

1. Financial Statement

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 2022 comprising the statement of financial position as at 31 December 2022 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 Section 38 of the Sri Lanka Buddhist and Pali University Act No. 74 of 1981 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 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 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 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 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 board 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

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.

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

The following observations are made.

Non Compliance with the reference to particular Standard	Comments of the Management	Recommendation
(a) 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, property, plant and equipment costed for Rs.216,860,050 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.	The valuation department of the University of Sri Jayawardanapura has commenced the revaluation of wooden items, equipment and graduation cloaks, and those values will be taken into account in the year 2023. Action will be taken to revalue of curtains and carpets in the year 2023. Vehicles had been valued by Government Valuation Department on 10.04.2023 and upon the receipt of valuation reports, the revaluation values are expected to be adjusted.	The Sri Lanka Public Sector accounting standard 07 Should be followed.
(b) The donations of Rs.1,025,338 received during the year under review had not been recognized and measured according to Sri Lanka Public Sector Accounting Standard 11 in the preparation of financial statements.	Financial statements will be prepared in accordance with Standard No. 11 from the year 2023.	The Sri Lanka Public Sector accounting standard 11 Should be followed.

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
The two vehicles worth Rs.6,750,000 handed over to the University from the Presidential Secretariat on 11 March 2020 had not been accounted for even during the year under review.	Although the ownership of these two vehicles was transferred to the university by the end of 2022, the motor vehicle registration certificates were received by the university in February 2023. Vehicles were valued on 10 April 2023 by Government Valuation Department. Until the registration ownership of the vehicles was transferred to the University, valuation was not done by the Valuation Department.	Fixed assets in use should be properly valued and accounted for.

1.5.4 Un-reconciled Control Accounts or Reports

	Subject	Value as per the Financial Statement (Rs)	Value as per the Corresponding Records (Rs.)	Difference (Rs)	Comments of the Management	Recommendation
(a)	Scholarship & Endowment Funds	642,020	285,480	356,540	A cheque of Rs.356,540 has been deposited into that account on 29 December 2022. This cheque realized on 03 January 2023 and the amount of Rs.642,020 of scholarship and prize fund savings deposits in the accounts was correct.	Balance in the Savings Bank Book as on year end should be equal to Financial Statement Balance.
(b)	Accounting for timber items	1,485,475	316,450	1,169,025	No difference in the value of timber account, timber ledger account and fixed asset register as per financial statements.	The answer cannot be accepted. The values in the ledger and other relevant documents should match with the values in the financial statements.

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

The following observations are made.

Reference to Laws, Rules, and Regulations	Non compliance	Comment of the Management	Recommendation
(a) Section 11 of the Finance Act No. 38 of 1971	A sum of Rs.31,387,500 had been invested during the year under review without obtaining the approval of the Finance Minister.	Action will be taken to get treasury approvals as per the circular from the year 2023.	Action should be taken to comply with the Finance Act.
(b) Paragraph (VI) of section 15 of the Sri Lanka Buddhist and Pali Universities (Amendment) Act No. 37 of 1995	Although the members of the governing body to be appointed by the Minister should be those who have rendered excellent service in the fields of education, finance, law and administration, there was no person in the financial field in the governing body and two officers were appointed in the legal field.	The University has informed the Ministry of Education about this situation on 01.01.2021. However, a Chartered Accountant has been selected and appointed through the Institute of Chartered Accountants for the Audit and Management Committee and Treasury representatives have been appointed to both the Finance Committee and the Audit and Management Committee.	The Sri Lanka Buddhist and Pali Universities (Amendment) Act No. 37 of 1995 should be followed.
(c) University Grants Commission Circular No. 09/2019 dated 7 October 2019 (i) Annexure 3 – A	Although the post of Director of the Quality Assurance Unit should have been a full-time position outside of other major administrative responsibilities, a Professor of Buddhist Studies, head of a department, had been appointed to the position.	The approved cadre of academic staff posts in this university is 71. Out of that there are 20 vacancies in the cadre and no approval has yet been received to fill these vacancies. In such a situation, a full time appointment cannot be made for the Quality Assurance Centre. Based on the prevailing practical situation, it is not possible to appoint a lecture outside of full other responsibilities at this time.	Circular provisions should be complied.

