

Sri Lanka Bhiksu University - 2012

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Bhiksu University of Sri Lanka as at 31 December 2012 and its financial performance and cash flow for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.2.1 Best Accounting Practices

The following Best Accounting Practices had not been followed.

- (a) Thirteen items of assets costing Rs. 22,266,722 continued to be used although they had been fully depreciated. Action had not been taken to revalue and bring them to accounts.
- (b) The information relating to the case filed in the courts claiming a compensation of Rs.500,000 from the Sri Lanka Bhiksu University had not been disclosed in the financial statements.

1.2.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The construction work of the garage for vehicles at the Nandana Mawatha premises had been completed in 2012 and its value was Rs.698,098. This had not been transferred to the fixed assets account and as such the value of work in progress and the assets account as at and of the year under review concerned had been overstated and understated respectively.

- (b) The sum of Rs. 2,359,975 received by selling a van belonging to the University had been transferred to the capital reserve account. But of the amount received by selling the van, a sum of Rs.1,995,000 had been spent to purchase a lorry and the value concerned had been removed from the capital reserve account. As a result, the Capital Reserve Account had been overstated by Rs.1,995,000. The balances of Rs.364,975 remaining after purchasing the lorry had not been credited to the Consolidated Fund in terms of the circular of the Secretary to the Treasury No.PF/FS/A/Vehic/2011 dated 06 may 2011.
- (c) The expenditure on repairs amounting to Rs.94,765 relating to the year under review which had been paid by the Sri Lanka Bhiksu University in 2013 had not been shown under accrued expenses in the financial statements.
- (d) The depreciation on office equipment for 2012 was Rs.512,402. However, this had been shown as Rs.702,069 in the financial statements resulting in overstatement of depreciation on fixed assets for the year under review by Rs.189,667 while the fixed assets account and the annual deficit had been understated by similar amounts.
- (e) Four types of expenditure amounting Rs.1,243,560 which were not relevant to research activities had been accounted under research expenditure.

1.2.3 Lack of Evidence for Audit

 The evidence indicated against the following items of accounts shown in the financial statements had not been furnished to audit.

Item of Account -----	Net Value as per Schedule -----	Evidence not Furnished -----
(a) Buildings	164,662,606	(i) Boards of Survey Reports (iii) Detailed Schedules

(b) Office Equipment	2,334,252	} Detailed Schedules
(c) Teaching Equipment	815,296	
(d) Machinery and Plant	680,375	
(e) Tools and Equipment	1,335,550	
(f) Furniture and Equipment	9,461,991	
(g) Computer Hardware	5,783,352	} (i) Detailed Schedules (ii) Register of Fixed Assets - Computers
(h) Computer Software	814,414	

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc.,	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. ----- FR104	Action had not been taken in trams of the FR with regard to the loss of Rs.290,164 caused to 2 vehicles of the University on 3 occasions.
(b) Circular Provisions ----- Public Administration Circular No. 13/2008 (iv) dated 09 February 2011 and No. 13/2008 dated 26 June 2008	During the year under revie, the Venerable Mahopathyaya of the University had obtained 1406 liters of fuel for Rs.169,123 exceeding the monthly fuel limits of 225 liters entitled to him without the approval of the Secretary to the Ministry of Higher Education, as required by the circular.

2. **Financial Review**

2.1. **Financial Results**

According to the financial statements presented, the operating results of the University for the year under review had resulted in a deficit of Rs.25,060,055 as compared with the deficit of the previous year amounting to Rs.14,853,726. The deterioration in financial results for the year under review as compared with the previous year amounted to Rs.10,206,329.

2.2 **Analytical Financial Review**

The financial results of the year under review was a deficit of Rs.25,060,055 and the amount granted by the General Treasury for incurring recurrent expenditure was Rs.83,512,127. However, after incurring the University's outgoing expenditure the deficit was Rs.6,217,326. The expenditure that does not flow out of the University such as, the provision for depreciation of fixed assets amounting to Rs.19,971,415 and the provision for gratuity amounting to Rs.1,206,694 which had been written off against the income of the year under review aggregated Rs.21,178,109 and these had attributed to the deficit of the year under review. The increase in expenditure that does not flow out of the University during the year under review was Rs.1,292,367 as compared with that of the previous year and this had attributed to the increase in deficit of the year under review.

2.3 **Legal action against the University**

A case had been filed in the courts Claiming a compensation of Rs500,000 from the Sri Lanka Bhiksu University with reference to the accident caused to an outsider by a vehicle of the University on 09 June 2011.

2.4 **Abnormal increase in Expenditure**

There were abnormal increase in 7 items of accounts of the Sri Lanka Bhiksu University in the year 2012 as compared with the year 2011. Details are as follows.

Details of Item of Expenditure	Actual Expenditure 2012	Actual Expenditure 2011	Increase	Increase, as a percentage
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	Rs.	Rs.	Rs.	%
Stationery and office consumption materials	1,358,901	710,278	648,623	91
Fuel and oil	1,480,777	750,802	729,975	97
Minor repairs to equipment and vehicles.	1,692,137	862,960	829,177	96
Maintenance of buildings	473,736	147,126	326,610	221
Maintenance of equipment.	662,225	404,304	257,921	64
Printing and advertisement activities.	1,071,459	361,738	709,721	196
Garden maintenance services	4,113,867	2,808,714	1,305,153	46
	<u>10,853,102</u>	<u>6,045,922</u>	<u>4,807,180</u>	

3. Operating Review

3.1 Transactions of the Contentious Nature

A sum of Rs.169,614 had been paid as air fare to a lecturer of an American University who arrived for the inaugural lecture of the international Buddhist seminar of the Sri Lanka Bhiksu University in 2012. The following observations are made in this connection.

