

## **Buddhist and Pali University of Sri Lanka - 2017**

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The audit of financial statements of Buddhist and Pali 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 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 the Financial Statements**

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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 1000-1800). 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. 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**

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

## **2. Financial Statements**

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### **2.1 Opinion**

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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 Buddhist and Pali 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 Comments on Financial Statements**

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#### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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##### **Sri Lanka Public Sector Accounting Standard – 01**

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- (a) Even though a fixed deposit of Rs.3,000,000 had been opened from the Mahopadya Fund during the year under review, it had been included in the savings account balance instead of being separately shown under fixed deposits.
- (b) Even though the cash flow statement had been prepared on indirect method, it had not been disclosed by notes in terms of paragraph 132(a) of the Standard.

#### **2.2.3 Accounting Deficiencies**

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The following observations are made.

- (a) The land valued at Rs.10,000,000 received from the Ministry of Buddhist Affairs as donations before 20 years for the construction of the University building situated at Bouddhaloka Mawatha, Colombo 07 where the external examination unit was operated, equipment valued at Rs.81,122 and timber materials valued at Rs.210,655 received as donations had been brought forward in the year in donations account up to the year under review but action had not been taken to amortize those assets, as compared to depreciation.
- (b) According to the calculations made by audit, the values of depreciation and amortization relevant to the books and periodicals valued at Rs.2,387,930 received since the year 2013 as capital donations up to the end of the year under review should have been Rs.401,707. However, in calculating depreciation on books for the year under review valued at Rs.349,322 received as donations in the year 2014, it had been computed as Rs.70,383 and as such the depreciation and the amortization for the year under review had been under stated by Rs.55,786.

- (c) Donations valued at Rs.1,244,125 received as donations of books and periodicals up to 2011 had not been amortized. Furthermore depreciation and amortization relevant to the assets received as donations from 2012 to 2017 had been under stated by Rs.1,447,274 due to computation errors.

### 2.3 Accounts Receivable and Payable

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The retention money on contracts payable to 26 institutions relating to 32 construction and supplies contract by the end of the year under review amounted to Rs.14,964,281 and it was observed that 72 per cent or Rs.10,837,524 of the above total retention money had existed for more than 2 years due to lapses in follow up action in respect of relevant constructions and supplies. It was further observed that of this sum, retention money of Rs.9,380,019 had to be paid to the Central Engineering and Consultancy Bureau relating to the 2 construction contracts of the University executed in the year 2013 and prior years.

### 2.4 Non-compliances with laws, rules, regulations and management decisions

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

#### Reference to Laws, Rules, Regulations, etc.

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#### Non-compliance

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#### (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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|-------|--------------------------------|---|
| (i)   | Financial Regulation 135       | An imprest of Rs.25,000 had been maintained in the Accounts Division and the responsibility of the relevant imprest had been assigned to the Chief Cashier as well, contrary to the financial Regulation 135.   |
| (ii)  | Financial Regulation 371(2)(b) | Even though advances can be issued only to staff officers, advances had been issued to non-staff officers as well in 64 occasions.  |
| (iii) | Financial Regulation 371(5)    | An officer obtains an ad-hoc advance should settle that advance immediately after the completion of purpose for which it is obtained or within 10 days. However, settlement of 33 advances totalling Rs.828,901 had been delayed for periods ranging from 11-56 days and 4 advances totalling Rs.46,165 had been settled without being used for any expenses. |

- (b) Public Administration Circular No.30/2016 dated 29 December 2016 in respect of the maintenance of government vehicles

Paragraph 3.1

After a period of 12 months since a fuel test or after running 25,000 Km or after a major repair whichever comes first, fuel consumption should be tested. Nevertheless, after the fuel tests conducted in August 2014, it had not been conducted for 3 years continuously up to the year under review and obtained a report, on fuel consumption.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the operations of the University for the year under review had resulted in a deficit of Rs.8,665,039 as against a surplus of Rs.1,099,101 for the preceding year thus deteriorating the financial results by Rs.9,764,140 as compared with the preceding year. Even though government grants received for recurrent expenditure had increased by Rs.24,661,000, increase of personal emoluments and other expenses by Rs.26,947,051 and Rs.5,557,419 respectively had mainly attributed to this deterioration.

