

Bhiksu University of Sri Lanka – 2016

The audit of Financial statements of the Bhiksu University of Sri Lanka for the year ended 31 December 2016 Comprising the statement of financial position as at 31 December 2016 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 Buddashrawaka Bhiksu University Act, No 26 of 1996 and section 46 of the Bhiksu University of Sri Lanka (Amendment) Act, No 15 of 2012. 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. A detailed Report in terms of Section 13 (7) (a) of the Finance Act No. 38 of 1971, was furnished to the venerable Mahopadyaya on 12 September 2017.

1.2 Management’s Responsibility for the Financial Statements

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 judgments, 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. 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 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

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

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 Bhiksu University of Sri Lanka as at 31 December 2016 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

The following observations are made

- a) Although the depreciation value was Rs. 77,958,181 with related to the year under review, it had been presented as Rs.78, 035,323 in the financial statements. That had been resulted an excess of Rs.77,142 of the depreciations and the net value of the fixed assets had a deficit by the amount equal to that.
- b) With related to previous years, the accumulated depreciation of library books and furniture was Rs. 18,212,891.The net value of the property plant and equipment and the accumulated profit had been presented more by Rs 312,102 because the value of the accumulated depreciation had been mentioned as Rs. 17,900,789 in the financial statements.
- c) Although the value of capital amortization was Rs. 42,245,055 according to the calculation it had been mentioned as Rs. 40,212,796 in the operational income of the income statement.That had been resulted in an excess deficit of Rs. 2,032,259 in the year.
- d) Due to the following deficiencies observed at the examination of the cash flow statement which had been prepared for the reviewed year, problems had been arose in the audit with related to the similarity of the cash flow statement.
 - i. Although the value of cash received to the fund as donation and presents in the reviewed year was Rs.126,382 it had been mentioned in the cash flow statement as Rs. 1,498, 883.
 - ii. Although the actual expenditure spent for purchasing fixed assets in the year under review was Rs.346,762,201 that had been mentioned as Rs. 346,721,125 in the cash flow statement. Therefore cash out flows had been presented less by Rs. 41,076.

2.3 Accounts Payable

No action had been taken even in the year under review to clear the 06 balances of creditors worth a total of Rs. 636,742 which coming from a period of 02 years to 05 years.

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

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

Reference to Laws, Rules, Regulations, etc	Non-compliance
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a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
i. Financial Regulation 134(3)	Copies of internal audit reports had not been presented to the Auditor General.
ii. Financial Regulation 571(2)	The tender deposits of Rs. 122,927 guarantee deposits of Rs 2,000 for library books and expired employee guarantee deposit of Rs. 7,891 belongs to the year of 2014, had not been taken in to the income.
b) Paragraph 2 of the circular No. 932 dated 15 October of 2010 of University Grants Commission	The external degree program, external diploma in Buddhist studies, external course in English and course on Information Technology which are conducting by the university had not been centralized to one place.

3 Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the University for the year ended 31 December 2016 had resulted in a deficit of Rs. 52,229,436 as compared with the corresponding deficit of Rs. 36,199,372 for the preceding year, thus indicating a deterioration of Rs. 16,030,064 in financial results in the year under review. Increase in expenditure for personal emoluments by Rs. 19,333,966 and increase in provision for annual depreciation by Rs.17,092,875 had been the main reason for the above deterioration.

In the analysis of financial results of the year under review and 4 preceding years, a deficit increased continuously since the year 2012 and the deficit in the year 2016 had increased by 44 per cent as compared with the year 2015. However the contribution of the University was Rs. 53,963,421 in the year 2012 after adjusting the personal emoluments and depreciation on non-current assets had increased continuously and it was Rs. 137,562,822 and Rs. 157,959,599 in the years of 2015 and 2016 respectively.

4 Operating Review

4.1 Performance

According to the Buddashrawaka Bhiksu University Act No.26 of 1996 which was amended by Sri Lanka Bhiksu University Act No'15 of 2012, Training the student monks according to the preaching of Lord Buddha, Training and research development about Buddhist meditation, Instructing the student monks to broadcast the Therawada Buddhism in Sri Lanka and among foreign countries and Developing the Buddhist Culture and its values are the key objectives of the University and following observations are made in related to the achieving of the above objectives.