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| (ii) Annexure 3 – B
(2) | Although the director should prepare operational guidelines for the quality assurance unit and prepare a three years strategic plan for the unit and get it approved by the governing body, only a committee was appointed in the year 2022. | The sub-committee appointed to prepare the 3-year strategic plan for the Quality Assurance Centre on the approval of the Senate has met several times and prepared its draft and further works are being carried out.
A sub-committee has been appointed with the approval of the Senate to prepare operational guidelines for the Buddhist and Pali University of Sri Lanka and currently the guidelines have been drafted. | Circular provisions should be complied. |
| (iii) Annexure 3 – C
(4) | Although an Assistant Registrar, a Management Assistant and a Work Assistant should be appointed on a permanent basis for the activities of the Director, an Assistant Registrar from the Internal Examination Division and a Management Assistant from the Faculty of Buddhist Studies had been appointed on temporary basis. | In the absence of sufficient officers for three divisions, it was not possible to appoint another permanent person from the approved posts. Action will be taken to discuss with the Ministry of Education and the Department of Management services to create those positions on permanent basis to the Quality Assurance Unit. | Circular provisions should be complied. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.11,165,325 and the corresponding deficit in the preceding year amounted to a Rs.47,275,438, thus observing an improvement amounted to Rs.58,440,763 in the financial result. The increase in government grants for recurrent expenditure by Rs.44,895,000 and increase in investment income and loan interest income by Rs.9,440,559 had mainly attributed to the said improvement.

2.2 Trend Analysis of major Income and Expenditure items

The previous year total income of Rs.440.2 million had been increased up to Rs.546.5 million in the year under review by 24 percent. The earned income of the university in the previous year was Rs.23.2 million and in the year under review was Rs.84.5 million respectively, thus the earned

income of the year under review compared to the previous year had been increased by Rs.61.3 million or 264 percent.

The total expenditure of the University in the previous year and the year under review were Rs.487.3 million and Rs.534.8 million respectively, thus increased by 47.5 percent in the year under review as compared to the previous year.

2.3 Ratio Analysis

The current ratio and the quick ratio in the year under review were 0.6 : 1 and 0.54 : 1 respectively, and those ratios in the previous year were 1.05 : 1 and 0.98 : 1 respectively.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) The research papers related to the research allowances which were given to 05 officials in the year under review amounting to Rs.2,166,924 were not completed even by 31 May 2023.	All the academic staff and officers were informed to complete and submit the research papers.	Research committee meetings should be conducted for all researches, progress should be monitored and research papers should be obtained by due date.
(b) In calculating the bond values of three lecturers who received domestic and foreign study leave from 2017 to 2020, the bond was under calculated by Rs.5,595,834 as research allowance and study allowance were not taken into account according to the annual salary increments.	Such errors will be avoided and dealt with correctly in the future .	The bond values should be calculated correctly.

3.2 Deficiencies in Contract Management

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Although the project for construction of a hostel building for 200 foreign students at an estimated cost of Rs.190,135,000 (excluding VAT) was scheduled to be completed on 11 April 2021, the contract period had been extended in two occasions and the completion date was scheduled to 30 August 2022. A sum of Rs.148,336,250 had been paid to the contractor as of 28 February 2022 and the construction work had been abandoned since May 2022. Action had not been taken by the university to recover the loss incurred by the government from the contractor in abandoning the contract before the expiry of performance bond.	The construction period had been extended twice due to the closure of the work site for more than 5 months due to the prevailed Covid-19 epidemic situation and the political crisis. As the construction company has not taken action to start the construction, a meeting conducted with the legal officer of the Ministry of Education on 21.03.2023 to take legal action and a letter was sent to the construction company on 11.04.2023. Also, although the relevant construction company was informed to renew the performance bond, response was not received.	Defects in contract administration should be rectified and the contracts should be completed in a manner that does not cause any loss to the government.
(b) Although an advance of Rs.14,508,834 had been given to the contractor on 18 November 2019 for the construction of the five-storied building at the Sri Lanka Buddhist and Pali University Colombo premises with an estimated value of Rs.252,327,545, Construction activities had not commenced till the end of the year under review. Although the money was retained in the private contractor's hand for more than 3 years, action had not been taken to recover even till 31 December 2022.	A bill has been submitted for the works done so far for the advance payment made to the contractor and the bill has been submitted to the building department for checking.	Defects of the contract administration should be rectified.

4. Accountability and Good Governance
4.1 Annual Action Plan

The following observation is made.

Audit Observation	Comments of the Management	Recommendation
According to the action plan during the year under review, under the objective of developing academic courses, updating the curricula of the courses and introducing short-term courses aimed at various professionals should have been carried out but the related activities had not been carried out. Less than 100 students had been registered in each subject in Diploma and Short-term courses during the year under review.	The registered value was more than the stated numeric value.	Action should be taken to achieve the goals in the action plan.