

## **Buddhist and Pali University of Sri Lanka - 2019**

---

### **1.1 Qualified Opinion**

---

The audit of the financial statements of the Buddhist and Pali 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 Finance Act No.38 of 1971 and the National Audit Act No. 19 of 2018. Comments and observations which I consider should be submitted to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the University as at 31 December 2019, 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 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 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 intends 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 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 Auditor's Responsibility 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 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 Provident Fund, 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 board of the Provident Fund;
- 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.

### **1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards.**

-----

<b>Non Compliance with the reference to particular Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
-----	-----	-----
Since useful life of the non-current assets had not been reviewed annually, in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, timber furniture and equipment costed for Rs.66,615,099 were further in use despite being fully depreciated. However, action	The effective life time of non-current assets has been estimated as per the Circular No. 649 of the University Grants Commission. Further state that, intends to revalue timber furniture and equipment in accordance with that standard.	The Sri Lankan public sector should be followed.

had not been taken to revise the said estimated error in terms of Sri Lanka Public Sector Accounting Standard 03.

### 1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
Depreciation of a generator at the academic premises for the year 2018 was Rs. 17,350 but was accounted as Rs. 17,349,067 and, therefore, provision for depreciation account was over stated by Rs. 17,331,717 in the financial statements. Due to that this error had not been adjusted effecting to the prior year, the net assets and properties, plant and equipment were understated by that amount.	The depreciation calculation for the year 2018 relevant to that amount is accurately recorded in the fixed asset register. Accept that an error was occurred at the computerizing and the amount of Rs. 17,349.67 has been posted as 17,349,067.00 in the depreciation adjustment register. This has been corrected in the year 2020.	Error should be corrected by making adjustment to the previous year.

### 1.6 Accounts Payables and Receivables.

#### 1.6.1 Accounts Payables

Audit Observation	Comments of the Management	Recommendation
The total of retention money payable to 08 institutions for the period from year 2015 to 2017 amounted to Rs. 1,700,120 had not been settled until the end of the year under review.	Retention on Contract of State Engineering Corporation amounted to Rs. 936,514.00 had been retained until the defects in the construction of the Vice-Chancellor quarter are rectified. Amount due to Electro Metal Presings Company amounted to Rs. 489,933.00 will be settled in the year 2020. Amount due to Sukith Design & Construction amounted to Rs. 56,548.00	Relevant balances should be analysed and action should be taken to release or get in to the income.

should be retained till the completion of the construction work. Action is being taken to release the balance of retention money.

**1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.**

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Financial regulations of Democratic Socialist Republic of Sri Lanka Financial Regulation 371 (2) (b)	Out of the total advances given in 17 occasions amounting to Rs. 475,200, advances ranged from 41 percent to 100 percent had been settle back due to non-executing of the functions included in the estimates prepared for the ad-hoc advances.	Expected expenditure for the relevant work is identified and estimates are prepared. But the estimated total advance may not be utilized due to non-attendance of members for governing councils, other subcommittee meetings and interviews. Also in some instances the full advance has to pay back on cancellation of the relevant sub-committee meeting in a nearest date.	Financial Regulations should be complied.
(b)Sub-section 26.1 of Chapter III of the Establishment Code for University Grants Commission and for Higher Education	Even though it was informed that a sufficient number of suitable teaching staff should be recruited for the programs and new program should not be started otherwise, despite the vacancies	External Lecturers have been recruited for the subjects conducted by the lecturers who are on study leave, sabbatical annual leave and for the	Prompt action should be taken to fill the vacancies and reduce the cost of external lecturers.

Institutes remained in 12 approved vacant doctoral posts lecturer posts in the and the Deans and University, 24 external Heads of Departments lecturers were recruited have been informed during the year under about this. Action has review and a sum of Rs. been taken to recruit a 4,668,363 had been paid minimum number of as lecture fees. external lecturers by the departments. Resource persons are also used externally to cover specific subject areas, such as archaeology.

**2. Financial Review**  
-----

**2.1 Financial Result**  
-----

As per the financial statement presented, the financial result of the year under review amounted to a deficit of Rs. 40,787,889 and the corresponding deficit in the preceding year amounted to a Rs. 2,187,367. As such, a deterioration amounted to Rs.38,600,522 in the financial result was observed. Despite of increase in government grants for recurrent expenditure by Rs. 110,188,000, increase in academic allowances by Rs. 31,289,746 and increase in gratuity by Rs. 54,919,183 had mainly attributed to the said deterioration.

**3. Operating Review**  
-----

**3.1 Management Inefficiencies**  
-----

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) Three lecturers recruited in 2016 to teach 4 foreign languages in the Department of Language Skills Development conducted through external lecturers were given study leave up to 5 years before the ending of 3 years and action had been taken to get the service of external lecturers again.	In accordance with sub Section 21.1.1 of the paragraph 21 in Chapter III, of the Establishments Code for University Grants Commission and Institutes of Higher Education, it is generally expected that a postgraduate degree (preferably including a research component) should be obtained by every lecturer during the	Recruitment for vacancies should be done and action should be taken to reduce external lecturer allowances.

first three years' probation period. Failure to obtain a postgraduate degree within the six-year probation period permitted by that section shall be terminated by the Governing Body.

Accordingly, study leave should be granted to lecturers who were on probation.