In analysing the financial results of the year under review and the preceding 4 years, the deficit of Rs.2,300,007 in the year 2013, had increased up to Rs.2,626,061 and Rs.36,960,804 in the years 2014 and 2015 respectively. Even though a surplus of Rs.1,099,101 had indicated in the previous year, it had become a deficit of Rs.8,665,039 again in the year under review. However, in adjusting employees remunerations, government taxes and depreciation to the financial results, the contribution of Rs.149,207,572 in the year 2013 had continuously improved and become Rs.279,062,969 by the end of the year under review.

#### **3.2 Analytical Financial Review**

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The following observations are made.

- (a) The recurrent expenditure incurred for 438 internal students during the year under review for their academic activities amounted to Rs.282,381,892 and the total recurrent expenditure incurred for 378 internal standants during the preceding year amounted to Rs.248,048,703. Accordingly, the cost per students in the year and the previous year amounted to Rs.644,708 and Rs.656,214 respectively. It was observed that the improvement of number of students in the year under review had mainly contributed to decrease the cost per student by about 2 per cent. As such, attention of the University is needed to increase the number of students further, apart from the pursuance of expenditure control systems.

- (b) The main source of income of the University, apart from the government grants, is conducting external courses and the revenue earned therein in the year under review amounted to Rs.42,975,538 and the surplus arising therefrom amounted to Rs.11,102,664 representing 25.8 per cent of the revenue. However, out of the revenue of Rs.32,091,746 earned during the previous year a surplus of Rs.10,294,831 or 32.1 per cent of the revenue was generated. Therefore it was observed that a sufficient attention was not paid to control the operating expenses in conducting external courses in the year under review.

### **3.3 Legal cases initiated against the University**

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The following observations are made.

- (a) Twelve cases had been initiated against the University by 12 persons in the Bribery Commission against examination irregularities, recruitment irregularities, payment of salaries and allowances irregularities employees training irregularities change of station transfers, and against the disciplinary action.
- (b) A retired officer had prosecuted against the University on 13 October 2016 in Homagama Magistrates Court asking for gratuities for the period he had served in another University as well.
- (c) The case prosecuted in the Court of Appeal by a female officer whose service was terminated, requesting her to reinstate in the post of clerk had been dismissed on 05 March 2009. She has against filed a case in the Supreme Court, challenging the above court decision and the date fixed for hearing the case will be 01 February 2019.

## **4. Operating Review**

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### **4.1 Performance**

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#### **4.1.1 Operations and Review**

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The University had been established under the Act No.74 of 1981, based on the achievement of main objectives, viz, dissemination of Buddhism in Sri Lanka and Foreign Countries, training of scholars in Buddhism and vinaya, to foster Dhamma missionary works, promotion of learning Pali Language, Buddhist Culture and Buddhist Philosophy and develop such studies to suit for the current global situation, training of student Buddhist monks and Laic male students for teaching Buddhism and Pali Language in Pirivena, schools and similar institutions etc.

- (a) External Examination Division of the University had awarded 74 Bachelor of Arts degrees and 87 post graduate degrees in the previous year and 190 Bachelor of Arts degrees and 160 post graduate degrees in the year under review. However, the Internal Examination Division had awarded 90 Bachelor of Arts degrees and Special Bachelor of Arts degrees in the previous year but it had dropped up to 70 in the year under review.

(b) The University had awarded 1,899 external degrees during the past 5 years and the awarding of internal degrees had Limited to 374 during that period. Accordingly it was observed that the number of internal degrees awarded by using more resources had been at a very low level as compared with the number of external degrees awarded by using lesser resources of the University.

(c) **Enrollment of University Students**  
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Information regarding the enrollment of students for 5 years since 2013 is given below.

<b>Academic Year</b>	<b>No. of students applied</b>	<b>No. of students enrolled</b>	<b>No. of students not enrolled</b>
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2013/2014	190	93	97
2014/2015	255	108	147
2015/2016	474	110	364
2016/2017	366	130	236
2017/2018	287	140	147
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	1,572	581	991
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The following observations are made.

