

Postgraduate Institute of Pali and Buddhist Studies – 2017

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 2017, comprising the statement of financial position as at 31 December 2017 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 enacted as per 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

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 judgement, 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. 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.

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 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 2017 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) Interest income of Rs.83,654 received from the investments of foreign scholarship funds in the year under review had omitted from accounts.
- (b) According to the confirmation of bank balances, even though the value of 06 fixed deposits amounted to Rs.19,147,006 , the value of investments totalled Rs.18,915,063 as per the financial statements. Thus, the value of fixed deposits had been understated by Rs.231,943 as at 31 December of the year under review.
- (c) Even though assets costing Rs.1,116,040 received to the Institute as grants during the period from the year 1997 to 2006 had been fully depreciated, the relevant funds thereof had not been written off on a regular basis.
- (d) Even though the value of 159 assets of which the cost was not identified, had been revalued as Rs. 581,800 in the year 2016, that value had not been brought to account.
- (e) The cost and accumulated depreciation pertaining to the assets auctioned in the year under review had not been eliminated from accounts and a sales price of Rs.15,400 had been credited to the Suspense Account.

2.2.2 Suspense Accounts

Even though the credit balance of the Suspense Account brought forward from the year 2011 amounted to Rs. 5,120, action had not been taken to identify and settle the said balance.

2.2.3 Unexplained Differences

According to the Register of Fixed Assets, even though the value of 03 categories of assets amounted to Rs.43,953,197, that value was Rs.47,774,866 as per the financial statements. Thus , an unexplained difference of Rs.3,821,669 was observed.

2.3 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 and Management Decisions	Non-compliance
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(a) Section 11(5) of the Postgraduate Institute of Pali and Buddhist Studies Ordinance, No.08 of 1979 published by the Gazette Extraordinary dated 24 December 1979	Even though the absence from 03 consecutive meetings without obtaining leave should be considered as Vacation of Post, the Dean of the Department of Buddhist Studies of the University of Kelaniya who was appointed to the Faculty Board had not participated in any meeting during the year under review while each member of Faculty Boards representing the Department of Cultural Studies and University Grants Commission had not participated in 04 consecutive meetings. Nevertheless, action had not been taken accordingly.
(b) Treasury Circular No.IAI/2002/02 of 28 November 2002	A Register of Fixed Assets on computer accessories and software had not been maintained.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operating surplus of the Institute for the year ended 31 December 2017 had been Rs.2,417,412 as against the deficit of Rs.1,985,332 for the preceding year thus indicating an improvement of Rs.4,402,744 in the financial result of the year under review as compared with the preceding year. Even though the expenditure of the year under review had increased by Rs.12,343,876 the increase in the Government recurrent grants and other income by Rs.10,192,000 and Rs.6,554,621 respectively had been the main reasons for the improvement in the financial result.

In the analysis of the financial results of the year under review and 04 preceding years, a deficit in the financial result was observed from the year 2013 to 2016 while a surplus was observed in the year 2017. However, after readjusting the employees' remuneration to the financial result, the contribution of the year 2013 amounting to Rs.19,584,159 had improved up to Rs.51,327,517 by the year 2017.

4. Operating Review

4.1 Performance

4.1.1 Planning

Even though the Institute had prepared an Action Plan for the year under review, the organization structure, particulars of approved and actual cadre, budget, activity plan and the imprest plan of the Institute which should be included therein in terms of Paragraph 4 of the Public Finance Circular No.01/2014 of 17 February 2014 had not been included in the Action Plan.

4.1.2 Operation and Review

The following observations are made.

- (a) Even though 296 students had registered in the preceding year for Diploma Courses for which most of the foreign students are registered, the number of students registered in the year under review stood at 93, thus a decrease of 68 per cent observed.
- (b) Even though a sum of Rs.2,226,043 had been paid as research allowances to 10 officers in the academic and non-academic staff during the year under review, no evidence that they were engaged in researches and the progress thereof were reviewed by the Research Committee, had not been observed and the final reports of completed researches had also not been submitted.

4.2 Management Activities

Even though the balance of research and publication books stood at 3,947 according to the schedules as at 31 December of the year under review, it was only 3,605 as per the Physical Stock Verification Reports, thus a shortage of 342 publications valued at Rs.123,188 was observed. Nevertheless, the Management had not paid attention to identify the said shortage.

4.3 Idle and Underutilized Assets

The following observations are made.

- (a) A balance of Rs. 7,559,436 existed in a Bank Account of the Institute as at 31 December 2017 and it was observed that funds of the Institute were being underutilized as an average balance of Rs.5,367,521 existed in the said Account throughout the year.
- (b) A balance of 3,258 books which were older than 10 years and slow moving as at 31 December of the year under review existed due to the printing of books and publications for sale without identifying the requirement. Out of that, the number of books sold and donated in the year had been only 347.

5. Sustainable Development

5.1 Sustainable Development Goals and Achievement of Targets

Every Government Institution should act in terms of the Circular No.NP/SP/SDG/17 of 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs and the 2030 “Agenda” for Sustainable Development of the United Nations. However, the Postgraduate Institute of Pali and Buddhist Studies had not been aware of the manner in implementing the functions that come under its scope relating to the year under review.

6. Accountability and Good Governance

6.1 Budgetary Control

According to the Budget prepared for the year 2017, variances ranging from 58 per cent to 100 per cent were observed between the budgeted values and the actual values, thus it was observed in audit that the budget had not been made use of as an effective instrument of management control.

7. Systems and Controls

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.

Areas of Systems and Controls	Observations
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(a) Control of Fixed Assets	Failure to update the Register of Fixed Assets and to dispose the dilapidated motor vehicle older than 25 years without delay.
(b) Stores Control	Failure to rectify accounts by adjusting stock shortages and excesses.
(c) Budgetary Control	Estimation of expenditure over the requirement.