

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of financial statements of the Bhikku 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 and a summary of significant accounting policies and other explanatory 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 the Section 46 of the Buddhashravaka Bhikku University Act No. 26 of 1996, Finance Act No 38 of 1971 and National Audit Act. No. 19 of 2018. My comments and observations which I consider should be reported 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 financial statements give a true and fair view of the financial position of the Bhikku University of Sri Lanka as at 31 December 2022, 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 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 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 Auditor's Responsibility for 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 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 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 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.

### **1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards**

| <b>Non Compliance with the Reference to the Particular Standard</b>  | <b>Comment of the Management</b>   | <b>Recommendation</b>  |
|--|--|--|
| (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, assets costed for Rs.35,695,254 were further in use despite being fully depreciated. As such, action had not been taken to revise the said estimated error in terms of Sri Lanka Public Sector Accounting Standard 03. | The revaluation of noncurrent assets has been started in the year 2022.                      | Sri Lanka Public Sector Accounting Standards should be followed. |
| (b) Capital grants of Rs.23,110,000 received during the year under review had not been identified in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard 11.   | No reply was made.   | Sri Lanka Public Sector Accounting Standards should be followed. |
| (c) As per the paragraph 117(d) of Sri Lanka Public Sector Accounting Standard 20, although intangible assets should be shown as a separate item in the statement of financial position rather than under property, plant and equipment, the value of computer software costing for Rs.495,140 was shown under property, plant and equipment in the statement of financial position.       | This item will be shown as an intangible asset in the financial statements of the year 2023. | Sri Lanka Public Sector Accounting Standards should be followed. |

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

|     | <b>Reference to Laws, Rules, Regulations etc.</b>  | <b>Non-compliance</b>  | <b>Comments of the Management</b>   | <b>Recommendation</b>   |
|-----|--|--|---|---|
| (a) | Section 11 (b) (XV) of the Buddhashravaka Bhikku University (Amendment) Act No. 15 of 2012 | According to the relevant amendment act, there should be an examination to confirm the officers at the end of the probationary period, but contrary to that, two Assistant Audit Officers working in the Internal Audit Division were confirmed without conducting an examination in accordance with section 25 of the Buddhashravaka Bhikku University Act No. 26 of 1996 on the approval of the Governing Council. | In accordance with section 25 of the Buddhashravaka Bhikku University Act No. 26 of 1996 and the Section 21.1.4 of Chapter III of the Establishment Code for University Grants Commission and for Higher Education Institutions, the Governing Council has taken related activities for confirmation. | Buddhashravaka Bhikku University (Amendment) Act No. 15 of 2012 should be followed. |
| (b) | Establishment Code of the Democratic Socialist Republic of Sri Lanka                       |  |   |   |
| i.  | Paragraph 5.2 of Chapter XIX   | House rent had not been charged from 09 academic staff members residing in scheduled houses and two other housing beneficiaries of academic and non-academic staff were charged Rs.500 and Rs.2,000 each per month respectively against the provisions of the Establishment Code.  | The report containing hostel guidelines and charges had been approved by the 272 Governing Council held on 10.03.2023 and based on that report, fees have been charged from April 2023.   | Provisions of the Establishment Code should be followed.                            |
| ii  | Paragraph 5.8 of Chapter XIX   | An amount of Rs.6,187,804 for electricity for 06 hostels and quarters and an amount of Rs.1,583,661 for water for 05 hostels and quarters provided by the university   | Common connections have been obtained for water and electricity for the main premises and the same water and electricity supplies are used for garden   | Provisions of the Establishment Code should be followed.                            |

had been paid by the university fund in the year under review. Also, no arrangements were made to fix separate electricity and water meters for these quarters.

maintenance and other activities of the university, so it was not possible to determine the cost of water and electricity under the hostels while providing hostel facilities.

That this audit query will be referred to the Staff Residency Committee (S.R.C.) and a decision will be taken.

## **2. Financial Review**

### **2.1 Financial Results**

The operating result of the year under review had been a deficit of Rs.19,423,278 as compared with the corresponding deficit of Rs.47,292,364 in the preceding year, thus observing an improvement of Rs.27,869,086 in the financial result. Increase in recurrent grants by Rs.53,800,000 and increase in interest on investment and sundry income had mainly attributed to this improvement.

