

1. Financial Statements

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 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in net assets 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 Section 23 of the Postgraduate Institute of Pali and Buddhist Studies Ordinance No. 8 of 1979, enacted under Section 18 of the Universities Act No. 16 of 1978 and Subsection 107 (5) of the Universities Act and the 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 2022, 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 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 Audit Observations on Preparation of 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 with Sri Lanka Public Sector Accounting Statements

The following observation is made.

Non-compliance with reference to the Particular Standard	Comments of the Management	Recommendation
Since useful life time of the non-current assets had not been reviewed annually in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, fixed assets costed for Rs.7,523,753 were further in use despite being fully depreciated. As such, action had not been taken to revise the said estimated error in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 03.	Action will be taken to rectify this by re-preparing a fixed asset register in the year 2023 with the recommendation of the Audit Committee and the approval of the Management Committee.	Sri Lanka Public Sector Accounting Standards should be complied.

1.5.3 Accounting Deficiencies

The following observation is made.

Audit Observation	Comments of the Management	Recommendation
Although the accrual values for seven types of expenditure can be accurately identified, due to non-recognize so, the accrual expenses of the year under review were under stated by Rs. 869,802.	Sufficient provisions had been made for the expenses reported to the accounts department at the time of preparation of the final accounts and if the expenses related to the year 2022 are identified in the year 2023, it is expected to be accounted as prior year adjustments for the previous year.	Efforts should be made to identify the accrued expenses related to the year under review as accurately as possible.

1.5.4 Un-reconciled Control Accounts or Records

The following observation is made.

Item	Value as per Financial Statements	Value as per the Corresponding Record	Difference	Comment of the Management	Recommendation
----- Fixed Assets	----- 37,395,757	----- 33,574,087	----- 3,821,669	----- That due to the problems in accounting of the difference identified in the review of fixed assets in 2015, the preparation of a fixed assets register had been implemented again in the year 2023 with the recommendation of the audit committee and the approval of the management committee.	----- Appropriate corrections should be made.

2. Financial Review

2.1 Financial Result

The operating result of the year under review had been a surplus of Rs.221,756,371 as compared with the corresponding surplus of Rs.121,227,900 for the preceding year, thus observing an improvement of Rs.100,528,471 in the financial result. Increase in receipt of prizes and grants, revenue from self-financing program and increase in income on investment were mainly attributed to this improvement.

3. Operational Review
3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Due to non-completion of the four storied building, which was to be completed on 19 May 2021, an additional cost of Rs. 17,577,755 had to be paid as building rent for the maintain of the institute in a rental building during the period from June 2021 to 31 December 2022.	This situation arose due to delay in settlement of related bills to the contractor.	Action should be taken to complete the construction within the stipulated period.
(b) Due to printing without proper evaluation regarding the sale of publications and periodicals, 2299 publications and periodicals costing for Rs.773,845 for the period from 1999 to 2021 remained unsold even on 31 December 2022.	About 366 publication books have been removed from stock as sales and donations at various times in the year 2022. Action will be taken to reduce the book stock in the future as well.	Publications and periodicals should be printed with proper evaluation related to sales and distribution.

3.2 Procurement Management

The following observation is made.

Audit Observation	Comments of the Management	Recommendation
A sum of Rs.2,265,804 had been spent for procurement of furniture and fixtures, office equipment and library books, which were not included in the procurement plan of the year 2022.	The office located in Kohuwala has been shifted to the Manelgama premises at the end of the year 2022, as such, procurements have been made using various corporate funds for the new needs identified at that time.	Necessary procurements should be made within the procurement plan.

4. Accountability and Good Governance
4.1 Annual Action Plan

The following observation is made.

Audit Observation	Comments of the Management	Recommendation
Out of the 16 activities in the action plan of the year 2022, 05 activities had not been implemented and progress of completion in 7 activities related to constructions was remained less than 50 percent.	Some activities were not implemented due to the practical conditions of the year and some plans were decided to be implemented after occupying in the new premises.	Actions should be taken to implement the functions in the action plan.

4.2 Budgetary Control

The following observation is made.

Audit Observation	Comments of the Management	Recommendation
In the checking of budgeted income & expenditure information with actual income and expenditure information it was revealed that, variations from 04 percent to 707 percent were observed in 14 occasions. As such, the Budget had not been used as a successful management control tool.	Due to the increase in the foreign currency exchange rate and the increase in the bank interest rate, it was able to earn more income than expected. Further, expenses had been saved as the expenditure of the institute had been covered from the income of the self-financing courses and due to control of the expenditure.	The budget should be used as an effective control tool.