

Buddhist and Pali University of Sri Lanka - 2018

1.1 Opinion

The audit of the financial statements of the Buddhist and Pali University of Sri Lanka for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and 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 provision of the National Audit Act No.19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, 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 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 Opinion

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 sections of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Management and related parties responsibility 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 determines 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 University's 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 intend to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's reporting process.

As per section 16(1) of the National Audit Act No.19 of 2018, the University 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 University.

1.4 Auditors Responsibility for 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 and error and to issue an auditors 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. Misstatement 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, misrepresentations, or the override of internal control.
- Obtain an understanding of University's internal control relevant to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Reasonable evaluate the appropriateness of accounting policies and reasonableness of accounting estimates that are used and related disclosures followed by the management.
- Determined on the relevance of using the University's going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty University's going concern due to events or condition. If I conclude that a material uncertainty exists, I am required to draw attention in my auditors report to the related disclosures in the financial statements and if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of auditors report. However, future events or conditions may cease on going concern.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements, including relevant and fair base on transaction and events.

The audit scope are expanded to check the following in whenever possible and when ever necessary.

- 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 University and whether such systems, procedures, books, records and other documents are in effective operation.
- Whether the University has complied with applicable written law, or other general or special directions issued by the governing body of the University.
- Whether the University has performed according to its power, function and duties; and
- Whether the resources of the University had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statement

1.5.1 Internal control about preparation of Financial Statement

The University need to maintain an adequate “well-designed” internal accounting control system to ensure fairness for implement transaction management with general and specific authority, record transaction as required to prepare financial statements in compliance with applicable reporting standards and maintain accountability for assets, access to assets only with the general and specific authority of management, accountability for recorded assets compares with available assets at reasonable times and takes corrective action if any.

1.6 Accounts Receivable and Payable

1.6.1 Payable

Audit Observation

Actions had not been taken to settle even by the year under review payable to a private institution amounted to Rs.1,103,069 in the year 2015 and payable to the Sri Lanka State Engineering Corporation amounted to Rs.2,508,385 in the year 2016.

Management Comments

On exceeding the variation limit over 15 percent than the estimated amount relevant to the official quarters project of the academic and non academic which would be completed by the private institution, to obtain the approval as per the procurement guide lines referred to the Secretary to the Ministry while the relevant settlements had being done during the year 2019.

Recommendation

Actions should be taken to keep the estimated variation in a minimum level of 10 percent and actions should be taken to settle payables immediately.

1.7 Non – compliance with Laws, Rules and Regulations and Management Decisions ect.

The following observations are made.

Reference to the Laws, Rules, Regulations ect.	Non compliance	Management Comment	Recommendations
(a) Financial Regulations 371(2)(b) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and Public Finance Circular No.03/2015 dated 14 July 2015	(i) Contrary to the provisions of the circulars Ad-hoc Sub Imprests totaling Rs.1,119,495 had been issued to non staff officers in 66 instances.	For the normal activities of the university on practical reasons some times Ad-hoc Sub Imprests had been issued not only for the staff officers but also non staff officers.	Actions should be taken in accordance with the Financial Regulations and Circulars.
	(ii) Even though Ad-hoc Sub Imprests should be settled immediately after the completion of the purpose for which it was obtained, Sub Imprests totaling Rs.711,112 in 20 instances had been settled after delays ranging from 11 days to 42 days.	It is accepted that there were some delays in settling the advances while delay settlements had been minimized compare with the preceding years. Actions being taken further to reduce those delays.	Actions should be taken in accordance with the Financial Regulations and Circulars.

(iii) Fourteen Advances totaling Rs.840,500 had not been settled completely even by 10 December 2018. It is further informed that all advances had been settled by the 31 December. Actions should be taken in accordance with the Financial Regulations and Circulars.

