

Post Graduate Institute of Pali and Buddhist Studies affiliated to the University of Kelaniya – 2018

1.1 Qualified Opinion

The audit of the financial statements of the of Post Graduate Institute of Pali and Buddhist Studies affiliated to the University of Kelaniya for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the institute ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the institute’s financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the institute is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the institute.

1.4 Auditor's Responsibilities on the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the institute, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the institute has complied with applicable written law, or other general or special directions issued by the governing body of the institute;
- Whether the institute has performed according to its powers, functions and duties; and
- Whether the resources of the institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

The Institute is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences

1.5.2 Non-Compliance to the Sri Lanka Public Sector Accounting Statements

The following observation are made.

Non-compliance with reference to the Particular Standard	Management Comment	Recommendation
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(a) In terms of Sri Lanka Accounting Standard 07, the economical lifetime of non-current assets had not been reviewed annually and, therefore, office equipments laboratory and teaching equipments costed Rs.6,730,056 are still a use, even though those are fully depreciated	Observation is correct	Sri Lanka Public Sector Accounting Standard should be followed.

(b) As over Provision of Previous year amounted to Rs.1,476,564 had been added and stated under the non-cash adjustment in the cash flow statement and again the same amount as Previous year over Provision had been stated under financial activities by adding to the increase of other funds. As such, cash and cash equivalents had been over stated by Rs.2,953,128 due to this reason. Also this balance had not been adjusted in the Statement of changes in net assets / equity.

A corrected cash flow statement after correcting deficiencies will be furnished with the 2019 annual financial statement.

Cash flow statement should be prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

(c) Even though a sum Rs.3,206,627 had been stated as acquisition of fixed assets under the investment activities in the cash flow statement, as per calculation the actual acquisition of fixed assets was Rs.3,483,119 during the year and, therefore, fund outflow during the year had been under stated by Rs.276,492

A corrected cash flow Statement after correcting deficiencies will be submitted with the 2019 annual financial Statements

Cash flow statement should be prepared in terms of Sri Lanka Public Sector Accounting Standards.

1.5.3 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
Revalued value of 159 assets items in 2016 amounted to Rs.581,800 had not been accounted even till the year under review	will be accounted in due course.	Should be accounted accurately.

1.5.4 Un-reconciled Control Accounts or Records

Item	Value as per Financial Statements	Value as per the Corresponding Record	Difference	Management Comment	Recommendation
Research and Publication Stock	1,074,187	947,867	126,320	Reasons for the difference will be checked and action will be taken to correct the Financial Statements in future	Balance of the Physical Stock in the verification reports should be adjusted with the balance in the financial statements.
Fixed Assets	27,691,432	23,869,763	3,821,669		Fixed Assets Register should be updated and adjusted with balance of the Financial Statements

1.5.5 Suspense Accounts

Item	Value	Period remained as suspense	Management Comment	Recommendation
Suspense Account	20,420	Since the year 2011	Action will be taken to reduce the suspense balance	Difference should be identified and balance of the suspense account should be removed.

1.5.6 Documentary Evidence not made available for Audit

Item	Value	Evidence not available	Management Comment	Recommendation
Prior year adjustment	Rs. 3,180,015	Schedules	Relevant schedules will be submitted for Audit in future	Required schedules should be submitted for audit

1.5.7 Unauthorized Transaction

Audit Observation	Management Comment	Recommendation
Even though a Research Assistant had been appointed since 18 July 2018 on monthly allowance of Rs.30,000 and a sum of Rs.360,000 had been paid for the period from January to December in the year under review and Research allowance of Rs.180,000 had been paid without proper appointment for six months period.	Though the appointment letter was issued in July 2018, Service of the Research Assistant had been taken since January 2018.	Proper authority should be taken for payments.

1.6 Non-compliance with Laws, Rules, Regulation and Management Decision etc.

The following observations are made.

Reference to Laws, Rules and Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 11(5) of the Postgraduate Institution of Pali and Buddhist	In terms of Paragraph No 13(2)(c) of the Ordinance, the Head of Pali and Buddhist Department of University of	Relevant Member and the Registrar were inform in this regards.	Should be Act according to the Ordinance.

Studies Ordinance No.08 of 1979	Kelaniya shall be official appointed to the Faculty Council but had not been participated even for a single meeting in the year under review and in the previous year.		
(b) Paragraph 06.05.01 of the Public Enterprises Circular No.PED/12 of 02 June 2003.	A copy of the draft Annual Report had not been submitted with the annual financial Statement to the Auditor General.	Could not be submitted due to that draft annual report was preparing at the time of submitting the financial Statement.	In terms of the instruction of the circular, a draft annual report should be submitted with the Financial Statement.
(c) Treasury Circular No.IAI/2002/02 dated 28 November 2002	A fixed assets register for computers, accessories of software had not been maintained.	Implemented since 2019	In terms of the circular, a fixed assets register for computers, and accessories should be maintained.
(d) Paragraph 04 of the Management Service Circular No.2014/2 dated 11 February 2014. Section (iii)	When research allowance are paying to the academic and non-academic staff, an interim reports should be submitted to the Committee for Research Management within six months from the date of commencement of the research and only on the satisfaction of the Progress of it the research allowance could be approved. Contrary to that research allowance of Rs.2,700,598 had been paid to 10 academic and non-academic staff in 2018.	Six months research progress report and final report will be submitted to the Research Committee in the year 2019.	Research allowances should be paid with complying to the circular.

