

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Bhiksu University of Sri Lanka for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Finance Act, No.38 of 1971. My comments and observations which I consider should be tabled in 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 2020, 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 (SLAS). My responsibilities, under those audit standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 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 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 University.

1.4 Auditor's Responsibilities 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 or error, and to issue an audit 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:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 University;
- 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements

The University 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.

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

Reference to Laws, Rules, Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
(a) Financials Regulations of the Democratic Socialist Republic of Sri Lanka.			
(i) Financial Regulation 454(1)	Even though all items received by the University should be immediately recorded in the Inventory Book in	That the reverent monk in charge of the Inventory has been informed to act in accordance with the	Action should be taken in accordance with the recommendations of the Board of Survey Committee.

Form General 44, details on 54 types of goods of 05 sections of the University had not been recorded in the Inventory Book even by the end of the year under review.

recommendations of the Board of Survey Committee.

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| (ii) Financial Regulation 571 | Although contract retention money worth Rs. 8,838,624 that remained payable to the State Engineering Corporation from the year 2014 should be credited to the Revenue if no response has been received from the payee for the enquiries made in that respect, action had not been taken accordingly. | Observations are agreed upon. Although requests for rates were made on several occasions from the State Engineering Corporation, the rates have not so been provided and accordingly, a note was made to settle it on submission of the final bill by the State Engineering Corporation for the additional work carried out by the contractor. | Action should be taken in accordance with Financial Regulations. |
| (b) Section 3.7 of Chapter xxiv of Establishments Code of the Democratic Socialist Republic of Sri Lanka | Although interest for the relevant amount should be paid from the date of the payment of loan, interest had not so been recovered from the date of granting loans for loan advances given by the Sri Lanka Bhiksu University to the employees as distress loan and for purchasing motor vehicles, motorcycles and computers. | Observations are agreed upon. Action is being taken to rectify the error in consultation with the software developer relating to the salary preparation. | Action should be taken in accordance with Establishments Code. |
| (c) Section 4 of Paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016. | Following each fuel consumption test, such test should be carried out again after a period of 12 months or operating for a distance of 25,000 | Dates have been fixed for the fuel consumption test of the two vehicles. | Action should be taken in accordance with circular provisions. |

kilometers or after a major repair of the engine, whichever occurs first. Nevertheless, the fuel consumption on 02 vehicles allocated to the Sri Lanka Bhiksu University was last tested in the year 2017.

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| (d) | Paragraph 4.1 of the Management Services Circular No. 02/2014 dated 14 February 2014. | Although the officers who are eligible for the research allowance should prepare a research proposal inclusive of action plan, research cost and the methodology and forwarded to the Research Management Committee, those requirements had not been met for the 19 research proposals submitted. | Relevant divisions have been instructed to obtain research proposals only in accordance with the format in Annexure 01 of the above circular. | -Do- |
| (e) | Paragraph 6.5.1 of the Public Enterprises guidelines for good governess introduced by the Public Enterprises Circular No.PED 12 dated 02 June 2003. | Although annual financial statements of the institute should be submitted to the Auditor General for audit within 60 days from the close of financial year, the financial statements of the Bhiksu University had been submitted on 18 October 2021 with a delay of 07 months. | The occasional closure of the University due to Covid situation prevailed in the country, travelling ban etc. caused impediments for the employees to report for the service, thus resulting in this delay. | Action should be taken in accordance with the circular provisions. |

2. Financial Review

2.1 Financial Results

The operations of the University for the year under review had resulted in a deficit of Rs. 46,170,652 as compared with the corresponding deficit of Rs. 89,004,001 of the preceding year, thus observing an improvement of Rs. 42,833,349 in the financial results. This improvement was mainly due to increase in the recurrent provisions granted by the Treasury by Rs. 26,900,000 and rehabilitation provisions by Rs. 3,857,173 and sundry income by Rs. 2,300,087, and decrease in the supply expenses, sundry recurrent expenditure and research

and development expenditure by Rs. 2,649,367, Rs. 2,854,666 and Rs. 3,151,118 respectively.

