

## **Buddhist and Pali University of Sri Lanka - 2023**

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### **1. Financial Statement**

#### **1.1 Opinion**

The audit of the financial statements of the Buddhist and Pali University of Sri Lanka for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 Section 38 of the Sri Lanka Buddhist and Pali University Act No. 74 of 1981 and 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, the accompanying financial statements give a true and fair view of the financial position of the University as at 31 December 2023, 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 Opinion**

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 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 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.

## 1.4 Auditor's Responsibility on 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 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 board of the University.
- Whether the University has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The following observations are observed

Reference to Laws, Rules Regulations etc.	Non Compliance	Comment of the Management	Recommendation
(a) Section 11 of the Finance Act No. 38 of 1971 and Paragraph 6.2 of the Operations Manual introduced by Paragraph 03 of Public Enterprises Circular No. 01/2021 dated 16 November 2021	A sum of Rs. 39 million had been invested in fixed deposits during the year under review without the approval of the Finance Minister.	No comments were made.	The provisions of the Finance Act should be followed.
(b) Paragraph (VI) of section 15 of the Sri Lanka Buddhist and Pali University (Amendment) Act No. 37 of 1995	The Governing Council members to be appointed by the minister should be those who have performed excellent service in the fields of education, finance, law and administration. But two officers in the legal field were appointed for the present Governing Council without appointing an officer in the financial field.	It was Noted to inform the Ministry to draw the attention of the provisions of the Act in the appointment of members to the new Governing Council.	The provisions of the Act should be followed.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.2,519,743 and the corresponding deficit in the preceding year amounted to a Rs.53,362,146, thus observing an improvement amounted to Rs.55,881,889 in the financial result. The increase in government

grants for recurrent expenditure by Rs.18,105,000 and increase in external project income by Rs.36,788,598 had mainly attributed to this improvement.

## 2.2 Trend Analysis of major Income and Expenditure items

The previous year total income of Rs.567.4 million had increased up to Rs.651.9 million in the year under review by 15 percent. The income earned by the university in the previous year and in the year under review was Rs.84.65 million and Rs.136.98 million respectively, thus the income earned in the year under review had increased by Rs.52.33 million or 61.8 percent compared to the previous year.

The total expenditure of the University in the previous year and the year under review was Rs. 534.81 million and Rs.560.19 million respectively, thus increased by 4.75 percent in the year under review as compared to the previous year.

## 2.3 Ratio Analysis

The current ratio and the quick ratio in the year under review were 1.1 : 1 and 1.04 : 1 respectively, and those ratios in the previous year were 0.6 : 1 and 0.54 : 1 respectively.

## 3. Operational Review

### 3.1 Deficiencies in Contract Management

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	The project for construction of a hostel building for 200 foreign students at an estimated cost of Rs.190,135,000 (excluding VAT), after two extensions, should have been completed on 30 August 2022. A sum of Rs.148,336,250 had been spent on the building by May 2022, the construction work had been stopped midway despite the physical progress was 75 percent.	That the procurement related to the construction of the Foreign Students Hostel is being done and the award of the contract is scheduled to be done by the last week of July 2024.	Actions to complete the construction of this building should be expedited.
(b)	As the contractor has not commenced the construction works of the proposed five-storey building for the external examination unit, the Governing Council had decided to terminate the agreement on 01 July 2022. The work value certified by the building department and the works engineer was only Rs.11,725,461 in the bill related to the basic expenses submitted by the contractor for this industry. As such, out of the advance payment of Rs.14,508,834, the balance	As there were restrictions on movement due to the Covid situation in the country, there was a delay in obtaining approval from each institution related to the construction of buildings. After obtaining the relevant approval, the construction of the building was started, but the construction could not be completed due to the	Prompt action should be taken for the construction of the proposed building and the responsible parties should be identified to recover the loss to the government due to for non-encashment of the

of Rs.2,783,373 could not be recovered. Furthermore, the university had not taken action to encash the performance bond amounting to Rs.12,616,373 before the expiry date and, accordingly, the university had to incur a financial loss of Rs.15,399,746.

suspension of the financial allocation by the government. However, since the approval of the Governing Council has been received to restart the construction works of the said building, the related works will be done.

advance bond before expiry.

**4. Accountability and Good Governance**  
**4.1 Annual Action Plan**

The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) According to the action plan, although two coordinators should be appointed for the promotion of foreign affiliate's institutions, only one person had been appointed and the embassies had not started publicity campaigns about the university. Accordingly, there was no increase in the registration of foreign students.	As a whole, there is a quantitative decrease in the number of foreign students following courses even in the local university system. The global situation and economic crisis prevailed in the country should be taken into consideration.	Action should be taken to achieve the targets shown in the action plan.
(b) According to the corporate plan of the university for the 2023 - 2027, it was planned to enroll 200 local students and 100 foreign students for the year 2023, but only 167 students were enrolled as 153 local students and 14 foreign students.	That due to the problematic situation in the year 2022, the enrolment process was delayed and only 153 local (lay/clergy) applicants could be enrolled.	Action should be taken to achieve the targets shown in the action plan.