

Bhikku University of Sri Lanka – 2017

The audit of financial statements of the Bhikku University of Sri Lanka 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 13(1) of the Finance Act, No. 38 of 1971 and Buddhasravaka Bhikku University Act, No. 26 of 1996 and Section 46 of the Buddhasravaka Bhikku University (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, was issued to the Venerable Mahopadyaya Thero of the Bhikku University of Sri Lanka on 19 July , 2018.

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 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 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 the 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.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Bhikku University of Sri Lanka 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 Non-compliances with Laws, Rules, Regulations, and Management Decisions

The following observations are made.

- (a.) Only the officers of the staff grade can be given advances subject to the maximum of Rs. 100,000 in terms of Public Finance Circular, No. 03/2015, dated 14 July 2015, but advances totalling Rs. 605,430 had been given in excess of that limit in 03 instances.

- (b.) Without deducting the royalty of 10 per cent equivalent to Rs. 21,900 from the allowances paid to 02 Government officers who served the University as visiting lecturers, in terms of Paragraph 2.2 of Chapter IX of the Establishments Code, the amount had been paid to the relevant parties in full.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the University for the year ended 31 December 2017 had been a deficit of Rs. 48,834,341 as compared with the corresponding deficit of Rs. 52,229,436 for the preceding year, thus indicating an improvement of Rs. 3,395,095 in the financial result as compared with the preceding year. Despite the increase in expenditure on the personal emoluments by Rs. 16,944,896 and the increase in depreciation on fixed assets by Rs. 5,977,834, the increase in recurrent grants by Rs. 28,663,000 had mainly attributed to the said improvement.

An analysis on the year under review and 04 preceding years indicated a continuous deterioration since the year 2013. However, once the employee remuneration and depreciation on Property, Plant and Equipment had been adjusted to the financial result, the contribution of the University for the year 2013 amounting to Rs. 79,634,474, had continuously increased up to the end of the year under review reaching Rs. 184,277,425.

4. Operating Review

4.1 Performance

Only timetables had been used by the University in evaluating the academic performance without implementing work norms in accordance with the code of practices on academic accountability for academic staff in Sri Lankan University System introduced by the University Grants Commission to the state universities, or a methodology formulated by the Bhikku University based on the said guidelines.

4.2 Management Activities

The following observations are made.

- (a) A period of 2-15 years had elapsed exceeding the date of return in respect of 64 books borrowed by the academic staff from the Investigation Division and the Borrowing Division. The Board of Management had not taken necessary action up to the end of the year under review to recover the books to the library and take measures on the failure to return those books.
- (b) Appointments had been made in the year under review for 09 posts of Management Assistant in a manner not compliant with the Scheme of Recruitment introduced by the University Grants Commission through their Circular, No. 15/2016, dated 04 October 2016.
- (c) In terms of Section 5.2.3 of Chapter XIX of the Establishments Code of Democratic Socialist Republic of Sri Lanka, the economic rent of the hostels should be recovered from each occupying officer in equal shares whilst the charges on water and electricity should be paid by the occupants in terms of Section 5.8. There had been 27 lecturers occupying the hostels, and only a monthly fee of Rs. 500 had been recovered from each of them in respect of rental for room, and water & electricity. Nevertheless, sums of Rs. 646,622 and Rs. 547,383 had been incurred through the University Fund for the water and electricity bills of the hostel respectively in the year under review.
- (d) In terms of the bylaw on the Buddhasravaka Bhikku University Provident Fund, the financial statements should be prepared with relevance to the Employees' Provident Fund, but the financial statements had not been prepared in that manner and presented to the Board of Control of the Fund.
- (e) As the engineer in charge of supervising the construction of 3-storied library building that had been completed in the year 2016 at an expenditure of Rs. 298,243,258, had recommended payments for non-executed and non-approved works, the amount mentioned above had been paid in full. In the wake of various measures taken by the management after being pointed out by the Audit in that connection, works valued at

Rs. 1,896,822 had been rectified, and a sum of Rs. 5,058,990 had been recovered from the contractor in respect of works not executed. However, no action whatsoever had been taken even up to the date of audit, 30 July 2018 against the officers who had recommended the fraudulent payments.

- (f.) Sports equipment worth Rs. 638,000 purchased on 28 December of the year under review, had not been distributed even up to the date of audit, 12 June 2018.

4.3 Transactions of Contentious Nature

The following observations are made.

- (a.) In accordance with the Circular, No. 04/2016 of the University Grants Commission, dated 01 March 2016, budget for the courses being maintained under self-financing funds should be prepared in a manner that the direct and indirect costs can be identifiable separately. Moreover, Section 5.2.3 of the said Circular had stated that the maximum amount to be allocated to the non-academic staff of the self-financing courses, should be limited to 10 per cent of the total indirect cost. However, as for budgets prepared by the Bhikku University in the year under review for 03 courses commenced under self-financing activities, a sum of Rs. 907,000 had been allocated exceeding the said limit by up to 33 per cent and payments had been made on the approval of Financial Committee.
- (b.) A sum of Rs. 327,750 had been spent on an advertisement published in Lankadeepa on 04 November 2016 relating to laying the foundation stone at the Bhikku University of Sri Lanka for the 2-storied dining hall (*dhaana shaala*), the 2-storied student-centered learning center, and students' hostel.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals and Targets

The University had not been aware of the activities under their scope in terms of the Circular, No. NP/SCP/17 of the Ministry of National Policies and Economic Affairs, dated 14 August 2017, and the 2030 Agenda for Sustainable Development adopted by the United Nations; hence, the sustainable development goals and targets relating to those activities, and the indicators to measure the achievement of those targets had not been identified.

6. Accountability and Good Governance

6.1 Procurement and Contract Process

6.1.1 Procurements

Although a bid security of Rs. 40,000 should have been obtained in terms of Guideline 5.3.13 of the Procurement Guidelines when bids had been invited for 140 steel bunk beds for the University at a cost of Rs. 3,888,000, only a bid security of Rs. 4,000 had been obtained relating thereto. Furthermore, once the contract had been awarded to the lowest bidder, he had attempted to increase the price by refusing to supply the beds, and later, he had turned down the order. As such, due to failure in obtaining an adequate bid surety, the value of the bid surety that could be recovered from the bidder who had turned down the order, amounted to Rs. 4,000 only whilst the opportunity to obtain goods at the lowest prices from him had also been deprived of.

6.1.2 Deficiencies in Contract Administration

The average density of the samples obtained relating to the item of work for applying bitumen at the physical inspection carried out on 22 February 2018 on the construction of the access road under Stage II of the contract for construction of the proposed wall and access road, had been 31.5 mm. When comparing that value with the estimated density of the road being 40 mm, the variance had been 8.5 mm. Furthermore, the compaction of the samples ranged between 90-96 per cent in accordance with the lab reports, but the compaction should not have been lower than 97 per cent in relation to the Marshall Density, and hence, the test reports verified that the said samples had been in a state of failure. Moreover, a sum of Rs. 1,692,689 had been paid on 13 November 2017 without obtaining quality assurance reports (density, compaction) for an area of 348.29 square meters of the road.

7. Systems and Controls

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

Area of Systems and Controls

Observation

- | | |
|----------------------------|---|
| (a.) Procurements | Failure to administer contracts on works and supplies in terms of provisions of the Procurement Guidelines. |
| (b.) Control of Vehicles | Failure to update running charts, and log books. |
| (c.) Management Activities | Failure to introduce a methodology to evaluate academic activities. |