

Postgraduate Institute of Pali and Buddhist – 2016

The audit of financial statements of the Postgraduate Institute of Pail and Buddhist Studies Affiliated to the University of Kelaniya for the year ended 31 December 2016, comprising the statement of financial position as at 31 December 2016 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 23 of the Postgraduate Institute of Pail and Buddhist Studies Ordinance, No.8 of 1979 enacted as per Section 18 of the Universities Act, No.16 of 1978, and Sub Section 107(5) of the Universities Act. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Sub Section 107(5) of the Universities Act appear in this report. A detailed report as per the sub section 108(2) of the universities Act was issued to the Director to the Institute by 20 April 2017.

1.2 Management’s Responsibility for the Financial Statements

The 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

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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute’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 Institute’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. Section 111 of the Universities Act, No.16 of 1978 gives 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.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of Postgraduate Institute of Pail and Buddhist Studies Affiliated to the University of Kelaniya as at 31 December 2016 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 Accounting Policies

The Institute had not been identified a policy for amortisation of grants therefore, books, goods and tools valued at Rs.248, 016 had been accounted and depreciated. However, action had not been taken to amortise the relevant funds.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Although, according to the financial statements, the stock value as at 31 December 2016 had been a sum of Rs. 534,370 and according to the Stores Board of Survey Report, this balance amounted to Rs. 420,520. At the end of the year these differences had not been brought into the accounts, identifying stock excesses and shortages.
- (b) A stock shortage value of research and publication amounted to Rs.113, 272 had been observed in between financial and physical balance. Action had not been taken to recover from the relevant parties or to write off as a loss, identifying the reason for the differences.
- (c) The receivable interest income on fixed deposits as at 31 December 2016 amounted to Rs. 60,062 had not been accounted and therefore, the value of fixed deposits and interest income were understated in the accounts from the same interest value.

2.2.3 Unexplained Differences

The following observations are made.

- (a) According to the Register of Fixed Assets the value of total assets amounted to Rs.36,040,387 whereas, according to the financial statements this value had been Rs. 39,700,003 As such, a difference of Rs. 3,659,616 was observed.

- (b) According to the financial statements the value of books and magazines amounted to Rs.1, 118,489 whereas, according to the information provided by the library this value had been a sum of Rs. 1,265,973.As such, a difference of Rs. 147,484 was observed.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the deficit for the year ended 31 December 2016 was Rs. 1,985,332 as compared with the deficit of Rs.6, 971,036 for the preceding year. As such, the deficit of the year under review had decreased by Rs. 4,985,704 as compared with the preceding year. Even though expenses amounting to Rs.22, 997,327 had been decreased during the year under review, the decrease in the deficit had specifically been caused by the increase of other income by Rs. 5,771,331 and the Government Grants by Rs. 11, 400, 000.

Even though, last five years had been recorded losses, after adjusting personnel emoluments and other adjustments, it was observed that there was a trend of an increase of the added value .The deficit had been decreased by 71 per cent and the added value had been increased by 51 per cent in 2016 compared with the same in 2015 due to the increase of the Government Grants by a sum of Rs.11 million.

4. Operating Review

4.1 Performance

Providing post graduate status teaching, training and conducting research on the subject areas of Pali and Buddhist studies after the intake of students, deciding the Post Graduate Degrees, Chapters, Certificates and other academic excellence while recommending the individuals, qualified to grant and recommending the University about the establishment and suspension of the designations were the key objectives of the University.

The following observations are made with regard to the achievements of the University.

(a) Education Performance

In the year 2016, the number of registered graduates in the University was 527, out of which 464 had appeared for the examinations. Last year's number of registered students in the University was 443, out of which 390 had appeared for the examinations .The number of students who passed the examinations was 314 or 80 per cent, and had a student figure of 419 or 79 per cent in the year under review.

(b) Research Grants

It is important as a Nation to bring the University to a high level by the publication of research conducted by the University lectures and to raise the quality and to make those research thesis helpful for the economic development. For this, Rs.1,000,000 was provided by the Treasury as research grant. Ten research officers were paid a sum of Rs. 200,000 in the year under review in order to start an Investigation Plan amounting to Rs. 380,000 per one Lecturer. Accordingly, only 20 per cent of the funding received for research projects were used, and so that a decrease in focusing on research was observed in audit.

(c) Capital Assistance

The University has been establish for the function of the improvement and development to provide advanced education in the field of education, and the Government had given allocations to make its work effective and efficient. However, since out of the grant received in preceding year being a sum of Rs. 502,938 had not been utilized at the beginning of the year, while in the year under review, only a sum of Rs. 2,920,832 had been spent from Rs. 6,202,115 out of the total provision which was of 48 per cent out of the grant . Accordingly, the balance unspent as at the end of the year under review had been a sum of Rs. 3,784,221. These grants were provided to obtain offices, teaching equipment and library books. However, it was observed that the money was not utilized for the same and this had affected the performance of the University.

(d) Utilization of Earned Income

A sum of Rs. 137,452 had not been utilized over the past 4 years allocated for the Ayurvedic Course out of the total income earned by the Postgraduate Institute. A sum of Rs. 67,000 had been allocated during the year under review and the balance at the end of the year had been a sum of Rs. 204,452. Further, a sum of Rs. 3,488,586 had been collected for the long-term courses in the years 2015 and 2016. Out of that, a sum of Rs.878, 624 were spent and the balance amounted to Rs. 2,609,962. It was observed that balances were not used for the development of the Institution.

(e) Library Control

Even though, Books have been included in the list of libraries, 693 books were missing. Out of them, 156 books belonged to the period of the years from 1977 to 2012 and its value had been a sum of Rs.30, 725.

(f) The Institute has been in operation for 38 years since the commencement and it had been maintained in rented buildings 38 years since its commencement and it had paid a sum of Rs. 764,583 per month and a sum of Rs. 9,174,996 for the year under review. A major Item of the Action Plan was the construction of the Institution of buying a new land and a sum of Rs.500,000,000 had been allocated .However, Treasury had not given the money during the year under review and this work had not been carried out as at the audit date ,31 March 2017.

- (g) Unidentified Revenue amounting to Rs .109,389 was observed for a period over six months while checking bank reconciliation as at 31 December of the year under review.

5. Accountability and Good Governance

5.1 Acton Plan

The Institute had mentioned 16 expected tasks under the students promotion activities out of which, only 04 had not been achieved.

Even though the Institute had decided to introduce two new courses during the year 2016, it had introduced none.

5.2 Budgetary Control

In considering the budgeted and the actual income, the increase of the income amounted to Rs.14, 967,643 during the year under review owing to the increase of the lecture fee and the course income. Further, in considering the budgeted and the actual expenditure, operational expenditure had been over budgeted. As such, the budget had not been used as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the Institute from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

Observations

- | | |
|-----------------------|--|
| (a) Stores Control | The account had not been rectified adjusting Stock shortages and excesses. |
| (b) Budgetary Control | Expenses had been over budgeted as compared with the requirement. |
| (c) Library Control | Return of library books, Books verification, Recording of books, Misplacements of books. |