

1.1 Qualified Opinion

Report of the Auditor General on the affairs of Bhikku University of Sri Lanka for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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, including a summary of significant accounting policies, 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 National Audit Act No. 19 of 2018, Buddhasrawaka Bhikku University Act, No.26 of 1996 and section 46 of the Bhikku University of Sri Lanka (Amendment) Act, No. 15 of 2012. My comments and observations which I consider should be tabled in 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 University as at 31 December 2018, and of its financial performance and its 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 based 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 determine 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, as applicable, 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 Responsibilities 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, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- 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 and 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 University to 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 the University has performed according to its powers, functions and duties; and
- Whether the resources of the University had been procured and utilized economically,

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

Entries 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

Non-compliance with reference to the Particular Standard	Management Comment	Recommendation
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In terms of Paragraph 15 of Sri Lanka Public Sector Accounting Standard 09 though stock should be valued at cost or net realizable value whichever is lower, unusable stock total value of Rs.22,902 had been shown at cost under current assets in the financial statements for the year under review.	In 2019 committee had been appointed of stock with regard to the balance valued at Rs.22,902, per the recommendation of the committee, stock had been removed and relevant adjustments had been made in the books.	Sri Lanka Public Sector Accounting Standards should be followed in the preparation of accounts.

1.5.3 Accounting Deficiencies

Audit Observation

Management Comment

Recommendation

- | Audit Observation | Management Comment | Recommendation |
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| (a) Even though a sum of Rs.52,656,585 had been accounted as erosion of capital funds under other income for the year under review, according to the calculation it should be Rs.52,714,458 and, therefore, a difference of Rs. 57,873 was observed. | Audit observation is correct. However instructions had been given to the relevant officers to avoid such deficiencies in future. | Accounting entries, at the preparation of accounts, should be made correctly. |
| (b) Accumulated loss amounted to Rs. 300,723 generated from disposal and sales of assets in two instances during the year under review had been transferred to General Reserve instead of transferring to the income statement. | Audit observation is correct. Instructions had been given to the relevant officers to avoid such deficiencies in future. | Accounting entries, at the preparation of accounts, should be made correctly. |
| (c) A sum of Rs. 44,700 received from sale of assets during the year under review had not been adjusted in the cash flow statement. | Audit observation is correct. Instructions had been given to the relevant officers to avoid such deficiencies in future. | Accounting entries, at the preparation of accounts, should be made correctly. |
| (d) In the calculation of net cash flow in investment activities in the cash flow statement, the calculated change in investment of Rs. 22,660,092 was stated as Rs. 22,610,092 in the cash flow statement and, therefore net cash flow from investing activities was overstated by Rs.50,000. | Audit observation is correct. Instruction had been given to the relevant officer to avoid such deficiencies in future. | Accounting entries, at the preparation of accounts, should be made correctly. |
| (e) Though decrease in debtors under change in working capital in the cash flow statement was stated as Rs.466,352 according to the calculation it was Rs. 7,513,150 and, therefore, net | Audit observation is correct. Instructions had been given to the relevant officers to avoid such deficiencies in future. | Accounting entries, at the preparation of accounts, should be made correctly. |

cash flow from the operating activities was overstated by Rs.7,046,798.

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| (f) | Though change in sundry creditors under change in working capital in the cash flow statement had been stated as negative cash flow of Rs. 13,909,714, according to the calculation it was Rs. 9,396,202 and, therefore, net cash flow from the operating activities was under stated by Rs. 4,513,512. | Audit observation is correct. Instructions had been given to the relevant officers to avoid such deficiencies in future. | Accounting entries, at the preparation of accounts, should be made correctly. |
| (g) | Total capital nature expenses amounted to Rs. 745,391 was accounted as recurrent expenditure during the year and, therefore, deficit of the year was overstated by the same amount. | Audit observation is correct. This was corrected through journal entry number 72 in 2019. | Accounting entries, at the preparation of accounts, should be made correctly. |

1.6 Non-compliance with Laws, Rules, Regulation and Management Decision etc.

Reference to Laws, Rules and Regulations etc.	Non-compliance	Management Comment	Recommendation
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Public Finance Circular No. 01/2015 of 14 July 2015.	i. Even though advances should be settled within ten days after the intended work is completed, that period had been exceeded by 10 to 25 days for settlement.	Agreed. This advance was taken to pluck coconut harvest. But the availability of matured coconuts to be plucked couldn't be decided in advance and the advance had been taken considering trees in the University. But due to un-plucked in all trees a balance of the advance was remained.	Should be act according to the circulars.

