

## **Sri Lanka Buddhist and Pali University - 2014**

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The audit of financial statements of the Sri Lanka Buddhist and Pali University for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 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 Sri Lanka Buddhist and Pali University 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. A detailed Report in terms of Section 13(7)(a) of the Finance Act will be issued to the Reverent Mahopadhyaya in due course.

### **1.2 Management's Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal 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**

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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 financial statements. Sub-sections (3) and (4) of 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**  
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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

**2. Financial Statements**  
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**2.1 Qualified Opinion**  
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In my opinion except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a free and fair view of the financial position of the Sri Lanka Buddhist and Pali University as at 31 December 2014 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**  
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**2.2.1 Sri Lanka Public Sector Accounting Standards**  
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According to the Sri Lanka Public Sector Accounting Standards No.01, all the assets, liabilities, revenue and expenses are required to be included in the financial statements at fair value, action had not been taken to revalue the fully depreciated assets acquired at a cost of Rs 4,681,438 and bring the fair values into account eventhough such assets are in usable condition.

**2.2.2 Accounting Policies**  
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According to the depreciation policy disclosed in the financial statements, the timely adjustments for depreciation is done based on the duration of the identified assets procured, constructed and disposal. However, the University had followed a policy of providing depreciation from the date of procured for certain class of non current assets whilst providing of depreciation for other classes of assets for entire year without considering the date of procured.

**2.2.3 Accounting Deficiencies**  
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The following observations are made.

- (a) Depreciation of buildings for the year under review had been overstated by Rs.624,378 due to erroneous calculations.
- (b) Eventhough the depreciation on the vehicles belong to the University should be calculated based on the estimated useful life time of such vehicles after the revaluations, the depreciation rates used for newly procured vehicles had also been used for the deprecation of revalued vehicles. Thus, the accuracy of the annual depreciation had not been confirmed.
- (c) At the time of making accounting treatments for revaluation of assets done by the University, the costs and accumulated depreciation of the respective assets had not been identified

accurately and brought to account accordingly. As per calculations made in the audit, the revaluation surplus had been understated by Rs. 11,863,188.

- (d) The recurrent expenditure of Rs. 1,749,762 incurred on revaluation purposes had been debited to the Building Account, as a capital expenditure.
- (e) Accrued expenses aggregating Rs. 1,232,684 related to the year under review had been accounted as the expenditure incurred in 2015.
- (f) The expenditure of gratuity and provision for gratuity for the year under review had been understated by Rs. 1,356,236 as provisions for gratuity had not been made for the officers who do not complete the 5 year service.
- (g) Out of the imprest of Rs. 50,000 made to an officer of the University to incur postal expenses, a sum of Rs. 35,035 had remained unspent at the end of the year under review. However, the balance in hand had not been shown in the financial statements, as a cash balance.
- (h) Salaries amounting to Rs. 4,930,839 and cost of stationaries amounting to Rs. 1,571,407 related to the External Examination Division had been shown as the costs of Internal Examination Division. Further, depreciation on assets used by the External Examination Division had not been recognized in the financial statements. The accuracy of the surplus of the External Examination Division amounting to Rs. 5,664,049 shown in the financial statements cannot be determined in audit.
- (i) The interim payments made for on- going works on building construction projects had been debited to the Building Account and to rectify that entry , only the amount paid to the contractor excluding retention monies and advances etc, had been transferred to the Work-in-Progress Account. As a result, the Work-in Progress Account had been understated by Rs. 3,867,814.
- (j) A sum of Rs.12,487,566 spent on repairs and maintenance of buildings had been accounted as capital expenditure without considering its recurrent nature.
- (k) Inventory items valued at Rs. 674,653 which procured for maintenance purposes and remained unutilized at the end of the year had written off against the income instead of accounting as a stock in hand.
- (l) The expenses arisen during the year under review had not settled at the year end can be treated as accrued expenses. However, the expenses aggregating Rs. 2,025,064 which was not genuinely arisen during the year under review and estimation made on a report prepared to determine the costs of the Courses conducted by the External Examination Division had been treated as accrued expenses.
- (m) A physical verification on stock of publication material had not been conducted as at 31 December 2014. According to the report presented by the Assistant Registrar who was the officer –in-charge for that subject, the value of publication material was Rs. 946,700. However, value of the stock of publication material had been shown as Rs. 378,680 in the financial statements, thus understated the value of stock by Rs.568,020.

