

## **Buddhist and Pali University of Sri Lanka - 2021**

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### **1. Financial Statement**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Buddhist and Pali 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 and Section 38 of the Sri Lanka Buddhist and Pali University Act No. 74 of 1981 read in conjunction with provisions of the National Audit Act No. 19 of 2018. Comments and observations which I consider should be submitted to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the University as at 31 December 2021, 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**

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My opinion is qualified 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**

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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 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 Provident Fund.

## 1.4 Auditor's Responsibility on the Audit of the Financial Statements

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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 Provident Fund,

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 board of the Provident Fund;
- 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**

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### **1.5.1 Internal Control over the preparation of financial statements**

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Entities 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. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

### **1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards.**

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The following observations are made.

<b>Non Compliance with the reference to particular Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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(a) Since useful life time of the non-current assets had not been reviewed annually in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, property, plant and equipment costed for Rs. 156,516,853 were further in use despite being fully depreciated. However, action had not been taken to revise the said estimated error in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 03.	At present, the relevant valuation officers have visited for the revaluation of the motor vehicles and the valuation report will be received in due course. All information regarding valuation of the timber furniture and office equipment had been submitted to the	The Sri Lanka Public Sector accounting standards Should be complied with.

Valuation Department, but the valuation work has not been started yet.

- (b) The ownership of the 02 vehicles received as donations from the Presidential Secretariat in December 2019 had not been taken over and the value accounted for.
- Due to the delay occurred in the situation of Covid-19 in the country, information related to the transfer of vehicles had been submitted to the Commissioner General of Motor Traffic on 14.03.2022 by registered post.
- The value of the vehicles should be assessed and accounted for.

### 1.5.3 Un-reconciled Control Accounts or Reports

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<b>Subject</b>	<b>Value as per the Financial Statement (Rs)</b>	<b>Value as per the Corresponding Records (Rs.)</b>	<b>Difference (Rs)</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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Property, plant, equipment and furniture	79,710,032	79,494,536	235,462	Detailed information to reconcile this difference will be received from the Government Audit Division. Answers will be followed then.	Fixed asset register related to timber furniture should be maintained accurately.

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

The following observations are made.

Reference to Laws, Rules, and Regulations	Non compliance	Comment of the Management	Recommendation
(a) University Grants Commission Circular No. 2016/4 dated 01 March 2016	(i) Although the income and expenditure of self-financed courses should be zero, a loss of Rs.4,203,037 in 04 self-financing courses and a profit of Rs.7,908,474 in 05 courses pertaining to the year under review had been adjusted in the financial performance statement of the year under review.	The estimated income of some courses had not been received as planned, in the situation of the Corona epidemic in 2021.	Provision in circulars should be complied.
	(ii) Although 10 percent to 25 percent of the budget estimate prepared by the university for self-financing courses for the year 2021 should be credited to the University Development Fund, a university development fund was not established. Accordingly, a total sum of Rs.6,378,992 including the amount of Rs.4,935,788 to be credited to the University Development Fund for the year was credited to the Mahopadhya Fund.	Since the establishment of a university development fund has not been done so far, the amount allocated for it has been credited to the Mahopadhya Fund. After the establishment of the University Development Fund, the funds allocated for it will be credited to the respective fund.	Provision in circulars should be complied.

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| (b) | Financial Regulation 751 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka                                    | The items procured for the Language Skills Development Center costing Rs.9,361,532 were not included in the inventory register.   | Informed that it will be entered in the inventory.  | Should be dealt with Financial Regulations.  |
| (c) | Paragraph 3 of the letter No. HE/UD/03/04/BPU /02 (III) dated 30 November 2016 of the Secretary, Ministry of Higher Education and Highways | The approval had been granted by the Minister to set up a Language Skills Development Study Unit on the basis of no additional provision and on the basis of availing the services of volunteer lecturers. Instead of that, external lecturers were recruited from 2016 to 2020 and a sum of Rs. 7,939,227 was paid as allowances to them and 04 apprentice lecturers were assigned from the year 2018 to the year 2020 and salaries and allowances of Rs.27,060,714 were paid to them. | This is to inform you that although the department was set up on a voluntary basis, due to the growth of the courses and the expansion of the courses as a degree, lecturers were recruited for the posts of apprentice lecturers. Another 4 lecturer posts were approved as the academic courses were expanded and the courses related to those subjects were expanded and the teaching hours were too high. | Should be act Subject to relevant approvals. |

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 47,275,438 and the corresponding surplus in the preceding year amounted to a Rs. 10,026,815, thus observing a deterioration amounted to Rs. 57,302,253 in the financial result was observed. The decrease in government grants for recurrent expenditure, external project income and other income had mainly attributed to the said deterioration.

### 3. Operational Review

#### 3.1 Management Inefficiencies

The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
A stock of answer sheet books, which had been procured in the year 2019 without properly identifying the requirement, at a cost of Rs. 2,349,525 was remained at the end of the year under review.	According to the board of survey report, obsolete and unusable items were removed from stock and will be disposed. The use of answer sheet books required for the exams were limited due to the fact that the relevant exams were not conducted in the expected manner and exams were conducted online due to the prevailed epidemic situation.	The requirement should be properly identified and procured.

#### 3.2 Operational Inefficiencies

The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Three years had passed without revising the syllabuses of the 12 courses currently being conducted and no attention was paid to the introduction of new courses.	Necessary arrangements have been made so far for the starting of 15 new courses from the year 2022.	The syllabus should be revised periodically and the management should focus on introducing new courses.

#### 3.3 Under Utilization of Funds

The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
A total sum of Rs.15,779,316 available in 03 funds as at 31 December 2021 were not utilized for the respective	These funds were mainly used in connection with student centred activities and since last year the students joined	The respective funds should be used to achieve the objectives of the establishment.

purposes.

the academic activities online so the funds were not utilized as expected and the Glorious Sun fund and scholarship funds have been spent in the year 2022.

### 3.4 Ideal or under Utilization of Property, Plant and Equipment

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The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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37 computers and 47 computer tables and chairs which the value cannot be identified were given to the computer laboratory in the Language Skills Development Center building and office equipment worth Rs. 130,869 purchased in December 2019 remained idle until the date of this report.	Computers had to be kept idle as internet facilities were not provided. Despite requests were made by the department and the language faculty, the work was not completed. Inform you that the department is currently making arrangements to provide internet facilities. It was unable to call students to the university due to the epidemic situation. There had been some discoloration of the respective chairs. This will be looked into and immediate action will be taken.	Action should be taken to utilize assets.

### 3.5 Deficiencies in Contract Management

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The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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The contract for the construction of the five-storied building in the Colombo premises of the university was awarded on 02 October 2019 on the condition of completion in one year with a contract value	The University received the construction permit for the construction of the building from the Colombo Municipal Council on 03.12.2021. Accordingly, after receiving the approval, since the construction period of the	The preliminary works related to the construction of the building should be properly planned.



of Rs.252,327,545. Although project has expired and due to an advance of Rs.14,508,834 the increase in the price of construction materials was given to the contractor on construction materials 18 November 2019, the according to the current construction work had not situation in the country, the been started even by 31 contractor has requested an December 2021. As such, a increase in the construction private contractor was price. Therefore, the allowed to keep the necessary documents have government money for more been forwarded to the than 2 years and action had Planning Division of the not been taken to recover the Ministry of Education to get the advance. Cabinet approval. It has been informed that the relevant estimate has been forwarded to the National Budget Department.

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