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| ii. | Without preparing adequate estimates for the intended purpose, excess advance amounts ranged from Rs. 7,785 to Rs.16,690 had been taken and whether that balnces should be returned in same days, delays ranged from 13 days to 35 days had taken place. | Agreed. Cash advance had been taken as per the approved estimate for the first joint programme on 10 April 2018 between this University and the Office of the National Unity and Reconciliation. But later the Administration had decided to pay the lecture fees through cheques and due the Sinhalese and Tamil new year holidays & due to duties of in calculation of presentage in attendance of monk students to the lectures, settlement of advances delayed by 05 days. | Should be act according to the circulars. |
| iii. | Even though advances should be given on nearest day of that specific works, advances had been given before 19 - 25 days of those works. | Agreed. Persons who had taken advances were not in the University service now. Instructions had been given to relevant officers to avoid such deficiencies in future. | Should be act according to the circulars. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.55,048,393 and the corresponding deficit in the preceding year amounted to a Rs.48,834,341. Therefore, a deterioration amounting to Rs.6,214,052 of the financial result was observed. The reasons for the deterioration were mainly due to the increase of salaries and wages and depreciation.

2.2 Trend Analysis of Major Income and Expenditure Items

When analyzing of major income of the year under review compared with the preceding year, Treasury provisions for Rehabilitations. Skill Development, and Research Development had decreased by 58 per cent and Sundry income had decreased by 57 per cent compared to the previous year.

Also, out of the major expenditure categories, amount incurred for Personal Emoluments & Retirement Benefits had increased by 31 percent and Development Expenditure had increased by 230 percent. Also, the Contractual Service Expenditure had increased by 11 percent.

2.3 Ratio Analysis

Current Assets Ratio of the preceding year of 1:0.39 had improvement to 1:1.25 during the year under review. Also, compared to the previous year the Quick Assets ratio had increased from 1:0.374 to 1:1.2.

3. Operational Review

3.1 Identified Losses

Audit Observation

Before receiving approval for participation for a foreign tour, the University had incurred expenditure for air tickets, registration fee, and casual and subsistances but due to cancellation of that tour a sum of Rs. 138,209 had loss to the University Fund.

Management Comment

Necessary documents of Rev. Mahopadya of the university had been sent to the Ministry on 16.08.2018 to get the approval for the participation to the Vice Chancellor's Conference of the Common Wealth Countries in Canada from 23.09.2018 to 26.09.2018. The final date for registration of this Conference was 08.09.2018 and expecting the approval the registration works, reservation of air tickets and leave approval had been referred to the Ministry. Later participation of this conference had been cancelled and casual allowances and subsistances had been refunded. Due to University act proper way lost could be minimized.

Recommendation

Necessary air tickets and other payments should be made only after receiving the relevant approvals and after the confirmation of relevant conferences by the originations.

3.2 Procurement Management

Audit Observation

Even though constructions of Danasalawa and Students Centre had been started at a agreed sum of Rs. 213,385,000 in 2016, relevant approval had not been taken interns of section 8(a) of the Urban Development Authority Act No. 94 of 1978, amended by the Act No. 04 of 1982. Further, necessary requirements had not been fulfilled in terms of Paragraphs 1.5.3(a) and 1.5.6 relevant to the Employees' Requirements in the Bidding Documents.

Management Comment

Action had been taken to get relevant approval. Relevant provision had not been made for an elevator in the estimate and movable supporter for disable persons had been constructed at required Places. Based on the limited space to get maximum benefit vehicle parks had been constructed by filling soil.

Recommendation

Before commence a project, basic Plans should be properly made and should be complianced with the circulars.

3.3 Human Resource Management

Audit Issue

21 vacancies including Post of Mahopadya, Post of Librarian, 04 posts of Professors, 02 posts of English & Buddhist Instructor's in the Academic and Assistance Academic Cadre in the University and 03 posts in Administrative and 03 posts in Clerical and Equal Grade in the Administrative and Non-academic Cadre remained vacant at the end of the year under review.

Management Comment

No comments was made.

Recommendation

Vacancies should be filled without delay.

4. Accountability and Good Governance

4.1 Presentation of Financial Statement

Audit Observation

Even though in terms of Public Enterprises Circular No. PED/27 of 27 January 2015 accounts should be submitted to the Auditor General within 60 days from the end of the financial year, the accounts was submitted on 30 April 2019.

Management Comment

No comments were made.

Recommendation

In terms of the Circular, accounts should be submitted to audit.

4.2 Internal Audit

Audit Observation

Though 23 audit queries had been issued by the Internal Audit Division in the University for the year 2018, no reply had been made for 16 audit queries by the date of the audit and that period ranged between 07 months to 15 months and it was observed that the Internal Audit Division had not been utilized effectively by the University.

Management Comment

Replies to all the internal audit queries had been submitted now and steps had been taken to correct as per the quires.

Recommendation

Copies of internal audit report should be submitted to the Auditor General.

4.3 Sustainable Development Goals

Audit Observation

Although every public institution should act in compliance with United Nations Sustainable Development Agenda for the year 2030, University had not being paid adequate attention to the functions regarding in its scope. Accordingly, it was not recognized that the relevant activities had been included in the action plan for the year under review and that sufficient provisions had been made in the annual budget.

Management Comment

When considering the objectives of the University, it is not directly contributed to achieve sustainable objectives and goals. However, noted to adhere to the circular No. NP/S.C.P.17 dated 14.08.2017 issued by the Ministry of National Policies and Economic Affairs in future.

Recommendation

Should be Act in accordance with the circular.

