

Buddhist and Pali University of Sri Lanka - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Buddhist and Pali University of Sri Lanka for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Finance Act No.38 of 1971 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, 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 2020, 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 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 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

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

1.5.1 Internal Control over the preparation of financial statements

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.

Non Compliance with the reference to particular Standard	Comments of the Management	Recommendation
(a) Even though assets expected to be realized within 12 months after the date of reporting in accordance with paragraph 76 (c) of Sri Lanka Public Sector Accounting Standards 01 should be classified as current assets, short-term investment total amounted to Rs. 4,756,311 had been shown under non-current assets in the	Categorizing deposits based on only time alone is a barrier to presenting a true and accurate financial image to the users of the financial statements. Action will be taken to classify the six month fixed deposit of Rs. 110,000 as a short term	The Sri Lanka Public Sector accounting standards Should be complied with.

financial statement instead of shown under current assets and fixed deposits total amounted to Rs. 48,000,000 had been shown under current assets in the financial statements.

investment in future. 13 fixed deposits worth Rs. 48,000,000 are maintained for the purpose of realization when a cash requirement arises. Therefore, it is more appropriate to classify investments in financial statements in terms of objectives.

- (b) 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, fixed assets costed for Rs. 122,189,698 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.
- The effective life time of non-current assets has been estimated as per the Circular No. 649 of the University Grants Commission. Further, according to paragraph 49 of Accounting Standards No. 7, whole class of the property, plant and equipment should be fully revaluated.
- The Sri Lanka Public Sector accounting standards Should be complied with.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. **10,026,815** and the corresponding deficit in the preceding year amounted to a Rs. **40,787,889**. As such, an improvement amounted to Rs. **50,814,704** in the financial result was observed. This increase in government grants by Rs. 20,811,000, decrease in external project expenditure, other expenses and travel expenses by Rs. 21,599,409 and decrease in personal salaries by Rs. 17,778,078 had mainly attributed to the said improvement.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although there were fixed deposit of Rs. 24,212,096 and savings of Rs. 3,380,963 relevant to 05 funds, those funds had not been spent during the year under review to achieve the objectives.	Awareness program was conducted on the feasibility / opportunities and methodology of utilizing the funds as per the revised criteria for the Heads of Academic and Non-Academic Divisions on 18.12.2020 but the academic activities were limited due to the prevailing epidemic situation and funds were not utilized.	Funds should be utilized to achieve the relevant objectives

3.2 Operational Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) The contract for the construction of the Hostel Sub-warden Residence II, which was commenced in December 2017 and to be completed in July 2018, was abandoned after part of the building was constructed after incurring sum of Rs 3,967,271. No action had been taken to resume construction even by 31 December of the year under review.	The contract was temporally suspended due to non-attendance of the construction company. This project was restarted on 28.04.2021 in accordance with the discussion held with the relevant construction company on 11.02.2021.	Action should be taken to complete the construction work expeditiously.
(b) The number of students registered for postgraduate studies continued to decline from 439 to 180 during the period from 2018 to 2020. This was due to the high registration fees and the establishment of other postgraduate institutes in the country.	The emergence and competitiveness of postgraduate courses in the field of Buddhist studies in universities, the high course fees of foreign students and Covid-19 situation in 2020 has also been affected.	Necessary action should be taken to increase the number of students enrolling for postgraduate studies.

3.3 Human Resource Management

----- Audit Observation -----	Comments of the Management -----	Recommendation -----
The university had 67 approved cadre and 56 actual cadre, as such, there were 11 vacancies as at 31 December 2020. The post of Librarian was remained in this vacancies from the year 2015.	Applications were called for 11 vacancies in December 2020 and further action is in progress. Evaluation of the applications received for the post of Librarian has been commenced.	Action should be taken to fill the vacancies in order to maintain the activities of the University efficiently.