- |                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                      |                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| <p>(b) Due to make purchases without considering the requirement, 24 items of ink and cartridge using for printing machines valued for Rs. 188,189 for more than 01 year and 586 stock items valued for Rs. 112,853 remained in the stores for a period of 3 to 5 years without being issued.</p> | <p>Action will be taken to dispose the 24 the ink and cartridge items retained in the stores for the use of Duplo machines, printers and fax machines after obtaining confirmation from the department using those machines on whether those items should be retained in the stores. Informed that, those are slow moving items.</p> | <p>Attention should be focused to procure after identify the requirement.</p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|

### 3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) In accordance with the Section 4 (XV) of the Buddhist and Pali Universities Act of Sri Lanka it is possible to provide hostel facilities even on a rental and lease basis, but measures have been taken to limit the number of students enrolled annually informing that the hostel space is not sufficient. Accordingly, out of 1,752 students who had applied for university admission in the last 5 years since 2015, only 652 students or 37 percent had been enrolled. Even though the university has lecture halls and</p>	<p>The University has taken action to increase the number of students enrolled annually from 110 in 2015/16 to 140 in 2019/20. The university does not limit the number of students enrolled. Most of the students who applied annually are enrolled in other similar institutions. Even though it was requested to increase the number of students to 200 from the Ministry, taking into</p>	<p>Attention should be focused to increase the number of students enrolled for maximum use of the available resources of the University.</p>

adequate facilities with a capacity of over 2000 students, it was observed that the number of students enrolled annually were remained in the ranged from 110 to 140.

consideration the available resources, in order to reduce the cost per student, approval has been granted to recruit the same number as in previous years.

(b) 1716 external degrees had been awarded as compared with the 428 internal degrees awarded in the last 5 years and observed that more attention had been made to award external degrees than awarding internal degrees using the resources available at the University.

Internal students are recruited based on the students who passed A / L in a year and only Bhikkhu students and lay students of the male sex are admitted in terms of the Act. However, as there are no such restrictions in the Act regarding the enrollment of external students, relatively large number of students are registered annually.

The necessary background should be made available to increase the enrolment of number of students to make the maximum use of the available resources of the University and complete the degree within the stipulated time.

### 3.3 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
<p>The balance of the Jiyun Buddhist Research and Publication Fund, established to support Buddhist studies and research in the Pali language, was Rs. 1,300,000 as at 31 December of the year under review and had not been utilized to achieve the relevant objectives since 2017.</p>	<p>The criteria of the Fund were revised and approved by the Governing Body to expand the opportunities of using of this fund. Funds are expected to be utilized according to those new criteria.</p>	<p>The utilization of relevant funds should be regularized to achieve the objectives of the University.</p>

### 3.4 Delays in Projects and Capital works



Audit Observation	Comments of the Management	Recommendation
<p>Bids were invited in the year 2017 to construct of a five storied building at the University premises in Colombo at a cost of Rs. 307.5 million on an engineering estimate under the Design and Construction Procurement method and a sum of Rs. 548,902 had been spent as consulting fees in July 2017. Even though a sum of Rs. 14,508,834 had been paid as mobilization advance to the selected contractor on 05 December of the year under review, construction had not yet commenced even by 17 July 2020. Instead of appointing a line ministry representative to the Technical Evaluation Committees for this procurement and for Rs. 219 million procurement, a retired Additional Secretary was appointed</p>	<p>This project is located at Baudhaloka Mawatha, Colombo 07. As the area is a High Security Zone, approval from the Urban Development Authority should be obtained before commencing construction. Construction will be commenced once the approval is received.</p>	<p>Procurement guidelines should be followed and necessary action should be taken to expedite construction.</p>

### 3.5 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>The university had 211 approved cadre and 186 actual cadre, as such, there were 25 vacant posts as at 31 December of the year under review. Accordingly, 12 posts in academic cadre, the posts of Assistant Registrar, Senior Assistant Registrar as well as the post of Librarian were remained vacant from the</p>	<p>07 Professor posts were reduced to 02 Lecturer posts for the year 2020 with the approval of the Department of Management Services. Action is being taken to recruit for these 02 lecturer posts. Applications were called for the 01 Librarian post through newspaper advertisements in</p>	<p>Recruitment should be made for vacancies in order to maintain the activities of the University efficiently.</p>

approved administrative posts. the year 2019 as well. The minimum marks were not obtained in accordance with the University Grants Commission circulars. There is a vacancy due to the appointment of Prof. Thero of the Department of Religious Studies and Comparative Philosophy as the Vice-Chancellor The post will be filled by the re-appointment of the Professor at the end of the term. Applications have been called for the post of Lecturer (Apprentice) but the post cannot be filled as a legal case has been filed in the Supreme Court. Recruitment for the posts of Lecturer (Apprentice) and Computer Instructor is in progress.

**4. Accountability and Good Governance**  
-----

**4.1 Budgetary Control**  
-----

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
----- The actual expenditure of 05 subjects for the year under review was Rs. 110.4 million and the estimated expenditure was Rs. 66.8 million, thus a difference of variation ranged from 19 percent to 225 percent between the estimated expenditure and the actual expenditure.	----- Estimates were revised and only adequate additional provisions were made for salary increases only.	----- Expenditure and revenue should be accurately forecast and estimates prepared.

**4.2 Sustainable Development goals**  
-----

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>-----</p> <p>Every Governmental entity should act in accordance with the United Nations Year 2030 "Agenda" on the Sustainable Development Goals. Even though the university has gained the awareness regarding the way it should take action in relation to its scope during the year under review, it was observed that the process of planning and pre-preparation to achieve the targeted goals was very slow due to lack of proper coordination with other institutions in preparing to achieve the sustainable development goals.</p>	<p>-----</p> <p>Relevant Board Paper has been directed to appoint a committee on the recommendations of the 117th Audit and Management Committee to carry out the future work successfully in this regard.</p>	<p>-----</p> <p>Action should be taken to achieve sustainable development goals.</p>