- (i) During the past 5 years, 1,572 had been applied for the university entrance but only 581 applicants had been enrolled. Accordingly, enrollments had been only 37 per cent of the number of students applied. Accordingly, sufficient attention of the Management had not been drawn in respect of social and economic benefit by enrolling more students by using the resources of the University with maximum efficiency.
- (ii) Despite there were possibilities to provide hostel accommodation facilities even by rent or lease basis in terms of section 4(xv) of the Buddhist and Pali University of Sri Lanka Act, irrespective of that provision, action had been taken to Limit the number of students enrolled only by considering the accommodation facilities in the hostels of the University.

**4.2 Management Activities**  
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The following observations are made.

- (a) At an audit examination carried out in respect of conducting lectures for internal students of the university observed the following matters.
  - (i) Before commencement of the academic year a design of norms should be prepared, indicating the manner how to conduct lecturers, allocating period and lectures for every faculty. Nevertheless, such a design of norms had not been prepared for the Departments of two faculties.

- (ii) In comparing general time table given to the four lectures in the Department of Archaeology of the Faculty of Buddhist Studies with the students signature register, out of 270 lecture hours to be conducted for a biannual by those lectures, they had lectured 59 ½ hours less than the above specific lecture hours. When compared the lecture time table with the attendance register in the Department of Buddhist culture, it was observed that 24 internal lecture hours for 21 subjects and 110 visiting lecture hours for 20 subjects had been delivered less than that of the specific number of lecture hours. Therefore, the Faculty of Buddhist Studies had not made sufficient consideration in respect of effects on the syllabus due to decreasing number of lecture hours.
- (iii) Two visiting lectures appointed to the Department of Sinhala of the Faculty of Languages Studies had delivered lectures less than 41 and 57 lecture hours respectively that of the allocated lecture hours. When compared the lecture time table of the Department of Sanskrit with the students attendance register 109 internal lecture hours of 9 subjects and 215 external lecture hours of 12 subjects had been delivered less than that of the hours to be covered in accordance with the time table. Furthermore, when compared the lecture time table for the first semester of the academic year 2017 in the Department of Pali, with the students attendance register, it was observed that 150 lecture hours of 28 subjects had been conducted less than that of the time table hours. Due to decrease of lecture hours so, syllabuses of subjects had to be limited but the Faculty of Language Studies had not considered that matter.
- (iv) It was observed that the times of lectures delivered had been changed by adding some more time than the time actually spent for lecturing in 11 instances in the Students signature registers of the Department of Pali of the Faculty of Language Studies and 8 instances in the students signature register of the Department of Buddhist Culture, Faculty of Buddhist studies.
- (b) When the boundry fence was built by the District Agriculture Training Centre, Homagama in the land adjacent to the Administration building of the University, underground cables of the telephone system between the faculty premises and the administrative building had been damaged and an expenditure of Rs.514,625 had to be spent by the University on 23 March 2017 to repair the system. The management had not taken appropriate action to recover the value of damage from the District Agriculture Centre of Homagama.
- (c) Out of the stock of goods valued at Rs.345,642 recommended for disposal in the year under review due to holding stock without being correctly estimated the expected consumption and to purchase more than the quantity requested by relevant divisions, 98 per cent had consisted of toner and cartridges.

### 4.3 Personal Administration

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The following observations are made.

- (a) The approved academic cadre of the University as at 31 December of the year under review stood at 204 out of which posts relevant to 43 officers had fallen vacant. Accordingly, out of 59 approved academic staff posts, 10 lecture posts and the post of Librarian and out of 13 approved administrative posts, one vacancy in each post of Deputy Registrar, Senior Assistant Registrar, Senior Assistant Bursar and the Assistant Registrar had existed.
- (b) Despite action was been taken to recruit a suitable person for the post of Librarian of the university which was fallen vacant since 30 March 2015, it was reported that action was being taken to recruit a Senior Assistant Librarian in another university who had gone on sabbatical leave for a period of one year on contract basis. Subsequently, the Audit and Management Committee had recommended at its 106<sup>th</sup> meeting that it was a fruitless decision and the recruitment to the post of permanent Librarian should be expidised Disregarding that recommendation, an appointment had been given to a Senior Assistant Librarian of the university of Ruhuna on contract basis for the period from 21 April 2017 to 26 March 2018 and a sum of Rs.674,343 had been paid as salaries and allowances. This post had fallen vacant up to July 2018 even after the termination of contract appointment.