Section (ii)	Even though based on the nature and the scope of the research the maximum period of research should be 03 years, it was observed in the test checks that Lecturers had spent years to complete same researches.	Instructions had been given to aware Lecturers in this regards.	Should be complied with the Circular.
(e)	Combined Service Circular No.02/2017 dated o4 May 2017	Even though annual Library books verification should annually be carried out, the institute had carried out the last verification only in 2015.	A board of survey committee had been appointed for 2019. Library books verification should be carried out.

1.7 Cash Management

Audit Observation

Books and publications had been printed for sale without identifying the actual requirement and, therefore, 3234 ten years old books valued for Rs.947,867 had remained as at 31 December in the year under review.

Management Comment

Recommendations and approvals will be taken for the quantities of printing of books in future.

Recommendation

Requirement should be identified for printing the books

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.10,852,049 and the corresponding surplus in the preceding year amounted to Rs.2,417,412. Therefore an improvement amounting to Rs.8,434,637 of the financial result was observed. The main reasons for the above improvement were mainly attributed to the increase of Recurrent Grant by Rs.11,408,000, increase of Other Income by Rs.9,282,218 and increase of Personal Emoluments and other expenditure by Rs.12,728.165.

3. Operational Review

3.1 Uneconomical Transaction

Audit Observation

Even though a sum of Rs.56,925 had been spent for Publishing a newspaper advertisement to procure a generator to the institute in 2018, such a procurement had not been done and, therefore, expenses incurred for that advertisement was an uneconomical expenditure.

Management Comment

Favorable and unfavorable matters of Procurement a generator had been lengthily discussed at the Management Committee Meeting and the procurement had been suspended.

Recommendation

Paper advertisement should be published only after properly identifying the requirement.

3.2 Management Inefficiencies

The following Observation are made.

Audit Observation

- (a) Due to that the Lecturers were spent more time to check tutorials of the Post-graduate students, issuing of results were delayed. It was revealed in test checks, Out of 35 tutorials handed over in 03 years from year 2015 to year 2017, 17 tutorials had retained with them more than a year.
- (b) 167 books issued to 06 lecturers and 71 students of the University in last 13 years starting from 16 February 2005 to 31 December 2018 had not been returned even the date of audit of 20 February 2019.

Management Comment

- This was happened due to the busy life of Lecturers and lack of expertise.
- Reminders had been sent to the relevant Persons.

Recommendation

- Action should be taken to issue results soon.
- A proper methodology should be implemented to return back the books taken by lecturers within certain Period.

3.3 Operational Inefficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) Even though a provision of Rs.1,500,000 had been allocated for Research and Development Expenditure for the year under review, only Rs.710,451 had been incurred.	Academic and Administrative staff had been motivated for engaging in research activities.	Academic and Administrative staff should be motivated to engage in research activities.
(b) Out of advance amounted to Rs.800,000 paid to a Lecturer for a research in progress in the year under review, only a sum of Rs.407,935 had been incurred and the balance amounted to Rs.392,065 had been settled at the end of the year	Observation is correct.	Advance should be paid after considering the expenditure estimate.

3.4 Under-utilization of Funds

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) A provision of Rs.221,452 allocated in last five years for the purchase of books under the Arurvedic Course and provision of Rs.32,000 allocated in the year under review had not been utilized for the intended purpose and remained idly.	Will be spent in future	Funds should be utilized for the intended purpose.
(b) Balance at the end of the year amounted to Rs.1,585,350 including Rs.527,911 provide from the course income for Development of Infrastructures of the institute had not been utilized for the intended purpose in the year under review and remained idle.	This Fund will be used to procure badly need items which do not have the Treasury Provision.	Funds should be utilized for the intended purpose.

<p>(c) A total sum of Rs.450,000 including a sum of Rs.250,000 donated by the Kaluthara Bodhi Trust Fund and a sum of Rs.200,000 donated by the Kandy Dalada Maligawa Fund for Symoisiam Bikku Vinaya Katikawatha Programme had not been utilized even till the date of Audit of 20 March 2019.</p>	<p>This Fund will be used for the programme schedule to be held in the year 2019.</p>	<p>Funds should be utilized for the intended purpose.</p>
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4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation

Activities had not been identified in the Action Plan for the targets in the Corporate Plan for promote Efficiency, improvement of quality of courses, introduce new courses, and enroll more students.

Management Comment

Instruction had been given to include these matters in action plan 2019/2020

Recommendation

Action Plan should be prepared to achieve the objectives of the institute.

4.2 Budgetary Control

Audit Observation

Variances were observed from 15 percent to 100 percent in the budgeted amounts and the actual amounts thus indicating that the budget had not been made use of as an effective instrument of management control.

Management Comment

Instruction had been given to correct.

Recommendation

The budget should be used as an effective instrument of control.

4.3 Sustainable Development Goals

Audit Issue

Every Government Institution should act in terms of Circular No.NP/SP/SDG/17 of 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic

Management Comment

No comments were Made.

Recommendation

Relevant circular should be followed.

Affairs and the “Agenda 2030” of the United Nations on Sustainable Development. Even though the University had identified targets relating to functions that come under its scope, including goals and targets required for regulation of relevant functions in achieving those targets in the plans of the University, preparation of indices, maintaining data and identifying focal points had not been carried out.