

## **Buddhist and Pali University of Sri Lanka Provident Fund – 2019**

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### **1.1 Opinion**

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The audit of the financial statements of the Buddhist and Pali University of Sri Lanka Provident Fund 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 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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, the accompanying financial statements give a true and fair view of the financial position of the Provident Fund 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 Opinion**

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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**

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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 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 Provident Fund'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 Provident Fund or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Provident Fund 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 Provident Fund'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 Provident Fund'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 Provident Fund 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 Provident Fund has complied with applicable written law, or other general or special directions issued by the governing board of the Provident Fund;
- Whether the Provident Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Provident Fund 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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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.

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

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<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Buddhist and Pali University of Sri Lanka Act No. 74 of 1981			
(a) Section 27	Since the power of compilation of orders has been vested to the Governing Council of the University from the section 27 of the Act., a directive	Recognized that the growth of the Fund will be affected, the University Grants Commission has prepared regulations	Management should focus on making decisions that will enable the fund to grow.

had been compiled for providing a loan of 60 per cent out of the balance of the contributory account to the contributors of the Fund on the basis of recovering the loan in 10 years. It was observed that an unfavourable effect had occurred to the growth of the Fund due to non-charging of an interest for the total of Rs. 80,839,945 granted as loans to 122 employees as at 31 December in the year under review.

in accordance with the circular and acted with the approval of the Governing Council.

- (b) Section 29 (3)
- A case filed by an officer who terminated his service on the decision taken by the Governing Body on 20 March 2013 against the University and the university had sought for a settlement by paying a compensation of Rs. 1,534,217, but action had not been taken to release the payment of Employees Provident Fund benefits due to him at the same time. Even though, in terms of section 29 (3) of the Act, action should be taken to pay the benefits with the relevant interest by closing the Provident Fund Account existed at the moment of terminating the service of the officer, due to failure to make direct and definite decisions as per the provisions of the Act regarding the balance to be paid, a sum of Rs. 1,547,200 had shown as creditor in the financial statements continuously until the end of
- The Governing body had decided not to make any payments as disciplinary committee investigation is in progress. He had been informed that he had been retired from 20.03.2013 as per the decision of the 363 Governing Council dated 17.11.2015 which was referred on 18.11.2015. Accordingly, his contribution and interest recalculated on 20.03.2013 was Rs. 2,359,617 and deductions were made for the loans obtained and for non-return of university inventories. As such, action had been taken to make settlement for the
- Should Act in accordance with Section 29 (3) of the Act. Action should be taken to determine the balance to be paid and take action to settle it.

the year under review.

payable amount for the period from 02.12.2015 to 28.07.2017 in 07 attempts by cheques, but he refused and was sent return back to the university.

- (c) Section 30 A female officer who resigned from the service on 24 July 2006 had applied for reinstatement in the service two months later, but had not been reinstated in the service. Three years later, on 15 April 2009, the officer submitted a letter requesting that to retain 25 percent of her provident fund and pay 75 percent because she had not return inventories at the time of her resignation and the University had also acted at the request of the officer but not in accordance with Section 30 of the Act. However, by the end of the year under review, 13 years had lapsed, the loss to be charged on the goods not delivered by the officer thereof had not been determined and the retained balance of 25% was continuously shown in the financial statement as a creditor.
- She resigned from the service on 24.07.2006 and informed that she has submitted an appeal seeking reinstatement, and on 10.10.2006 she has informed that provident fund due to her will not be accepted. On the request to release 75% of her provident fund, Accordingly, payment of 75% had been released from the contribution belonged to her on the recommendation of the then Deputy Registrar and the approval of the then Hon. Mahopaddayanan Wahanse. A case is hearing in this regard.
- In term of the Act, action should be taken to the release the provident funds after deducting the recoverable to the fund to the officer at the time of retirement of an officer.

## **2. Financial Review**

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### **2.1 Financial Result**

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The operating result of the year under review amounted to a surplus of Rs. 24,842,087 and the corresponding surplus in the preceding year amounted to Rs. 15,260,579. Accordingly, an improvement amounting to Rs. 9,581,508 in the financial result was observed. The major reason for this improvement was the increase in interest income on fixed deposit.