- (a) A sum of Rs.169,602 had been paid in favour of the lecturer by cash instead of paying by cheque Contravening Financial Regulation 385 (1).
- (b) According to paragraph 03 of the Public Finance Circular No.431 dated 24 April 2008 of the Secretary to the Ministry of Finance and Policy, Planning, air tickets should be purchased through the BOC travels (Pvt) Ltd and People's Travels (Pvt)Ltd, the subsidiary companies of state banks.

However, contravening it, air tickets amounting Rs.169,614 had been purchased on a quotation from a private, institution, without calling for quotations. But, the price Payable to the people's Travels (Pvt)Ltd, the approved institution referred to in the above circular was Rs.156,700 As such, the loss caused to the University Fund was Rs.12,914.

- (c) None of the counterfoils of the above air tickets, a copy of the air travel permits or any other written documents had been furnished to audit, as required by Financial Regulation 264(1).

3.2 Deficiencies in Contract Administration.

The following observations are made.

- (a) Construction of the Administration Building.

- (i) The Cabinet of Ministers had approved the construction contract of the Main Administrative Building to the State Engineering Corporation on 17 June 2008 to Design and Build on the rates approved by the Standing Technical Committee of the Ministry of Construction and Engineering Services. Accordingly, the estimate for Rs.83,338,055 forwarded by the State Engineering Corporation was presented to the Standing Technical Committee of the Ministry of Construction and Engineering Services and the rates specified in the estimate had been revised to make it Rs.68,062,631 and approval granted accordingly. But, the contract had been awarded for Rs.15,275,424 more than the amount approved by the technical evaluation committee, that is Rs.83,338,055 which was the estimated amount of the State Engineering Corporation.

- (ii) This contract had been completed on 16 June 2010 and handed over to the University Meanwhile, a sum of Rs.72,507,363 had been paid to the institution concerned, except the payment due on the final bill. The permanent technical evaluation committee of the Ministry of Construction and Engineering Services had revised this

estimate to Rs.68,062,631 and had approved it. As such, the overpayment up to now amounted Rs.4,444,732.

(iii) Although the contract had been completed and handed over to the University on 16 June 2010, the work completion report had not been obtained from the consultancy institution concerned even as at 15 March 2013 as required by Procurement Guidelines 8.12.2.

(b) Construction of a building for Languages Studies Faculty.

The construction of the building for Languages Studies Faculty had been entrusted to the State Engineering Corporation by the Cabinet of Ministers, subject to the following conditions.

"the competitiveness of the prices quoted in the estimates of the State Engineering Corporation to be forwarded of the Permanent Technical Evaluation Committee of the Ministry of Construction Engineering Services Housing and Common Amenities for approval, to assign the work to the State Engineering Corporation at that price".

The following observations are made in this connection.

- (i) The Secretary to the Ministry of Construction and Engineering services had granted approval to award the contract for Rs.213,000,000 on the recommendations of the Technical Evaluation Committee. However, contravening this, the work had been entrusted to the State Engineering Corporation at an estimated value of Rs.275,233,521.
- (ii) The Technical Evaluation Committee had not approved the payment of Rs.1,996,850 for the preliminary work mentioned in the estimate and it was observed that these items were reflected in the profit margin. But, a sum of Rs.213,833 had been paid for this item.
- (iii). As a result of awarding the contract at the estimated price, the mobilization advances and the related Value Added Tax of Rs.14,013,888 had been overpaid. According to the Letter No. 4/2/5/265 dated 19 December 2011 of the Secretary to the Ministry of Construction Engineering Services, Housing and Common Amenities, 4 per cent of the

building work and provisional sum alone could be paid as consultancy fees. However, 4 per cent of the total estimated amount had been paid as consultancy fees resulting in an overpayment of consultancy fees of Rs.78,131.

(c) Construction of a Water Supply Scheme

The construction of an overhead tank, a sump and a pump house under the construction of water Supply Scheme Project had been entrusted to the State Engineering Corporation and the State Engineering Corporation had furnished an estimate for Rs.11,868,561 in this connection. The procurement Committee of the Sri Lanka Bhiksu University had decided to assign the work to the State Engineering Corporation at this estimated value without the recommendations of the Technical Evaluation Committee. The State Engineering Corporation had carried out all functions including preparation of an estimate for the Project, consultancy and construction Service.

3.3 Human Resources Management

During the year under review, there were 11 vacancies in the academic staff and 13 vacancies in the non academic staff, as shown below.

(a) Academic Staff

Designation	Approved	Actual	Vacancies
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i. Venerable Mahopathyaya	1	1	-
ii. Professor	4	1	3
iii. Lecture	29	26	3
iv. Senior Assistant Librarian	1	-	1
v. Temporary Lecture	5	2	3
vi. Computer Consultant	1	1	-
vii. English Instructor	2	2	-

viii.	Instructor of Buddhism	1	-	1
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		44	33	11
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(b) Non Academic Staff

----- Designation -----	----- Approved -----	----- Actual -----	----- Vacancies -----
(i) Executives	11	7	4
(ii) Non executives	32	27	5
(iii) Minor employees	27	23	4
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	70	57	13
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4. Accountability and Good Governance

4.1 Procurement Plan

According to the Procurement Plan of the University, the annual requirement should be determined early and the required quantity should be purchased accordingly. However, instances were observed where it had not been done so.

4.2 Tabling of Annual Report

The annual report of 2010 had been tabled in parliament on 20 May 2012. The annual report of 2011 had not been tabled in Parliament.

5. Systems and Controls

Deficiencies in systems and controls observed in audit were brought the notice of the Venerable Mahopathyaya from time to time. Special attention is needed in respect of the following areas of control.

- (a) Contract Administration.
- (b) Financial Control.
- (c) Human Resources Management.
- (d) Budgetary Control.