

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the of Post Graduate Institute of Pali and Buddhist Studies (“Institute”) for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 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 and 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 Sub-section 107(5) of the Universities Act read in conjunction with 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, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2025, 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 (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 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 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.
- Whether the Institute 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

	Reference to Laws, Rules, and Regulations	Non compliance	Comment of the Management	Recommendation
(a)	Section 39 (4) of the Public Finance Management Act, No. 44 of 2024	Eleven funds amounting to Rs. 132,397,880 had not been dissolved or converted into statutory funds within one year from the date on which the Act came into operation, by 07 August 2025.	All reports regarding institutional statutory funds have been submitted to the University Grants Commission in the year 2025.	These funds should be dissolved and the relevant transactions should be conducted through the University Fund.
(b)	Financial Regulations code of the Democratic Socialist Republic of Sri Lanka F.R. 570	Seven retention deposits amounting to Rs. 1,084,789, which had remained for more than 2 years after completion of the relevant work, had not been credited to Government Revenue.	Relevant contractors have been informed to claim the deposits, and steps have been taken to credit any retention amounts that remain unclaimed to the institutional income.	Deposits exceeding 2 years should be credited to government revenue
(C)	Paragraph 3 of Chapter XLVII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and Financial Regulation 870 of the Financial Regulations	Gifts and other items received by a public officer should be regarded as gifts received solely by virtue of the position held by such officer as a representative of the Government. If a gift or any other item is received from a foreign Head of State or a foreign representative, the Secretary to the Ministry of Foreign Affairs should be informed, and such gift or item should be accounted for	It has been reported to the management board and approval has been obtained regarding the establishment of this financial donation and fund.	In accordance with the Establishments Code and the Financial Regulations, the aforesaid donation should be accounted.

	code of the Democratic Socialist Republic of Sri Lanka.	as a donation received by the institution. However, a donation amounting to Rs. 6,628,501 received by the Director Monk of the institution in 2023 had been credited to an account under the name of Health Insurance Fund Account for Permanent Staff. Further, interest income amounting to Rs. 2,405,600 earned through the investment of the deposits had been distributed among the permanent staff members of the institution without obtaining formal approval.	
(d)	Paragraphs 4.1.1 and 4.1.3(b) of the Procurement Guidelines for Goods, Works, and Non-Consultancy Services published through the Gazette dated 25 November 2024.	A Master Procurement Plan based on an action plan covering a 3 year period in alignment with the Medium Term Budgetary Framework should have been prepared for each Procuring Entity, while the Detailed Annual Procurement Plan should have included, for each relevant procurement package, the procurement activities and sub activities, together with the relevant prior and/or post review activities and their respective timeframes, commencing from the date of invitation for bids up to the award and completion of the contract. However, the institution had not acted accordingly.	Going forward, actions will be taken in accordance with Paragraph 4.1.1 of the Procurement Guidelines, based on institutional allocations. A comprehensive procurement plan with timeframes must be prepared in accordance with the Procurement Guidelines.

(e) Public Enterprises Circular No. 2021/01 dated 16 November 2021 issued by the Secretary to the Treasury.			
(i) Paragraph 3.2	Although the Annual Performance Review Meeting (APRM) should have been held before the lapse of five months from the end of the financial year and prior to the submission of the annual report to Parliament, the institution had not acted accordingly.	Arrangements will be made to hold the Annual Performance Review Meeting upon receipt of the final audit report for the year 2026 and before the Annual Report is presented to Parliament.	Performance Review Meetings should be conducted in accordance with the Public Enterprises Circular.
(ii) Paragraph 01 of Annex 01	Although it was stated that a gap analysis should be conducted to identify the discrepancies between the institution's current status and the desired state in accordance with the specified objectives, and that the identified gaps should be addressed with appropriate strategies, the institution had not acted in that manner when preparing the strategic plan.	Instructions have been given to act in accordance with Public Enterprise Circular No. 01/2021 dated 16 November 2021.	A gap analysis should be conducted in accordance with the Public Enterprises Circular, and appropriate actions should be identified accordingly.
(f) Establishments Code for the University Grants Commission and Higher Educational Institutions			
(i) Paragraphs 3.1 and 3.2 of Chapter IX	During the period from September to December 2025, 20 officers of the institution failed to record their arrival and departure on	The fingerprint machine is used to record arrivals and departures at the institution and this situation was observed	In accordance with the University Establishments Code, a formal system should be