a) Academic Performance

- i. According to the paragraph No 16(4) of the Act of Buddashrawaka Biksu University Act No 26 of 1996, the control and general commitment of academic activities should be done by the senate. But no internal control measures had been introduced to the acquisition of written documents to the senate to the supervision of academic activities of the University and the academic performance related to each faculty had not been properly surveyed by the senate.
- ii. University Grants Commission has introduced a “Loads of practices on academic accountability for academic staff in Sri Lankan University System”. Necessary arrangements had not been made in order to accept or adopt with amendments in suitable manner to the University by the said guideline for assigning and evaluating workload of the academic staff in terms of the work norms. Therefore the University had no criterions to evaluate the academic performance.
- iii. The individual time table of 38 lecturer monks of the academic staff in 02 semesters in the year under review had not been presented to the audit and confirmation of performing the minimum workload related to the academic performance could not be obtained due to the above reason.
- iv. The lectures conducted during 02 semesters in the year under review related to 50 subjects of 04 Departments of the University had been at a low level of 68 per cent to 86 per cent when comparing to the expected number of lectures to be carried out during those 02 semesters.
- v. “Instructing the student monks of the University towards the Buddhist meditation and research development” is one of the main objectives of the University. Relating to the courses of achieving the above objective, 60 hours had been allocated for lectures and practical training only in the first semester in each academic year. That amount of hours had taken a percentage less than 10 when compared to the total lecturing hours. The management had not given their attention on allocating core course units on Buddhist meditation to the second semester in order to achieve the objective of improving the Buddhist meditation in the institute more effectively.

- vi. It had been aimed to introduce and make practice the meditation in the courses of the University according to the “Sathipattana Meditation Pattern” and the landscaping of the garden of the University premises had been done bearing a cost more than Rs. 12 million in the year under review. But the management had not been taken necessary actions in order to construct the places needed by the student monks to practice the Sathipattana within the University garden premises.
- vii. A definite confirmation could not be taken about the amount in which the eighty four thousand preaching of Lord Buddha included in the SuthraDhamma, Vinaya and Abhidhamma had used in the lectures of the course units of the degree programs of each academic section of the University. Therefore a confirmation could not be taken regarding the achievements of the objective of “Training the student monks according to the preaching of Lord Buddha” mentioned in the Act.

b) Usage of Library Books

It was observed in audit that usage of the library by the student monks of the University for their Studies and the self-studying of the student monks through the library had remained at a low level. However, necessary strategic plans had not been implemented in order to prevent the above situation and to develop programs to promote the usage of the library.

4.2 Under-utilization of Academic Staff and Physical Resources

The opportunity had been granted to select the optional subjects related to the courses of two faculties of the university even from the first year. Therefore the attendance of the student to the lectures of about 35 subjects had taken a low level of 1 to 11.

4.3 Management Activities

The university had beared a cost of Rs. 1 483 577 for water and electricity of two hotels and a quarters supplied to the academic and non-academic staff. That amount had to be recovered from the staff who utilized the two hostel and quarters.

4.4 Procurement and Contract Process

The following observations are made

- a) According to the procurement guidelines of the procurement procedure related to the construction of the main entrance and two security rooms, the CIDA / ICTAD register grade C 06 was corresponded to the contract amount of the estimated contract. Contrary to that, the bids were called to the grade C 05. Competitive prices could not be able to obtain according to that and the contract of Rs. 16,500,000 had been offered by considering the price of only one bidder.
- b) The four storied library building had been constructed by spending a cost of Rs. 298, 243,258 at the university. Among the total value of the building, Rs. 2,723,025 had been paid for the contractor for 03 non performed work items and 04 construction items contrary to the approved quality by recommending inaccurately. Two work items had been corrected after the guidance of audit. Although Rs. 3,243,069 had been retained for other non-performed work, no action had been taken against the officers who recommended the inaccurate payments even until the end of the year under review.

4.5 Staff Administration

12 vacancies of academic staff had been remained at the date of 31 December of the year under review.

5 Accountability and Good Governance

5.1 Presentation of Financial Statements

According to the Public Enterprises Circular No PED 12 dated 02 June of 2003, the financial statements should be presented to the audit within 60 days from the end of the financial year but the financial statements of the year under review had been presented on 04 July of 2017.

6 System and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Venerable Mahopadyaya of the University from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls	Observations
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a) Procurement and contract Procedure	Contracts had not been awarded on the competitive Prices in terms of government procurement guidelines.
b) Academic Performance	Appropriate criterions had not been prepared to evaluate the academic performance and the academic performance has not been evaluated.
c) Staff Administration	Actions had not been taken to fill the vacancies of academic and non-academic staff.