

## **Bhiksu University of Sri Lanka - 2015**

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The audit of financial statements of the Bhiksu University of Sri Lanka for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015, 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 Buddashrawaka Bhiksu University Act, No. 26 of 1996 and Section 46 of the Bhiksu University of Sri Lanka (Amendment) Act, No. 15 of 2012. 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**

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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 Auditing 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 judgement, including the assessment of the risks of material misstatement 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 the 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 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 true and fair view of the financial position of the Bhiksu University of Sri Lanka as at 31 December 2015 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 Accounting Deficiencies**

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The following observations are made.

- (a) A sum of Rs.10,097,647 spent for the construction of the wall around the University premises could not be applied for the calculation of depreciations, as it had been capitalized under the lands.
- (b) A sum of Rs.95,500 spent for the purchase of 7 Water Dispensers which are not in capital nature had been capitalized instead of accounting as revenue expenditure.
- (c) The over provision amounting to Rs.230,962 shown as operating income in the financial performance report, had not been adjusted to the deficit from the ordinary activities in the cash flow statement.

**2.3 Non-compliance with Laws, Rules Regulations and Management Decisions**

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Even though, the general deposits exceeding 2 years from date of deposit should be credited to Revenue in terms of Financial Regulations 570 and 571 of the Democratic Socialist Republic of Sri Lanka, action had not been taken to credit 12 contract retentions amounting to Rs.1,196,643 remained over 3 years period, to the University Fund.

**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 2015 had resulted in a deficit of Rs.36,199,372 as compared with the corresponding deficit of Rs.4,615,312 for the preceding year, thus indicating a deterioration of Rs.31,584,060 in the financial result as compared with the preceding year. Increase in expenditure for the personal emoluments by Rs.26,048,580 and increase in provision for annual depreciation by Rs.12,038,919 had mainly attributed to this deterioration.

In the analysis of financial results of the year under review and 04 preceding years, a deficit increased continuously since the year 2011 and the deficit in the year 2015 had increased by 684 per cent as compared with the year 2014. The contribution of the University which was Rs.53,603,442 in the year 2011 after adjusting the personal emoluments and depreciation on non-current assets had increased continuously and it was Rs.131,059,384 and Rs.137,562,822 in the years 2014 and 2015 respectively.

#### 4. Operating Review

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##### 4.1 Performance

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##### 4.1.1 Research Performance

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The following observations are made.

- (a) The bi-annual progress reports or the final reports to be furnished relevant to researches in respect of 63 researches carried out in the years 2014 and 2015 by the academic staff of the University had not been furnished to the Research and Management Committee .
- (b) The final reports relevant to 18 researches carried out in the years 2011,2012 and 2013 had not been furnished to the Research and Management Committee even by November 2015.

##### 4.2 Management Activities

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Even though it had been planned to conduct 940 visiting external lecture hours relevant to 09 subjects included in the courses of the University in the first semester of the year under review , the number of lecture hours conducted were 512. Accordingly, it could not be established whether the relevant courses had been conducted qualitatively as expected.

##### 4.3 Idle and Underutilized Assets

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The following observations are made.

- (a) A Digital Duplicator machine valued at Rs.109,500 had been stored for a period more than one year without repairing and the paint and Duplo Master Rolls valued at Rs.43,920 purchased for that machine had remained idle without being used.
- (b) Four net rolls had been purchased in the year 2014 deviating from the procurement procedure as emergency purchases by spending Rs.51,140 to cover the various plants planted in the premises of the University and those had remained idle without being used for the relevant purpose even by the year 2016.

##### 4.4 Procurement and Contract Process

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The following observations are made.

##### (a) Construction of Four -storied Library Building

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Even though a contractor should be selected under the National Competitive Bidding System for the construction of the four storied library building the project value of which was Rs.300,000,000, contrary to that, a contractor had been selected and the contract had been awarded to him for the value of Rs.298,243,208 under the Turn Key-Design and Build method and the payments of Rs.233,233,858 had been made by 31 December in the year under review. The following defects were observed in this connection.

(i) It was proposed to construct an auditorium in the third floor of the library building and it had been decided to construct a promenade with a Buddha Shrine instead of the auditorium according to the revisions made after the commencement of the construction. Accordingly, the approval of the Estimate Examination Committee had not been obtained according to the Public Finance Circular No.02/2012 dated 07 August 2012 for the change of scope of the contract.