(iv) Out of the advances obtained in 6 instances amount between 40 percent to 100 percent had been saved and resettled again due to the disbursement of the advances without preparing estimates. Sometimes total advances which was disbursed had not been utilized due to the absence of the members for the Councils, other sub committees meetings and interviews, Accordingly, some occasions on cancellation of the immediate due date on which the relevant sub committee meetings to be held, the total sub imprests had been resettle again. Actions should be taken to disburse the sub imprests on preparation of accurate estimates.

(b) Paragraph 2.8.1(a) of the procurement Guide Line 2006 (i) In addition to the three members of the procurement committee an other three officers who are non members of the procurement committee had been Work engineer and the Assistant Register are the members of the above Technical Committee while on request of the procurement Actions should be taken in accordance with procurement guide lines.

participated when committee of the conducting the institute only for procurement the explanation of committee meetings the report of the while out of one technical member had been evaluation that performed as officers were secretary to the participated in procurement relevant committee. occasions.

(ii) Even though the Work engineer Actions should be members of the and the assistant taken in accordance procurement register are the with procurement committee should members of the guide lines. not be performed as above technical the members of the committee while Technical Evaluation on request of the Committee in terms procurement of the Procurement committee of the Guide Lines, institute only for Contrary to that, the explanation of members stated the report of the above (i) performed technical as Chairman of the evaluation that Technical Evaluation officers were Committee and as participated in well as the members relevant of the committee. occasions.

(c) Sub section 26.1 Even though it was This situation was By taking paragraph 111 stated that hiring of very high level immediate steps to of the external lectures from during the first fill vacancies and Establishment other than the semester of 2018, actions should be Code relevant Institutions of Higher but due to the taken to reduce the to the Education should be recruitments of expenses of University discouraged, but in the new Lectures external Lectures. Grant addition to the it was decreased Commission approved cadre of 55 by reasonable

and Higher posts of the Buddhist amount up to the Education and Pali University of second semester. Institutes. Sri Lanka external lectures of 42 had been recruited and amounting to Rs.4,900,123 had been paid as allowances for them during the year under review.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the financial result for the year under review had resulted in a deficit of Rs.2,187,367 as compared the corresponding deficit of Rs.8,665,039 for the preceding year thus the increment of the financial result by Rs.6,477,672 had been observed. Miscellaneous receipts increased by Rs.5,950,192 had mainly attributed to this increment.

2.2 Trend Analysis of the main objects of Income and Expenditure

The following observations are made.

- (a) Compare with the preceding year 20.34 per cent income had been earned from the external courses conducted by the university during the year under review while comparing the expenditure with the preceding year the expenditure of the year under review had been increased by 46.75 per cent.
- (b) The total expenditure amounted to Rs.334,381,456 of the preceding year had been increased by Rs.397,844,021 or 18.97 per cent in the year under review while the increase of external project cost by 46.75 per cent had been mainly caused for the increment of this expenditure.

2.3 Ratio Analysis

(a) Current Ratio

In the year under review the total current assets was amounted to Rs.98,913,834 and current liabilities was amounted to Rs.57,944,783 thus current ratio was 1.7:1 while it was observed that ratio had been as 1.1:1 in the preceding year.

(b) Quick Ratio

The total liquid assets in the year under review amounted to Rs.91,565,383, current liabilities amounted to Rs.57,944,783 thus quick ratio was 1.58:1 while it was observed that ratio had been as 0.97:1 in the preceding year.

3. Operational Review

3.1 Management Inefficiency

The following observations are made.

Audit Observation	Management Comments	Recommendation
(a) Despite there were possibilities to provide hostel accommodation facilities even by rent of lease basis in terms of the section 4(xv) of the Buddhist and Pali University of Sri Lanka Act, irrespective of that, action had been taken to Limit the number of students enrolled only by considering the accommodation facilities in the hostels of the university. Number of students who were not enrolled in the preceding year and in the year under review as percentage of number of students applied had been 51.3 per cent and 58.7 per cent respectively according to the information available about the enrolment of the internal students, Accordingly, management had not been paid sufficient attention to intake the maximum number of students enabling to provide the education with maximum effectiveness from the resources of the University.	Paper advertisement and documents had been prepared and referred for the approval of the procurement committee necessary actions had been taken to enroll the maximum number of qualified students.	By increasing the enrolments of the number of students for the hostels and actions should be taken to obtain the optimum use from the resources.