	63 occasions, using either the fingerprint scanner or a register on 63 occasions. Also, during the year under review, Rs. 74,243,916 had been paid as salaries and allowances to the academic staff without properly verifying their attendance and departure through a register/machine or by any other formal means.	due to factors such as instances where duties conclude at the final destination when traveling away from the office, and power failures causing the machine to become inactive. Also, the members of the academic staff are being informed to take appropriate measures to ensure the proper verification and maintenance of records of arrival and departure.	introduced for recording attendance, departure, and leave.
(ii) Paragraph 2 of Chapter X	During the year 2025, 20 officers had left the institution on 31 occasions during the duty hours without obtaining proper authorization.	Instructions have been given to rectify.	A procedure should be established to obtain personal leave when leaving the institution during duty hours for personal matters.
(g) Paragraph 4(ii) of Management Services Circular No. 2/2014 dated 11 February 2014	Research allowances amounting to Rs. 5,400,597 were paid during the year 2025 to 12 officers who had not obtained approval for the payment of research allowances upon submitting interim research reports.	Instructions have been issued to make payments upon obtaining research progress within a period of 6 month in 2026.	The action should be taken to approve research reports prior to making payments of research allowances.
(h) University Grants Commission Circular Letter No. 15/2015 dated 17 November 2015	The institution had taken a period ranging from 137 to 218 days to release the examination results for 58 subjects relating to 08-degree programmes conducted during the 2024 academic year.	A time frame has been prepared for the year 2026, and action is being taken accordingly.	In accordance with the circular, arrangements should be made to release examination results before 03 months.

1.6 Non-compliance with tax regulations

Audit Observation	Management Comment	Recommendation
In accordance with Paragraph 4 of the Inland Revenue Department Circular No. SEC/2023/02 dated 18 July 2023, the full value of the benefits provided to employees in the form of travel, transportation, or related facilities should be taken into consideration when calculating Advance Personal Income Tax. However, contrary to the above requirement, only 25 per cent of such allowances had been taken into consideration in the calculation of Advance Personal Income Tax. As a result, the Advance Personal Income Tax applicable to an officer had been underpaid to the Inland Revenue Department by Rs. 33,347.	Arrangements would be made to recover the tax at 100 per cent from April 2026.	Advance tax should be calculated in accordance with the Inland Revenue Department circular.

2. Financial Review

2.1 Financial Result

The operating result for the year under review was a surplus of Rs. 18,222,835, and the surplus in the preceding year was Rs. 49,809,582. Therefore, a deterioration amounting to Rs. 31,586,747 of the financial result was observed. The decrease in non-exchange capital income receipts and the increase in operating expenses had mainly caused to this.

2.2 Trend Analysis of Major Income and Expenditure Items

- (a) The total income for the year ended 31 December 2025, was Rs. 308,128,434 and the corresponding income for the previous year was Rs. 279,474,144. Total income had increased by 10.25 per cent compared to the previous year.
- (b) The total expenditure in the year under review was Rs. 289,905,599, and the total expenditure in the year 2024 was Rs. 229,664,562. Accordingly, the total expenditure in the year under review had increased by Rs. 60,241,037 equivalent to 26.23 per cent compared to the year 2024.

3. Operational Review

3.1 Management inefficiencies

Audit Observation	Management Comment	Recommendation
Without a proper assessment or plan regarding the quantity of books that could be sold, the institution had 790 unsold copies of 22 books printed in 2024 and prior years, with a cost of Rs. 314,027, and 820 unsold copies of 7 books printed in 2025, with a cost of Rs. 682,383 had remained idle due to the inability to sell.	In recent times, only around 150 copies have been printed and the primary objective of publishing these books is not solely to generate financial profit through sales, rather, the institutional value and contribution of scholarly and academic publications are given priority.	Books should be printed based on a formal sales forecast.

3.2 Operational inefficiencies

Audit Observation	Management Comment	Recommendation
Although Rs. 1,118,982 had been allocated during the past three years from the income generated by the self-financing courses, namely the Postgraduate Diploma in Buddhist Ayurvedic Counselling (Sinhala) and the Master of Arts in Buddhist Ayurvedic Counselling (Sinhala), for the maintenance of the Meditation and Counselling Centre, only Rs. 840 had been spent on the Counselling Unit during the year under review. Therefore, the above allocations had not been utilized effectively for their intended purposes.	A coordinator has been appointed to implement practical meditation programmes at the Meditation Unit for the year 2026. Accordingly, a plan and budget proposal for the relevant programme have been prepared and submitted for approval by the relevant authority. The programme is scheduled to be implemented upon obtaining formal approval.	Allocations should be utilized to achieve the objectives.

3.3 Vehicle System Management

Audit Observation	Management Comment	Recommendation
Although Paragraph 3.3 of Public Administration Circular No. 30/2016 dated 29 December 2016, relating to the maintenance of government vehicles, stipulates that information relating to monthly fuel usage should be maintained in the prescribed format, this had not been complied with.	That instructions have been given to update in accordance with the relevant format.	The information should be maintained in accordance with the format for maintaining the information specified in the circular

4. Accountability and Good Governance

4.1 Objectives and Corporate Plan

In order to achieve the objectives of increasing opportunities and access to higher education, becoming the foremost higher educational institution for teaching Theravada Buddhist philosophy, improving employability and promoting efficiency together with promoted ethical and spiritual values, the institution had conducted sixteen internal courses and six self-financed courses.

In 2025, the institute produced a total of 592 graduates, comprising 451 Master's degree holders (local), 41 Master's degree holders (foreign), 84 Postgraduate Diploma holders, and 16 Master of Philosophy degree holders.