### 5. Sustainable Development

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Every Public entity should act in accordance with the 2030 Agenda of the United Nations on Sustainable Development and the university was aware about how to act in respect of functions coming under the purview of the scope of the university. The following observations are made in the regard.

- (a) On the awareness of the 2030 agenda as stated above, “increase of students by improving communication with affiliated entities for the propagation of Buddhism” had been identified as objectives to be reached as per its scope. The other objectives coming under the purview of its scope include, promotion of foreign affiliated entities, procreation of graduates for employment under the poverty alleviation program, procreation of job opportunities through capital projects executed by the University, contributing to uplift employments through external degree courses and action had been taken to identify those objectives.
- (b) Even though it was stated that parties such as public entities, private entities and civil organizations had been identified as an interested party in respect of functions of the University under the execution of sustainable development the University had not specifically identified them and as such it was further observed that the University had not depicted a participatory approach in setting targets related to the University.



- (c) Even though it is essential that a correct data base should exist for the measurement of the performance of a certain task, it was observed that the University had not taken action to create an accurate data base in order to measure the achievement of sustainable development goals. The University had stated that “non-availability of sufficient staff” and “falling short of financial provisions” had attributed there to.
- (d) As a proper coordination had not been maintained with other entities in preparing to reach sustainable development targets, planning and preparedness process to reach targeted goals had been at a slow position.

## **6. Accountability and Good Governance**

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### **6.1 Procurements**

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Certain instances of deviating from procurement plan of the university were observed.

- (a) Even though the procurement plan had been prepared to spend a sum of Rs.1,325,250 for the purchase of 38 units of capital goods relating to 8 items of office equipment, instead of 38 units of goods, 251 units had been purchased and a sum of Rs.8,244,910 had been spent thereof. Accordingly, it was observed that a sum of Rs.6,919,660 or 522 per cent had been spent, in excess of the estimated value.
- (b) 393 capital goods relating to 25 items of office equipment and other equipment which had not been included in the procurement plan for the year under review, had been purchased and a sum of Rs.4,508,101 had been spent therefor.
- (c) Action had not been taken to procure 68 items of office equipment and other equipment relating to 68 units of goods, the estimated value of which amounted to Rs.6,370,750, included in the procurement plan for the year under review.

### **6.2 Budgetary Control**

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The following observations are made.

- (a) Even though the estimated operating expenses of the year under review amounted to Rs.259.3 million, the actual expenses amounted to Rs.334.4 million and as such the actual expenditure had exceeded the estimates by 28.9 per cent.
- (b) Even though the actual expenditure of the previous year for 5 expenditure items amounted to Rs.29.7 million, the expenditure for the year under review had been estimated at Rs.21.8 million, but the actual expenditure was Rs.37.9 million. Accordingly, a variance of 73.8 per cent was observed between the estimated and the actual expenditure.

- (c) The actual expenditure of the previous year relating to 5 internal revenue items amounted to Rs.34.9 million. Even though the revenue of the year under review had been estimated as Rs.30.9 million the actual revenue of the year under review amounted to Rs.47.7 million. Accordingly, a variance of 54.4 per cent between the estimate and the actuals was observed.
- (d) Due to the above matters, the budget had not been made use of as an effective instrument of management control.

**7. Systems and Controls**

Weakness in systems and control observed in audit were brought to the attention of the Mahopadya of the University from time to time. Special attention is needed in respect of the following areas of systems and controls.

<b>Areas of Systems and Control</b> -----	<b>Observations</b> -----
(a) Stock Control	Weaknesses in maintaining systematic stock books and weaknesses in supervision.
(b) Procurement Process	Instances existed, not taking action in compliance with the procurement guidelines of 25 January 2006.