

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Bhikku University of Sri Lanka for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 material accounting policy information, 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 National Audit Act. No. 19 of 2018 and Finance Act No 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the University as at 31 December 2024, 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 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 determines 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 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 Audit Scope

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 or the override of internal control.
- Obtain an understanding of internal control 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 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 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 had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

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

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 104	According to the Library Materials Verification Report of the year 2022, although it should conduct investigations on 5221 missing books worth of Rs.444,108 and the responsible parties should have been identified and the loss incurred should have been recovered from them, deviating from that, the items had been removed from the Register of Accession as per a decision of the Governing Council meeting.	As the governing authority has the power to write off the misplaced books when a formal survey is conducted for the first time, as per the provisions of 7.6 v of the University Grants Commission Circular No. 01/2022 (General guidelines – a) the writing off had been done.	Financial Regulations should be followed.

1.6 Information Technology (IT) General Controls Methods

Audit Observation	Comments of the Management	Recommendation
Although the activities of the Information Technology System of the Resource Management (ERP) cost at Rs. 08 million should have been completed by 31 May 2018, and Rs. 4,074,250 had been spent by 31 December 2024, the University had been unable to achieve the expected benefits due to the non-completion of the relevant project.	All divisions of the University are executing the ERP systems on a test run basis, and the relevant institute is rectifying any problems that arise during the operation of the system and being executed it for a period of 6 months.	The bidder should be selected according to the bid conditions, and action should be taken to complete the contract and utilize the assets effectively and efficiently as per the agreement.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 6,044,580 and the deficit in the preceding year as against to that was Rs. 92,979,934. Therefore, an improvement of Rs. 99,024,514 of the financial result was observed. The increase in recurrent and capital grants by Rs. 173,724,857 had mainly caused for this improvement.

2.2 Trend Analysis of Major Income and Expenditure Items

When examining the trends in the main income and expenditure items of the year under review, income and recurrent nature expenditures had increased by 66 per cent and 876 per cent respectively as compared to the previous year.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although a student hostel was constructed and completed at a cost of Rs. 80,843,406 with the intention of providing residential facilities to 25 foreign student monks without preparing a suitable program to enrol foreign student monks and without conducting a feasibility study before constructing the student hostel, only 03 foreign student monks had obtained hostel facilities during the academic years of 2022/2023 and 2023/2024.	Foreign students have shown more tendency to do studies through the online methods due to the Covid-19 pandemic, and actions are being taken to provide hostels to applicants proposed to be enrolled in the year 2025. Since there is a shortage of hostels for University academic staff, hostel facilities have been provided to several monks of the academic staff in the foreign student hostel.	Necessary actions should be taken to maximize the utilization of assets.
(b) Actions had not been taken to recover the total amount of Rs. 335,884 spent during the year under review on water and electricity bills of the Registrar's official residence.	A letter has been sent to the Governing Council seeking advice regarding the collection of money, and further actions will be taken accordingly.	Action should be taken to recover the receivables promptly.

(c) Action had not been taken to recover the loan amount of Rs. 638,171 receivable from an apprentice lecturer monk since the year 2018.	The Provident Fund balance of the Monk has not been released, and actions will be taken to recover the Provident Fund Loan amount and the interest thereon in releasing the fund balance.	-do-
(d) The total of the 03 creditor balances to be settled at the end of the year under review was Rs. 1,431,217.	Since there was not enough balance in Mahopadhya Fund account to cover the expenses to be borne from that account it was decided that the expenses would be met from the Development Fund of the University and it is stipulated to settle after the maturity of the fixed deposits of the Mahopadhya Fund.	Action should be taken to settle the outstanding amount.

3.2 Transactions of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
Although the monthly rent for the official residences used by the Mahopadhya and the Registrar was assessed at Rs.14,000 and Rs.15,000 respectively according to the valuation reports obtained by paying Rs.19,821 to the Valuation Department, it was decided in a meeting of the Governing Council not to charge rent from the Mahopadhya, and to refund the monthly rent of Rs.5,000 that was being charged, and to continue to charge the monthly rent of Rs.4,000 that was being charged from the Registrar.	The charging of official residence fees will be implemented in accordance with the 291 st Governing Council Decision.	Actions should be taken as per the Establishment Code.