- | | | | |
|-----|---|---|---|
| (b) | <p>Amounting to Rs.3 million had been made in year 2017 for the installation of the solar power system of 25 kilowatt in the public utility building of academic premises of the university, but with the consent of the work engineer it was decided that the capacity should be 50 kilowatt an installation of the system of 58 kilowatt had been completed by the December 2017. Amounting to Rs.7,827,540 had been paid with out VAT for that. However, instead of achieving the objective of reducing the expected electricity cost from the system, electricity cost of Rs.111,505 had been incurred by the university in the year under review rather than the year 2017 and more over it was unable to satisfy the expected performance regarding this project.</p> | <p>Evan though capacity of 58 kilowatt DC solar power system had been installed in the public utility building of the university, that system is capacity of 50 kilowatt AC. Constructions of the center of Language Competent Development had been started in 2018 and number of electricity units had been increased compare with year 2017. Capacity of 50 kilowatt AC had been generated by the solar power system monthly while for the production of electricity in addition Rs.65,097 had been paid to the institution by the electricity board.</p> | <p>When achieving the objectives of the institute actions should be taken to obtain the maximum efficiency from minimum cost.</p> |
| (c) | <p>Actions had not been taken either to release or to take to the income retentions totaling Rs.993,858 which was retained for constructions in years 2015 and 2016 even by the end of the year under review.</p> | <p>Retentions had not been released on due date because of the delays of the relevant activities relating to the release of the retentions from the constructions institutions.</p> | <p>Actions should be taken to settle the retentions with in the specific period end.</p> |
| (d) | <p>A Senior Assistant Register who had been terminated on 20 March 2013 without a proper disciplinary inquiry on a decision of the 363 governing council of the university had been filled a case in the labour tribunal while the case had been settled by</p> | <p>As per the records of the university provident fund had been calculated and the relevant deductions had been done properly. Attempted (07 times) to pay the provident fund</p> | <p>Either termination or non termination should be decide after conducting the formal disciplinary inquire.</p> |

agreeing to award a letter of retirement by considering the date on which retiring by completing the age of 60 and to pay Rs.1,534,217 to that officer. It had not been considered regarding the office equipment amounted to Rs.173,694 which had been the custody of that officer. several times while it was rejected by stating various reasons. Forward decisions should be taken by submitting this situation to the governing council.

3.2 Operational Inefficiencies

Audit Observation	Management Comments	Recommendation
<p>(a) Even though amounting to Rs.11,048,029 had been incurred for the security service of the university, A Chief Security Officer and 15 Junior Security Officers should be deployed on roasting basis in 11 places around hostels of the faculty premises according to the agreement. But for the 11 places of faculty premises only 9 Junior Security Officers had been deployed.</p>	<p>To avoid this situation now 3 officers of the 3 premises had been closely supervised and awareness had been occurred with advices to the relevant institute. Further salary will be deducted according to the agreement for the absent dates.</p>	<p>Should be confirmed that services had been supplied in accordance with the agreement.</p>

