

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 2021 comprising the statement of financial position as at 31 December 2021 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 in under Section 18 of the Universities Act No. 16 of 1978, 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 2021, 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 institute 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 observations are made.

Non-compliance with reference to the Particular Standard	Comments of the Management	Recommendation
(a) Since useful life time of the non-current assets had not	Instructions had been given to review and take further action	Sri Lanka Public Sector Accounting

been reviewed annually in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, fixed assets costing Rs. 9,387,358 were further 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.

- (b) The capital grants received during the year under review amounted to Rs.100,000,000 had not been recognized and measured in the financial statements in accordance with Sri Lanka Public Sector Accounting 11. Adjustments will be made in the preparation of the final accounts in the year 2022. Sri Lanka Public Sector Accounting Standards should be complied.

1.5.3 Un-reconciled Control Accounts or Records

Item	Value as per Financial Statements	Value as per the Corresponding Record	Difference	Comment of the Management	Recommendation
Fixed Assets	35,422,728	31,601,059	3,821,669	Necessary correction is being done expeditiously.	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.23,028,123 as compared with the corresponding deficit of Rs.2,045,577 for the preceding year, thus observing an improvement of Rs. 25,073,700 in the financial result. Increase in revenue from self-financing program and increase in government grants 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) Out of 900 publications and periodicals printed in the year 2021, 851 publications and periodicals costed for Rs. 242,964 and 1,759 publications and periodicals costed for Rs. 516,849 which had been printed many years ago remained unsold as on 31 December 2021 due to the fact that publications and periodicals were printed without proper evaluation related to sales.	The sales of books were decreased due the attendance of students to the institute was limited as that all the lectures of the institute were conducted online in the academic year.	Publications and periodicals should be printed after proper evaluation in the sales.
(b) Although the construction of the four-storied building, which was started in the year 2019, was supposed to be completed by 13 May 2021, construction work was not completed even by 30 April 2022. As such, a rent of Rs. 10,176,604 had been paid for the rented building where the institute is currently located for the period from June 2021 to April 2022 due to the building was further in use.	Scheduled to shift into the new building in 2022.	Action should be taken to complete the construction of the building as soon as possible and should be put to use.

3.2 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
Recruitment was not done for the post of Bookkeeper, which was vacant from 08 February 2021, till the date of audit, 29 April 2022.	Action will be taken regarding this post as per the instructions to be received from the Ministry.	Recruitment should be done only for essential posts.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Management Comment	Recommendation
12 activities were identified under 03 main targets in the action plan prepared for the year 2021. Out of the 12 planned activities 04 activities could not be implemented and progress in 7 activities was ranged from 2 percent to 57 percent.	Although the academic activities of years 2020/2021 were conducted through online communication technology, it was not possible to fully implement the planned activities due to the epidemic situation.	Actions should be taken to carry out the identified activities to achieve the objectives of the institute.