

1.1 Opinion

The audit of the financial statements of the Bhiksu University of Sri Lanka for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 and Section 46 of the Buddhasravaka Bhikku University (Amendment) Act No.26 of 1996. 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 Bhiksu University of Sri Lanka as at 31 December 2019, and of its financial performance and 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 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 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 financial reporting process.

As per Sub-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 Institute.

1.4 Auditor's Responsibility for Auditing 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 University's 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 University'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 University 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 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 Institute
- Whether the University has performed according to its powers, functions 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 Statements

1.5.1 Internal Control over the preparation of financial statements.

Entities are 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. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

1.6 Non-compliance with Laws, Rules Regulations and Management Decisions

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
Financial Regulation 571	Action had not been taken as per the financial regulations in connection with 09 tender deposits totalling	Action will be taken to credit to the Revenue in the security deposits continued to exist from the year 2017	Action should be taken in accordance with the Financial Regulations.

Rs.14,162 and 07 after lapse of 02 years.
 contract deposits
 totalling Rs.610,729
 continued to exist from
 the year 2017.

2. Financial Review

2.1 Financial Results

The operations of the University for the year under review had resulted in a deficit of Rs. 89,004,001 as compared with the corresponding deficit of Rs. 55,048,393 for the preceding year, thus observing a deterioration of Rs.33,955,608 in the financial results. This deterioration was mainly due to increase in the personal emoluments and retirement benefits.

2.2 Ratio Analysis

The current ration in the preceding year was 1:1.25 it had been deteriorated up to 1:0.74 in the year under review. This deterioration was mainly due to decrease in the advances and deposit value of the current assets by Rs.15 million and increase in the creditors and incomplete external course fees of the current liabilities by Rs.13 million during the year under review compared to the preceding year.

3. Operating Review

3.1 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>According to the syllabus, 45 lecture hours should have been covered for a subject of a course. Nevertheless, in examining 33 subjects of 4 academic departments, the number of lecture hours uncovered relating to the subjects of the courses in the Semester II in 2017/2018 academic year had ranged from 13 per cent to 29 per cent. Accordingly, qualitiveness of the courses was questionable in audit.</p>	<p>Agree. Absence of the students for the lectures and falling holydays has been cited as the reasons.</p>	<p>In order to maintain quality of the courses, action should be taken to cover the syllabus.</p>

3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Four sundry creditors balances totalling Rs. 409,800 continued to exist for several years had not been settled even in the year under review.	In consultation with the payee, action will be taken to credit the balance to the Revenue after lapse of two years.	Long-standing creditors balances should be settled.
(b) Loan balances totalling Rs. 145,461 due from an officer dismissed from the service and a lecturer who had left the service had not been recovered even in the year under review.	The officer dismissed from the service has filed a case against the University. Action has been taken to recover this loan amount in the release of his provident fund. Further, action has also been taken to recover this loan amount due from the lecturer who had left the service, in the release of his provident fund.	Loan balances should be settled in the release of his provident fund.

3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
(a) In the selection of contractor for the installation of Enterprise Resource Planning System (EPR), it had been stated under the general conditions of the bid documents that the prospective bidder should have exceeded annual turnover of Rs.50 million on the software development projects during the preceding three years. Nevertheless, the contract had been awarded irrespective of that condition. According to the letter of acceptance, the system should be successfully made functional within a period of six month. Nevertheless, installation of the system initiated in the year 2017 could not be completed even by 31 July 2020 and a sum of Rs.4 million had been spent thereon. Similarly, the contractor and the University had not entered into an agreement in accordance with the Guideline 8.9.2 of the Government Procurement Guidelines.	Agree. This is the first-ever EPR system prepared from among the entire state university system in Sri Lanka. Accordingly, as this project was implemented whilst studying the complex process of a university, the signing of agreement was continuously delayed owing to certain issues. However, since the performance bond has been duly obtained as the relevant initial documents according to the conditions of the bid documents, action will be taken to sign the agreement without delay.	Agreements for the relevant purpose should be immediately entered into as per the procurement guidelines and future steps should be taken by extending the validity of the performance bond up to the expected period of time.

- (b) Approval for the plans pertaining to the three-storied building constructed for the foreign students had not been obtained from the Urban Development. Although tiles had been fixed over 1,031 floor area and the walls without being complied with the agreed specifications, a sum of Rs.9,567,750 or 95 per cent of the amount allocated therefor had been paid up on the engineering certification.
- The relevant documents have been already handed over to the Urban Development Authority for approval. Under the Employer's requirement, Homogeneous Heavy Type Lanka Tile or Equivalent tiles had been requested for the walls of the washrooms. As the Lanka Tile did not manufacture those tiles, the University has fixed Rocel Full Body Homogeneous 521-E types tiles in 600mm x 300mm in size. By the letter dated 28 February 2020, the Rocel Bathware Ltd. has confirmed those tiles were the Rocel Full Body Homogeneous.
- Approval of the relevant regulatory bodies should be obtained. Tiles should be fixed in due standard as specified in the bid documents.

3.4 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
Eight posts of academic staff and 10 posts of non-academic staff of the University had fallen vacant by 31 December 2019.	Arrangements are being made to fill the existing vacancies according to the approved cadre of the University.	Action should be immediately taken to fill vacancies.

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
Every public institution should act in accordance with the United Nations Agenda 2030 for Sustainable Development Goals, whereas the University had not paid adequate attention on the activities come under the purview of the University relating to the year under review. Accordingly, it was not possible to recognize that the relevant activities had been included in its Action Plan relating to the year under review and adequate provisions had been made in the annual budget.	In taking into account the objectives of this University, it does not directly involve in achieving the sustainable development goals and targets. However, it was noted to take steps in accordance with the Circular No.N.P/A.S.P.17 dated 14 08.2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs in the future.	Every public institution should act in accordance with the United Nations Agenda 2030 for Sustainable Development Goals