(ii) It could not be ensured in audit on the accuracy of the constructions due to non-availability of detailed reports on the work done in terms of the plans recommended by the Technical Evaluation Committee.

(iii) Payments made for Works not done  
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The following observations are made.

(a) A sum of Rs.2,440,000 had been paid considering as the construction of the auditorium for 06 items of work not done which was relevant to the auditorium but not related to the items of the Buddha Shrine.

(b) Even though a sum of Rs.5,500,000 had been paid for the installation of 8 air conditioners with 24,000 BTU capacity in the library building, only 06 machines of this capacity had been installed. Fifty two iron grills estimated as Rs.451,975 had been fixed instead of the 2 air conditioners which were not fixed at a cost of Rs.1,375,000. An over payment of Rs.923,025 had been made accordingly.

(c) Even though, 83 Fluorescent Lamp Sets with a length of 2 feet under the trade name of BRAVO of the Electronic Ballast brand with one year guarantee according to the approved samples should be fixed , only 59 electric lamps supplied under the trade name of hipper belonging to the Choke Ballast brand which had not been given guarantee certificates had been fixed. However, the full amount of Rs.15,653,105 had been paid there for.

(iv) Constructions Carried out deviating from the Approved Standards  
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The following observations are made.

(a) Even though according to the construction specifications, glass in 10 mm thickness should be used for the area of 12.42 square metres of the front door of the library and the two sides, glass in 6 mm thickness should be used for the internal partitions and other doors and windows and fixed on alluminium frames, all fixtures done by using glasses with 5 mm thickness. However, the total payment of Rs.13,204,389 stated under the alluminium works item No.3.10 of

the prize proposal had been made without making deductions by analyzing prices .

- (b) Timber skirting should be done by using loop pile carpets on the floor as per the recommendations made by the Technical Evaluation committee in 06 places in 3 floors of the library building, the constructions had not been carried out accordingly.
  - (c) Even though the mineral fibre super flex ceiling sheets should be used for the ceiling of the library building in terms of the decision of the Technical Evaluation Committee, the ceiling had been made by using a low quality ceiling board used in the market as low expenses ceiling sheets . Therefore, the ceiling sheets had become crooked and damaged at the time of audit examinations carried out on 15 March 2016, after 2 months of the completion of the constructions.
  - (d) A sum of Rs.2,955,000 had been paid for the fixing and installation of the internal telecommunication system and the network system, 28 telephones had been supplied by laying relevant wires and cables but those telephones had not been installed. Confirmation of the functions of the network system could not be ensured as it had not been taken over after examining the functions of the network system.
- (b) An engineering estimate amounting to Rs.2,510,000 had been prepared for the landscaping activities of the University. Nevertheless, only one bid had been received due to bids called for only from the contractors who had fulfilled the basic qualifications of ICTAD SP-3, having not called for bids from the contractors qualified under ICTAD SP-4 in terms of the grading and financial limit of the ICTAD. Accordingly, the financial benefit could not be obtained to the University through the competition.

#### 4.5 Personnel Administration

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Permanent officers had not been appointed from the year 2012 for the Registrar and the Bursar which are the 2 key posts of the non-academic staff of the University and there was a tendency that temporary officers who come with sabbatical leave from other Universities and officers of other Universities had been appointed on acting basis without recruiting permanent officers. Therefore, it was observed in audit that it had been adversely affected on carrying on the efficient administration in the University.

## 5. Accountability and Good Governance

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### 5.1 Internal Audit

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The internal audit activities had not been functioned in a satisfactory level as the Assistant Internal Auditor post had been vacant since 2013.

**6. Systems and Controls**  
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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Venerable Mahopadyaya of the University from time to time. Special attention is needed in respect of the following areas of control.

<b>Areas of Systems and Controls</b> -----	<b>Observations</b> -----
(a) Procurement and Contract Procedure	Failure to select contractors in accordance with the provisions of the Government Procurement Guidelines and the construction work had not been carried out accordingly.
(b) Personnel Administration	Vacancies existed in the academic staff and the main executive posts in the non –academic staff had not been filled permanently.
(c) Budgetary Control	Non-reconciliation of budgeted expenditure and income with actual expenditure and income.