3. Operating Review

3.1 Procurement Management

Audit Observation	Comment of the Management	Recommendation
<p>According to the bid documents prepared for the contract relating to the establishment of Enterprise Resource Planning System, the annual turnover of the prospective bidder relating to the software development projects should exceed Rs.50 million for the last three years. Nevertheless, a bidder who had not met that requirement had been selected as the prospective bidder. The contract with the total value of Rs.8 million should have been completed by 31 May 2018 as per the agreement. However, a sum of Rs.4 million had been spent by 31 March 2021, whereas the system had not been completed.</p>	<p>The contractor has agreed to rectify all errors and defects by 31 December 2021 and hand over this system to the University during the first quarter of 2022.</p>	<p>Formal measures should be taken regarding the selection of prospective bidder in contravention of the bid conditions and action should be taken to get the contract completed in accordance with the agreement and to utilize assets effectively and efficiently.</p>

3.2 Deficiencies in the Contract Administration

Audit Observation	Comment of the Management	Recommendation
<p>(a) The contract totalled Rs. 167,617,500 for designing and building of staff official quarters had been awarded on 31 December 2018. A sum of Rs. 149,415,025 as instalment payments had been paid to the contractor by 02 March 2021. The following observations are made in this connection.</p>		
<p>(i) In terms of Section 08 (j) of the Act No.94 of 1978 as amended by the Urban Development Authority Act No.04 of 1982, this construction had been initiated without obtaining approval of the Urban Development Authority for the plan of this construction.</p>	<p>The fact that this contract has been awarded to the contractor under the Designing and Building, that the contractor should obtain approval from the Urban Development Authority in terms of tender conditions and the Bills of Quantity and that the</p>	<p>Action should be taken in accordance with provisions of the Urban Development Act.</p>

amount allocated therefor in the Bills of Quantity has not been paid to the contractor.

- (ii) In terms of Presidential Secretariat Circular No. SP/PCMD/6/2015 dated 16 October 2015, in the purchase of air conditioners to the Government institutions, the items with inverters should be selected in every instance. Accordingly, the bid documents prepared for this purpose stated that all electrical fittings shall Comply with “Energy Saving”. Nevertheless, 27 air conditioners which had not met that requirement had been supplied and installed. Accordingly, as the above 27 air conditioners were not in conformity with the standard agreed by the bidder, it had been paved the way for the bidder to receive a price benefit of Rs. 1,053,000.

Action will be taken to recover Rs. 830,750 in respect of these items from the contractor.

Action should be taken to procure suitable and standardized equipment in terms of circular provisions.
- (iii) Although toilet accessories with the recommended trade names of Grohe, Plumber and Hansgrohe should be supplied according to the bid documents, the accessories with the trade name of Roncberg which was not in the above recommended trade names had been supplied and installed. The Consultant Engineer had not confirmed that the standard of the accessories with that trade name was similar to the standard of the accessories with the recommended trade names.

The difference of Rs. 144,735 between the market price of the approved items as per the agreement and the market price of the items supplied by the contractor will be recovered from the contractor.

Payments should be made subsequent to obtaining a confirmation of the Engineer on the quality of the accessories used.
- (iv) Although this construction should be completed by 19 December 2020 as per the agreements, work had not been completed even by 02 March 2021, the date of audit. However, penalty for delays had not been recovered as per the agreement.

The penalty for delays will be recovered from the final bill of the contractor.

Action should be taken in accordance with the provisions stated in the agreement.

- (b) In terms of Presidential Secretariat Circular No. SP/PCMD/6/2015 dated 16 October 2015, in the purchase of air conditioners to the Government institutions, the items with inverters should be selected in every instance. Accordingly, the bid documents prepared for the contract totalled Rs. 76,635,875 for designing and building of three-storied hostel for foreign students stated that all electrical fittings shall Comply with “Energy Saving”. Nevertheless, 25 air conditioners which had not met that requirement had been supplied and installed. Accordingly, as the above 25 air conditioners were not in conformity with the standard agreed by the bidder, it had been paved the way for the bidder to receive a price benefit of Rs. 1,515,000.
- Attention for the Circular of the Presidential Secretariat had not been focused at the initial stage and action will be taken to deduct the price difference of Rs. 959,375 from the final bill of the contractor.
- Action should be taken to procure suitable and standardized equipment in terms of circular provisions.