- (n) The balance of differed income amounting to Rs, 1,249,213 received on conducting External Study Courses which brought forward from previous year had been continued same without being identified as an income of the year under review.

#### **2.2.4 Un reconciled Control Account**

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According to the Statement of Financial Position as at 31 December of the year under review, the balance of Distress Loans amounted to Rs. 2,751,099 whilst the corresponding balances shown in the individual list of loans was Rs. 2,944,014 thus shown a difference of Rs.192,915.

#### **2.2.5 Lack of Evidence for Audit**

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The balances of Rs. 8,756,861 and Rs. 1,239,426 payable to the Central Engineering and Consultancy Bureau and the State Engineering Corporation respectively had been included in the Retention Money unsettled for over 05 years. The evidence was not made available to audit to ensure the projects from which such balances were retained.

#### **2.3 Transactions not supported by Adequate Authority**

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Contrary to the provision in the Circular No. 95 of 14 June 1994 of the Department of Public Enterprises and government approved salaries and allowances, a sum of Rs.988,600 had been paid to the non-academic staff as allowances, despite adequate surplus had not been generated by 03 external project courses conducted by the University.

#### **2.4 Non- Compliance with Laws Rules ,Regulations and Management Decisions**

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The following instances of non- compliances were observed.

#### **Reference to Laws, Rules and Regulations**

#### **Non- Compliance**

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| (a) Section 3.1 of the Chapter 20 and Section 1.6.1 of the Chapter 10 of the Establishment Code of the University Grant Commission and Higher Education Institutions | Registers maintained to record in and out leave register of the academic staff of the University had not been furnished for audit to verify the salaries and allowances aggregating Rs. 51,514,987 paid during the year under review. |
| (b) Treasury Circular No.842 of 19 December 1978   | A Register of Fixed Assets had not been maintained.   |

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the operations of the University for the year ended 31 December 2014 had resulted in a deficit of Rs.2,626,061 as compared with the corresponding deficit of Rs.2,300,007 for the preceding year. The main reason for the

deterioration of the financial result by Rs. 326,054 compared with the previous year had been the reduction of revenue in the first degree examination fees .

### **3.2 Legal cases initiated against the University**

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The employees of the University had filed 08 legal cases against the University due to dismissal from service, not placing in the posts etc, on various grades.

## **4. Operating Review**

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### **4.1 Performance**

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The objective of the University is to provide training of savants in the Buddhist Doctrine and Discipline for the purpose of the dissemination of Buddhism and nurturing of Buddhist missionary activities in Sri Lanka and abroad. However, the attraction of the foreign students to obtain internal degrees from the University during the year under review had been declined compared with the previous years. Even though 46 foreign students had applied for under graduation in 2013 it was reduced up to 09 students in the year under review.

### **4.2 Cost per Student**

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Total recurrent expenditure for 359 students incurred during the year under review amounted to Rs. 235,642,269 whilst the total recurrent expenditure for 333 students in the previous year amounted to Rs. 190,592,915. The cost per student of Rs. 656,385 for the year under review had increased by 14.68 per cent as compared with the cost of Rs. 572,351 per student in the previous year.

### **4.3 Management Inefficiencies**

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The following observations are made.

- (a) The Senate of the University had not adopted a mechanism to determine the date of promotion when promoting the Lecturers in Class II to Class I based on a self-assessment report as required by the Circular No. 721 of 21 November 1997 of the University Grant Commission. As a result, the promotion had been backdated for 04 years for a Lecturer in Class II who had been promoted to Class I.
- (b) Two sub – wardens were deployed on contract basis to cover up duties of sub wardens who had been transferred to the Line Ministry for the purpose of disciplinary inquiry. Even though 02 sub wardens were reinstated subsequently after the inquiry, a person who recruited on contract basis was continued to deploy by extending the contract period. The reasons for extending the contract period had not been explained for audit and a sum of Rs. 161,320 had been paid to him as salary, up to 02 July 2015 uneconomically.
- (c) The officers should possess at least a Degree from recognized University to be recruited to the post of Class II Instructor in Computer Science. However, an officer who had not fulfilled such qualification had been recruited from 08 October 2012, for this post, although 17 candidates with adequate qualifications had applied for the post and out of these, there were several candidates who had completed their Degrees with the Information Technology

subject. However, the reasons for the recruitment of an individual without even presented a Degree certificate were not explained to audit.

