

Buddhist and Pali University of Sri Lanka 2013

The audit of financial statements of the Buddhist and Pali University of Sri Lanka for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended 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 Section 13 (1) of the Finance Act, No.38 of 1971 and Section 38 of the Buddhist and Pali University of Sri Lanka Act, No.74 of 1981.

My comments and observations which I consider should be published with the Annual Report of the University in terms of Section 14 (2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Managements is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such in terminal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of financial statements 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 University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Buddhist and Pali University of Sri Lanka as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

Furniture and equipment costing Rs.2,193,737 fully depreciated but still in use had not been revalued and the gross carrying value of those assets had not been disclosed in terms of Sri Lanka Public Sector Accounting Standard No.07.

2.2.2 Accounting Deficiencies

The value of physical balance of the stock of publications as at 31 December of the year under review amounting to Rs.394,568 had been shown as Rs.506,416 in the financial statements and as such the current assets had been overstated by Rs.111,848.

2.2.3 Lack of Evidence for Audit

Records in respect of the arrival and departure of the academic staff had not been maintained in terms of section 3 of Chapter xx of the Establishments Code for Higher Education Institutions. As a result, salaries and allowances totaling Rs.54,449,743 paid to them could not be established.

2.3 Accounts Receivable and Payable

The value of retentions on contracts in the year under review amounted to Rs.11,971,616 and out of that retentions older than 5 years totaled Rs.9,635,190.

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

The following non-compliance with laws, rules, regulations and management decisions 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. Financial Regulation 371(2) | Advances of Rs.500,000 each had been given to an officer two times in November 2013 in excess of the maximum limit of advance. Action had not been taken to settle these advances even by 31 May 2014. |
| (b) Department of Public Enterprises Circular No.95 of 14 June 1994 | In paying contributions to the Employees 'Provident Fund and the Employees' Trust Fund the academic allowance had also been taken into consideration and as a result an overpayment of Rs.4,155,912 had been made during the period from the year 1997 to August 2011. |

2.5 Transactions not supported by Adequate Authority

In addition to the allowances payable to the members of the Board of governors of the University and the members of the Senate for the participation of Board meetings in terms of Public Enterprises Circular No. 58 (2) of 15 September 2011 without considering the mileage in terms of Section 8.2 of Chapter xiv of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, a transport allowance ranging from Rs.1,500 to Rs.10,000 had been paid without the approval of Director of Establishments. The value of such transport allowance paid for the year 2013 amounted to Rs.363,200.

3. Financial Review

3.1 Financial Results

According to the financial statement presented, the operation of the University for the year ended 31 December 2013 had resulted in a deficit of Rs.2,300,007 as compared with the deficit of Rs.10,184,520 for the preceding year, thus decreasing the deficit by Rs.7,884,513. The increases of Government grants received from the government for expenditure for the year under review as compared with the preceding year by Rs.15,422,120 and the write off of capital provision by Rs.42,941,704 had been the main reason for the decrease of deficit.

3.2 Legal Cases initiated against the University

Two employees of the University and one employee had filed 3 cases in Courts and one employee had filed a case in the Department of Labor against the University for dismissed from Service.

4. Operating Review

4.1 Performance

It was observed that 10 Lecturers had not delivered lectures for the periods ranging from 50 to 164 hours during the year under review.

4.2 Cost Per Student

The total recurrent expenditure for 333 students incurred during the year for academic activities amounted to Rs.190,592,915 and the total recurrent expenditure incurred for 359 students during the preceding year amounted to Rs.185,334,934. The cost per student in the year under review amounting to Rs.572,351 an compared with the cost per student amounting to Rs.516,253 in the previous year, indicated an increase of 10.86 per cent.

4.3 Management Inefficiencies

The following observations are made

- (a) The Internal Auditor had resigned from his post on 22 March 2009 and his basic salary as at that date amounted to Rs.41,840. In computing his gratuity, Rs.25,145 had been applied as his basic salary and as such a surcharge of Rs.76,302 had to be paid in terms of the decision of the Labor Tribunal. However, no action had been taken against the officers responsible.
- (b) Seventeen bubble jet printers costing Rs.58,140 had been purchased on 31 December 2011 without caring out correct technical evaluation and a high cost of Rs.25 as incurred to get a printout from one of those printers. As a result, Cartridges valued at Rs.290,000 had been purchased for those printers only during the year under review.
- (c) It was estimated to pay an allowance to 24 officers from the profit earned out of the collections by conducting external courses by the University without Treasury approval. Allowances totaling Rs.1,976,400 had been paid from 4 courses conducted during the year 2013 without Treasury approval and it was observed that a sufficient Surplus payment for allowance had not been generated from these courses.
- (d) Tow external courses had been conducted during the year at a loss of Rs.259,644. One of these courses namely "Buddhist Advisory Course" had been conducted free of charge.

4.4 Operating Inefficiencies

The following observations are made

- (a) The 'Jiun' Buddhist Research and Publication Fund established to assist researches limited only for Buddhist Studies and Pali Language had not been utilised to achieve its objectives since 2006, and the balance of the Fund as at the end of the year under review amounted to Rs.1,978,789.
- (b) A committee had been appointed during the year 2013 to verity the Library books and there was a shortage of 4,224 Books according to that committee report.

4.5 Underutilized Assets

Even though the infrastructure facilities including the modernized building with all facilities had been improved in the year 2004 by incurring an expenditure of Rs.512 million, attention

had not been paid to enroll more students as compared with those facilities. Although 379 students had applied in the year under review only 107 students had been enrolled.

5. Accountability and Good Governance

5.1 Corporate Plan

Out of a sum of Rs.52.3 million expected to be spent for 07 building projects during the year under review according to the Corporate Plan for 2013-2017 and the Procurement Plan for the year 2013 only a sum of Rs.16.63 million had been spent during the year under review, which represented only 31.79 percent of the expected expenses. Similarly, no any work whatsoever had been carried out in respect of 5 projects estimated at Rs.25.25 million: The construction of yoga meditation center project stated in the Procurement Plan as emergency constrictions had not been commenced.

6. Systems and controls

Deficiencies in systems and controls observed in audit were brought to the attention of the Most Ven. Mahopadyaya of the Pali and Buddhist University of Sri Lanka from time to time. Special attention is needed in respect of the following areas of control

- (a) Assets Management
- (b) Human Resources Management
- (c) Accounting relating to External Projects
- (d) Motor Vehicles Control