

**1.1 Qualified Opinion**

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The audit of the financial statements of the of Post Graduate Institute of Pali and Buddhist Studies affiliated to the University of Kelaniya for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 23 of the Postgraduate Institute of Pali and Buddhist Studies Ordinance No. 8 of 1979, enacted in under Section 18 of the Universities Act No. 16 of 1978, Subsection 107 (5) of the Universities Act and the provisions of the National Audit Act No. 19 of 2018. 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 Institute as at 31 December 2019, 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 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**

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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 institute 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 institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the institute's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the institute 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 institute.

#### **1.4 Auditor's Responsibilities 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 institute 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 Institute'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 Institute 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 institute, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the institute has complied with applicable written law, or other general or special directions issued by the governing body of the institute;
- Whether the institute has performed according to its powers, functions and duties; and
- Whether the resources of the institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Financial Statements**

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

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The Institute is 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 to the Sri Lanka Public Sector Accounting Statements**

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<b>Non-compliance with reference to the Particular Standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
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Due to not reviewing the effective lifetime of non-current assets annually in accordance with paragraph 65 of Sri Lanka Public Sector Accounting Standards 07. Even though the property, plant and equipment valued for Rs. 7,562,138 had been totally depreciated, , they were still being utilized. This defect occurred in the	Action will be taken in future to review the future effective life time and revaluation as per the instructions and recommendations of the Board of Management.	Should be complied with Accounting Standards.

estimation of depreciation had not been revised as per Sri Lanka Public Sector Accounting Standards no 03.

### 1.5.3 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
Without identifying an accounting policy regarding accounting Intangible assets, the value of the accounting software procured at a cost of Rs. 395,000 through the capital grants during the year under review had been shown as office equipment under non-current assets in the financial position statement instead of shown as intangible assets in the financial statements.	Action will be taken to classify under intangible assets in the next financial year.	Accounting principles should be identified and assets should be correctly classified.

### 1.5.4 Un-reconciled Control Accounts or Records

Item	Value as per Financial Statements	Value as per the Corresponding Record	Difference	Management Comment	Recommendation
Fixed Assets	27,691,432	23,869,763	3,821,669	Action will be taken to correct in future	.Accounts and Schedules should be maintained accurately.

## 1.6 Receivable and Payable Accounts

### 1.6.1 Accounts Payable

Audit Observation	Management Comment	Recommendation
Library deposits amounted to Rs. 1,834,310 relevant to the years 2017 and 2018 shown under the refundable deposits in the financial statements of the year under	Since most of the money remained in this deposit account belongs to foreign students, arrangements will be made to refund them on their return to Sri Lanka.	Action should be taken to release the library deposits.

review had not been repaid till the date of audit, 20 July 2020,

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

	<b>Reference to Laws, Rules and Regulations etc.</b>	<b>Non-compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	Public Finance Circular No.438 dated 13 November 2009	Circular provisions had not been followed with regarding to the identified scrap items according to the stock verification Report dated 31st December 2019,	A stock verification committee had been appointed and Provisions have been made to act on the recommendations of that committee	Circulars should be followed.
(b)	Combined Service Library Circular No.02/2017 dated 04 May 2017	Even though annual Library books verification should be carried out, a verification on library books had not been carried out after the year 2015.	A committee had been appointed in this regard and verification had been carried out. The final report will be submitted to the Board of Management.	In terms of circulars the verification should be carried out on library books.
(c)	Section (iii) in the Paragraph 04 of the Management Service Circular No.02 / 2014 dated 11 February 2014.	Even though the academic and non-academic staff should complete the research and submit the final report to the Research Committee for approval, without submitting the final report to the Committee research allowances of Rs. 2,733,670 had been paid for 07 academic and non-academic staff for the year under review.	The research period has been extended for some members and some members have informed that their research has been completed.	According to the circulars, research should be completed within the stipulated time and final reports should be submitted.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 5,778,095 and the corresponding surplus in the preceding year amounted to a Rs. 10,852,049. As such, a deterioration amounted to Rs.16,630,144 in the financial result was observed. Increase in Personal Emoluments was mainly attributed to this deterioration.

## 3. Operational Review

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) Even though Student enrollment for the Pali Master degree Course in Sinhala has been declining since 2015 and the student enrollment in the two courses of Pali Master Degree in English and Post Graduate Diploma in English (Singapore) for the years 2018 and 2019 had been zero, management had not focused in increasing student attraction for these courses.	It is observed that there are not enough students to start and continue the courses and also the lecturers who worked for it have shifted to other services. Efforts are being taken to make progress.	The institution should take action to increase the number of students.
(b) During nearly 14 years from 05 January 2005 to 30 November 2019, 139 library books issued by the institute had not been returned even by 30 January 2020. These books could not be take back or recover the value.	Penalties for books not delivered will be recovered from the refundable deposits at the end of the course.	Action should be taken to take back the library books.
(c) A sum of Rs. 3,598,493 had been spent for sundry expenses for the installation of the	A sum of Rs. 3,598,493 had been spent for the installation of the foundation stone.	Management attention should be focused on minimizing costs.

foundation stone of the new building of the institute to be constructed at the Manelgama premises in Kelaniya during the year under review and the management had not paid attention to organize the ceremony at a minimum cost. It was also observed that the construction work of the building was started by a private company on 14 May 2019 but the design of the building was not approved till the date of audit, 14 August 2020.

### 3.4 Under-utilization of Funds

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<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
A grant of Rs. 1,585,350 received during the last year for the acquisition of essential capital assets, and the amount received during the year under review amounted Rs. 860,000 had not been utilized for the intended purposes.	These funds have been set aside for the purchase of essential items at the entrance to the new building, which is expected to be completed in the near future.	Government grants should be utilized optimally for the intended purposes.

## 4. Accountability and Good Governance

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### 4.1 Budgetary Control

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<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
09 variances were observed from 25 percent to 100 percent comparing with the budgeted income and expenditure and the actual income and expenditure thus indicating that the budget had not been made use of as an effective instrument of management control	Action will be taken to control the budget in proper managing aspect in future years.	The budget should be made use of as an effective instrument of management control.