### **2.2 Ratio Analysis**

The current assets ratio of the previous year was 1:1.36 and it had improved to 1:1.37 in the year under review. The quick ratio had increased from 1:1.32 to 1:1.29.

## **3. Operational Review**

### **3.1 Transactions of Contentious Nature**

| <b>Audit Observation</b>   | <b>Comments of the Management</b>   | <b>Recommendation</b>   |
|--|---|---|
| The management had decided to hold the General meeting of the Non Academic General Staff Trade Union of Sri Lanka Bhikku University in an area outside of Anuradhapura district. As such, the transport charges of Rs.788,000 for the participation of officials in the meetings held in 2019 and 2020 had been paid from the university fund was controversial. Further, the meeting of the year 2019 was held in Sigiriya area and the meeting of the year 2022 was held in Trincomalee area and a total additional transportation charge of Rs.642,711 had been paid mentioning that the meeting was held in Kataragama area. | The trade union has informed in writing that the Trade Union General Meeting on 23 September 2022 and on 22 November 2019 were held in Kataragama. Action will be taken to conduct a preliminary investigation in this regard and referred to the Governing Council to take a further decision. | Audit observations should be reviewed and necessary arrangements should be made for settlement. |

### 3.2 Management Inefficiencies

| <b>Audit Observation</b>   | <b>Comments of the Management</b>  | <b>Recommendation</b>  |
|--|--|--|
| According to Section 3(i) and 3(v) of the Buddhashravaka Bhikku University Act of 1996, all the teaching and course activities of the university should be based on the objective of training the Bhikku students in accordance with the teachings of Lord Buddha, contrary to that, the post-graduate, external degree and extension course unit of the university had arranged to conduct an advanced certificate course in astrology. | According to Section 3(V) of the Buddhashravaka Bhikku University Act of 1996, astrology has adapted with Buddhist culture in Sri Lanka and, accordingly, the Advanced Certificate Course in Astrology has been started with the approval of the Senate and the Governing Council. | Only relevant courses should be conducted in a manner that fulfills the objectives of the Act. |

### 3.3 Idle or underutilized Property, Plant and Equipment

| <b>Audit Observation</b>  | <b>Comments of the Management</b>   | <b>Recommendation</b>  |
|---|---|--|
| The construction of hostel for 25 foreign students had been completed by 14 January 2020 at a cost of Rs.80,843,406, and, although more than 03 years had passed since the construction was completed, only one student was staying in the building by 15 March 2023, the date of audit. As such, the building and the electricity and fixtures costing for Rs.3,411,000 remained idle for a long time. | That only one foreign monk student had registered to pursue an internal degree. | Necessary actions should be taken to utilize assets effectively. |

### 3.4 Deficiencies in Contract Administration

| <b>Audit Observation</b>  | <b>Comments of the Management</b>   | <b>Recommendation</b>  |
|---|---|--|
| (a) The contract of Rs.08 million for installation of information technology system on resource management (Enterprise Resource Planning) should have been started on 01 June 2017 and completed by 31 May 2018. Even though Rs.04 million had been spent even by 31 March 2023, the system had not been completed. | After getting the internet connection to the university, instructions have been given to the relevant supplier to rectify the existing defects in the ERP modules and hand them over to the university. | Arrangements should be made to complete the contract as per the agreement and to use the assets effectively and efficiently. |

- (b) Although the construction of the multi-purpose building of the Sri Lanka Bhikku University should have been started on 22 May 2020 and completed by 01 May 2022 at a contract value of Rs.384,409,981, the dates were being extended even till 30 April 2023 and abandoned midway due to financial difficulties. It was revealed in the audit inspection that an amount of Rs.5,000,578 was paid for work not done and contractor was overpaid Rs.6,603,970 for bills.
- Since this contractor has restarted the work of the project on 25.04.2023, according to your observations, attention will be paid in this regards and the recommendation will be given for the related payment activities in the future.
- Audit observations should be reviewed and proper action should be taken for settlement.