- (b) When considering about In the preceding year 228 Actions should be
awarding external and internal Arts in General degrees taken to improve
degrees in the university 228 and 78 Postgraduate the performance of
Bachelor of Arts in General degrees had been awarded the external and
degrees and 88 Postgraduate by the external internal
degrees had been awarded by the examination section while examination
external examination section in initiate of the students for sections of the
the preceding year and it was two years Postgraduate university.
dropped by 72 and 51 degrees variation obtaining
respectively during the year degrees had been shown.
under review. Even though 89 Students who were
Bachelor of Arts in General and enrolled before 2012 had
Bachelor of Arts in special completed degrees by
degrees had been awarded by the sitting referred
internal examination section in examinations. In year 2016
the preceding year it was new students were enrolled
dropped by up to 55 during the and their results to be
year under review. Accordingly, released in year 2019.
awarding external and internal Enrollments for the
degrees had been 1859 and 353 external degree of Arts in
respectively during the past 5 General in years 2013,
years and it was observed that 2014, 2015 had been
the performance of awarding temporarily stopped
internal degrees had been according to the circular of
comparatively in low level. the University Grant
Commission. Because of
that, number of graduates
had been decreased in year
2018. When preparing the
Annual Report for the year
2018 of the internal
examination section the
second semester
examination results had not
been released and therefore
number of graduates had
been stated as 55.

3.3 Delays in Projects or Capital Works

Audit Observation	Management Comments	Recommendation
<p>Even though amounting to Rs.307.5 million for the construction of five story building in Colombo Premises where external exam section situated, amounting to Rs.219 million for the construction of a hostel for foreign students in Homagama Premises on an engineer estimate for the activity to select a contractor under the procurement method of design and pay to prepare necessary tender documents Rs.548,908 and Rs.379,334 had been paid respectively to the consultancy firms in the preceding year, However, the relevant constructions had not been started even by the end of the year under review.</p>	<p>It was unable to start this project due to not receiving the treasury provisions for year 2018. Provisions for the year 2019 had been made and the relevant procurement activities had being in final stage.</p>	<p>Actions should be taken according to the procurement plan.</p>

3.4 Human Resources management

The following observations are made.

Audit observation	Management Comments	Recommendation
<p>(a) The approved academic cadre of the university as at 31 December of the year under review stood at 212 out of which posts relevant to 35 officers had fallen vacant.</p>	<p>Even though applications were called from paper advertisements for 07 posts of Professors, on not submitting the applications the recruitments had not been done yet. A case had been filled in appeal court for the post of lecture for the subject of Buddhist Psychology and counselling. Therefore that post could not be fill. Actions being taken to fill vacancies for the posts of non academic posts and assistant Bursar, Senior Assistant Register.</p>	<p>Immediate steps should be taken to fill the vacancies.</p>

- (b) A Senior Assistant Librarian of another university who had gone on sabbatical leave had been recruited on contract basis for the post of Librarian of the university which was fallen vacant since 30 March 2015 and a sum of Rs.674,343 had been paid for the period from April 2017 to March 2018 as salaries and allowances.
- Out of the applications received by publishing paper advertisements only one applicant had been fulfill the qualifications in terms of the circular No. section 2 and 3.1 of 921 of the University Grant Commission. Section 2 and 3.1 of that application had been evaluated. Accordingly necessary points had not been obtained for the post of Librarian.
- Formal recruitments should be done for the relevant posts.

4. Accountability and Good Goals

4.1 Budgetary Control

Audit Observation

The actual expenditure of 05 objects was amounted to Rs.110.4 million in the year under review while the estimated expenditure was amounted to Rs.66.8 million, variance between the estimated expenditure and actual expenditure had been ranging between 19 per cent to 225 per cent.

Management Comments

Estimates had been revised again and extra adequate provisions had only been provided for the salary increments.

Recommendation

Estimate should be prepared correctly by forecasting correctly.

4.2 Sustainable Development

Audit Observation

Every public entity should act in accordance with the “Agenda” of United Nations year 2030 on sustainable development while the University had made aware how it would perform its functions with in the scope relevant to the year under review, when achieving the sustainable development goals it was observed that the procedure of preparing plans to achieve targeted goals and pre preparing had been in a situation of slow down due to non coordination between other institutions.

Management Comments

To appoint a committee on the recommendations of the 117 Audit and Management Committee the relevant governing council paper had been submitted to achieve the forward activities successfully in this regard to achieve the objectives of the sustainable development goals.

Recommendation

Necessary actions should be taken to achieve the sustainable development goals.