

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bhiksu University of Sri Lanka for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 Section 46 of Buddhasravaka Bhiksu University Act No. 26 of 1996 and provisions of the National Audit Act No. 19 of 2018 and Finance Act, No.38 of 1971. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, except for 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 Bhiksu University of Sri Lanka as at 31 December 2021, and of its financial performance and 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 stated in Paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). My responsibilities, under those audit standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this 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 audit 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:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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, efficiently and effectively within the time frames and in compliance with the applicable laws

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant standard	Comment of the Management	Recommendation
(a) In terms of Paragraph 9 of Sri Lanka Public Sector Accounting Standard 2, the fixed deposits worth Rs. 13,806,343 that is to be matured in 03 months and should be disclosed as cash and cash equivalent had been disclosed under the non-current assets in the statement of financial position.	That the fixed deposits to be matured in 03 months consists of the investments in the funds maintained for a specific purpose such as the Research Fund, Reward Fund and Mahopadya Fund, that as the use of this fixed deposits for general purposes has been restricted, it has been classified as Non-current Assets” in accordance with Section (d) in Paragraph 76 of Sri Lanka Public Sector Accounting Standard 01.	The correct public sector accounting standard should be identified.
(b) The useful life of non-financial assets had not been reviewed annually as required by	So far, a policy regarding the review of useful life of totally depreciated assets has not been	Action should be taken in accordance with the Sri Lanka Public Sector

Paragraph 65 of Sri Lanka Public Sector Accounting Standard 7, and 08 items of assets costing Rs. 92,177,529 that had been totally depreciated by 31 December 2021 were further in use. Accordingly, the estimation error had not been revised in terms of Sri Lanka Public Sector Accounting Standard 03. implemented and that the implementation of such policy is practically difficult due to existing shortage of resources and that action will be taken to adjust all these assets in the accounts after their revaluation carried out with the assistance of an expert committee and/or the Department of Valuation in the year 2022. Accounting Standards.

1.5.2 Accounting Deficiencies

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
(a) Instead of being credited the special funds of Rs. 313,806,708 and donation of Rs. 17,030,262 that did not have future payment obligation as at 31 December 2021 to the general fund, they had been disclosed as non-current liabilities as at that date.	This error will be corrected in the year 2022.	Action should be taken to correct this error.
(b) Although 10 per cent of the salary should be recovered from the officers who are entitled to the quarters in terms of the University Grants Commission Circular No.09/2019 dated 25 November 2019, a sum of Rs. 310,788 to be recovered from the official quarters reserved for the posts of Vice chancellor and the registrar of the Bikshu University had not been recovered and brought to account. Therefore, the deficit of the year under review and the current assets as at 31 December 2021 had been overstated and understated by a similar amount respectively.	That the housing committee has not decided the monthly rental to be recovered for these official quarters that after considering the location and the facilities not provided in terms of instructions of the University Grants Commission, house rental to be recovered will be decided by the housing committee and thereafter, action will be taken to recover the rental.	Action should be taken to recover and account for the arrears of rent in terms of circular provisions.

- (c) Value of 1977 library books received over a number of years had not been assessed and brought to account. All the donated books that the Librarian had notified to the Finance Division were assessed in the year 2021 and action will be taken to include the value of books identified after 31 December 2021 in the accounts of the year 2022. Action should be taken to assess and account for the value of books that have not been brought to account.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) Sections 38 (1) (c) and 38 (2) of National Audit Act, No.19 of 2018.	Although it should be ensured that effective internal control systems for the financial control exists in each entity and carry out periodic reviews to monitor the effectiveness of such systems and report thereof should be presented to the Auditor General, action had not been taken accordingly.	That a quarterly progress review will be done on the financial control of the University.	Action should be taken in accordance with the provisions of the National Audit Act.
(b) Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka			
(i) Section 5.2.1	Although monthly housing rent at 7.5 per cent of the salary should be recovered for providing housing facilities for 39 monks of the academic staff of the University, a rent at Rs,500 had been recovered from each monk. Accordingly, the shortfall of the recovered house rent was Rs. 2,354,348.	If the rent should be recovered considering the matters indicated in the letter issued by the University Grants Commission dated 09 December 2020 and the facilities provided, it will be decided by the housing committee and thereafter, action will be taken to recover the rent.	Action should be taken in accordance with the provisions of the Establishments Code.

(ii) Section 5.8

Sums totaling Rs. 1,544,243 had been paid from the university fund as electricity, water and telephone charges for 06 quarters provided for the officers of the University.

As it is not possible to determine the expenses on electricity and water of the lecturers' hostels and the heads of departments' hostels, it was decided to determine a nominal value and accordingly, the Audit and Management Committee held on 05 May 2017 decided to levy Rs.500 as the new charge, and that it is not possible to recover water charges and electricity charges separately from the persons residing in the quarters and that the housing committee has drawn attention to determine the house rent by taking into account the facilities provided.