- (d) An Assistant Registrar of the University recruited on 12 July 2004 had been dismissed on 27 January 2009 , within the probation period making various allegations without a disciplinary inquiry. The respective officer had filed a case at the Human Rights Commission twice against the extension of his probation period and then, termination of appointment within the probation period and it was ordered by the Commission to reinstate the officer and to provide other concessions. It was informed to implement the directions made by the Public Administration Circular No. 17/2005 of 05 October 2005. Further, according to the Letter of E&O/AC/1/8/6 of 10 October 2014 of the Secretary to the H.E the President that it was required to educate the Cabinet of Ministers if the decision was not implemented. However, actions had not been taken accordingly.
- (e) An advertisement had been published to recruit an apprentice Lecturer in Sanskrit Language by the Faculty of Cultural and Languages of the University and a Board had been appointed to select a suitable candidate through a structural interview. However, the candidate who obtained marks at fifth place in the Mark Sheet had been selected for the post ,avoiding highest scorer. The reasons for selecting and filling the post in inappropriate and illegal manner had not been explained for audit. An ill-treated candidate had filed a case against the University.
- (f) Eventhough the period ranging from 2 to 5 years was lapsed, the several projects which incurred Rs. 915,262 had not been implemented and no action taken against officers responsible to recover the advances or performance bonds or to take legal actions by the University.

#### **4.4 Operating Inefficiencies**

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The following observations are made.

- (a) The balance of Scholarships and Reward Fund Investment Savings Account as at 31 December 2014 amounted to Rs. 2,154,522 and it was not invested and remained in a Saving Deposit Account.
- (b) The “Geun” Buddhist Research and Publication Fund established for the purpose of providing funds limited only for the researches of the Buddhist studies and Pail Language had not been utilized after the year 2006 to achieve the intended objectives. The balance remained in the Fund as at the end of the year under review was Rs.2,134,222.
- (c) A Committee had been appointed for the Board of Survey for library books for the year 2013 and according to the reports thereon, the shortages of 4,224 books had been observed. The action to investigate the reasons for shortages to identify the parties responsible and adjust the value of books in the Accounts had not been taken.

#### **4.5 Underutilization of Funds**

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As a result of obtaining treasury provisions without making proper forecasts for fund requirements more than Rs. 20 million had remained as at the end of 2014 in the cash account maintained for the capital expenditure.

#### **4.6 Idle and Underutilized Assets**

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The following observations are made.

- (a) Even though the infrastructure facilities with all facilities including modified buildings had been developed since 2004 by incurring a cost of Rs. 512 million, appropriate plans had not been prepared enabling to utilize such facilities.
- (b) As a result of procuring without assessments of real needs, a fax machine valued at Rs.30,240, a clerks' table valued at Rs. 19,100 and 02 water filters valued at Rs. 27,866 were remained in the stores for over 08 to 31 months. The reasons for procuring of such goods unnecessarily had not been explained for audit.

### **5. Accountability and Good Governance**

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#### **5.1 Procurement Plan**

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Out of 35 items expected to be procured in the Procurement Plan for the year under review, 11 such items had not been procured and other 27 items valued at Rs.8,978,551 which were not included in the Procurement Plan had been procured. Therefore, it was observed that the procurement plan had not been used as an effective financial management tool.

### **6. Systems and Control**

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Weaknesses in systems and controls observed during the course of audit were brought to the attention of the Reverent Mahopadha of the Buddisht and Pali University from time to time. Special attention is needed in respect of following areas of control.

- (a) Assets Management
- (b) Constructions
- (c) Human Resources Management
- (d) Accounting of External Projects
- (e) Controls over Vehicles