Rs.1,341,406 had been paid as research allowances to 06 officers in the academic and non-academic staff during the year and research symposiums had not been held.

#### **4.2 Management Activities**

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The following observations are made.

- (a) This Institute had been operated on rented buildings for over a period of 37 years from its inception and attention had not been paid on the construction of a permanent building for the Institute. A sum of Rs.8,410,413 had been paid as building rentals in the year under review.
- (b) It was observed that a sum of Rs.2,356,049 had been transferred to the Development Fund of the Institute with the approval of the Board of Management on various rates from the income received for 05 additional courses conducted by the Postgraduate Institute of Pali and Buddhist Studies. However, out of the income from courses, a sum of Rs.441,000 had been credited to a Welfare Fund in the year under review for the personal welfare of the employees.
- (c) The difference between the balance of the Stores Advance Account and the stock balance according to the Stores Ledger as at 31 December 2015 was Rs.69,347. This was shown as a Stock Adjustment Account in the accounts continuously and action had not been taken up to now to make necessary adjustments in the stock on proper approvals.

#### **4.3 Operating Activities**

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The Institute had printed 300 copies of the Academic Scholarly Collection by spending Rs.350.50 per copy on 01 September 2015. Even though action had been taken to sell a copy at a cost of Rs.500 on the approval of the Director, only 38 copies had been sold even by 09 March 2016, the date of audit. A proper arrangement had not been made in respect of selling the remaining 217 publications.

**5. Accountability and Good Governance**  
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**5.1 Budgetary Control**  
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Material variances ranging from 71 per cent to 150 per cent and from 61 per cent to 287 per cent were observed between the budgeted income and expenditure and actual income and expenditure respectively in the year under review, thus indicating 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.

<b>Area of Systems and Controls</b> -----	<b>Observation</b> -----
(a) Stores Control	Existence of differences between the balances of stocks shown in the financial statements and the subsidiary books.
(b) Control of Fixed Assets	Existence of differences between the value in the financial statements and the value in the Register of Fixed Assets. Not indicated the date of acquisition of certain assets in the Register of Fixed Assets.
(c) Library Control	Library books had not been surveyed and reports had not been presented. Existence of expired and unreturned books
(d) Control of Motor Vehicles	Failure in testing the fuel consumption.