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- (c) Paragraph 4.2 of the University Grants Commission Circular No.04/2016 dated 01 March 2016. Approval from the University Grants Commission had not been obtained for 06 external degree courses and postgraduate courses conducted by the Postgraduate, External Degree and Extension Course Unit. Relevant letters have already been referred to the University Grants Commission for approval. Action should be taken in accordance with circular provisions.
- (d) Paragraph 6.5.1 of the Guidelines for the Good Governance of Public Enterprises introduced by the Public Enterprises Circular No PED 12 dated 02 June 2003. Although the financial statements of the entity should be furnished to the Auditor General for audit within 60 days from the end of the financial year, the financial statements of the University had been furnished on 03 June 2022, after a delay of 03 months. Action will be taken to avoid these delays in the ensuing year. Action should be taken in accordance with Guidelines for the Good Governance of Public Enterprises.
- (e) Paragraph 4 (ii) of the Management Services Circular No.02/2014 dated 11 February 2014. Although an interim research report inclusive of the progress as per the action plan related to the research proposal should be submitted to the Research Management The final research reports have been submitted to the Research Management Committee at present. Action should be taken in accordance with the circular provisions.

Committee within 06 months from the commencement of the research, the progress of the researches started by 05 lecturers in the year 2021 had not been submitted to the Research Management Committee.

2. Financial Review

2.1 Financial Results

The operating results of the year under review were a deficit of Rs. 47,292,364 as compared with the corresponding deficit of Rs. 46,170,652 for the preceding year. Accordingly, a deterioration of Rs. 1,121,712 of the financial results was observed. This deterioration is mainly due to decrease in the Treasury provision by Rs. 2,048,008, investment interest by Rs. 1,373,904 and sundry income by Rs. 1,853,398 and increase in the various recurrent expenditure by Rs. 1,448,058.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation -----	Comment of the Management -----	Recommendation -----
(a) According to the bid documents prepared for the contract relating to the establishment of Enterprise Resource Planning System, the annual turnover of the prospective bidder relating to the software development projects should exceed Rs.50 million. Nevertheless, a bidder who had not met that requirement had been selected as the prospective bidder. The contract with the total value of Rs.8 million should have been completed by 31 May 2018 as per the agreement. However, a sum of Rs.4 million had been spent by 31 March 2022, whereas the system had not been completed.	That the information technology system is to be completed within the ensuing 03 months, the errors in the modules will be rectified after the installation of the system, and arrangements will be made to take over and use the information technology system by the university.	The bidder should be selected in terms of the bid condition and action should be taken to get the contract completed in accordance with the agreement and to utilize assets effectively and efficiently.
(b) For 02 researches carried out by a professorial monk during the period from 2017 to 2021, allowances of Rs. 1,797,440 had been paid to that	The fact that this matter was discussed at the Research Management Committee held on 27 April 2022, the relevant monk	Action should be taken to duly obtain the final reports of the researches and to take

monk. Nevertheless, final reports relating to those researches had not been presented even by 05 May 2022.

has been informed to submit the final report, and the payment of research allowances to this monk has been suspended until then

necessary measures regarding the payment of allowances in case of not providing the final reports.

(c) Even though the promotion of Buddhist culture and values specified in Section 3 (V) of the Buddhasravaka Bhiksu University Act No. 26 of 1996 in compliance with the objective of training the Bhiksu students in accordance with the teachings of lord Buddha as indicated in Section 3 (1) of that Act should be carried out, it was observed that the Postgraduate Degree, External Degree and Extension Course Unit was conducting the course of Higher Certificate in Astrology contrary to the above objectives.

As the astrology is something embodied in the Sri Lankan Buddhist culture, the Higher Certificate in Astrology course has been initiated with the approval of the Senate and the Council and this is complied with the goals and objectives of the university.

In taking action to achieve the objective of promotion of Buddhist culture and values specified in Section 3 (V) of the Act, the objective of training the Bhiksu students in accordance with the teachings of lord Buddha as indicated in Section 3 (1) of the Act should be followed.

3.2 Idle or Underutilized Property, Plant and Equipment

Audit Observation

The hostel for 25 foreign students which had been completed on 14 January 2020 at total cost of Rs. 80,843,406 remained idle for more than 02 years by 03 March 2022 and the warranty period of the electricity and fittings worth Rs. 3,411,000 installed in the building had expired without being used.

Comment of the Management

The Corona epidemic situation that prevailed in the country had contributed to this situation, however, three foreign student monks who were qualified for university entrance in the academic year 2020/2021 presented themselves for the interview and only one monk got the registration.

Recommendation

Necessary steps should be taken to use the assets effectively.