

Universities Provident Fund - 2013

The audit of financial statements of the Universities Provident Fund for the year ended 31 December 2013 comprising the statement of income as at 31 December 2013 and the statement of financial performance and the statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Section 12 of the Universities Act, No. 16 of 1978. My comments and observations which I consider should be published with the Annual Report of the Universities Provident Fund in terms of Sub-section 12(5) of the Universities Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgements, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2 Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Universities Provident Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements.

2.2.1 Accounting Deficiencies

Out of the Rs.500 million received from the General Treasury in the year 2012 to credit the Provident Fund Contribution outstanding in relation to the cost of living allowance to the beneficiaries , a sum of Rs.153.3 million had been computed as cost of living allowance outstanding and shown as current liabilities in the statement of financial position without crediting the Members Accounts of the Universities Provident Fund.

2.2.2 Accounts Payable

The following observations are made.

- (a) There were specifically unidentified balances in transferring the Contributions of the Provident Fund to the Provident Fund operated by the University . The value of the balances unidentified even as at the end of the year under review amounted to Rs.6,903,570. Unclaimed benefits had been transferred to the Reserve Account without taking action to identify those balances.
- (b) Even though periods range from 2 years to 12 years had elapsed officer cancelling cheques valued at Rs.19,400,886 issued to the members whose services had been terminated necessary action had not been taken.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions.

The following non - compliances were observed during the audit.

Reference to Laws, Rules etc. -----	Non-compliance -----
(a) Section 91 of the Universities Act No.16 of 1978	Ordinances had not been formulated by the Commission for the regulation, administration and management of the Employee Provident Fund amounting to Rs.23,457,619,698 at the end of the year under review.
(b) Financial Regulations 264 of the Democratic Socialist Republic of Sri Lanka	Even though every payment should be confirmed by a receipt obtained from the payee that the amount in the payment voucher has received according to a test check, payments totaling Rs.69,796,055 made on 16 vouchers had not been supported by such receipts .

3. Financial Review

3.1 Financial Results

According to the financial statement presented, the net income of the Fund from the year ended 31 December 2013 amounted to Rs.2,261,004,172 as compared with the net income for the preceding year amounting to Rs.1,610,810,538. The increase of the financial result for the year under review as compared with the preceding year by a sum of Rs.650,193,634 had been mainly due to increase of income from investments by a sum of Rs.703,592,684

4. Accountability and Good Governance

4.1 Action Plan

The planned activities relating to the Universities Provident Fund had been shown in the Action Plan of the University Grants Commission. Even though it had been planned to establish and implement a Medical Insurance Scheme in the Action Plan for the years of 2011/2012, such activity had not been implemented up to the end of the year under review.

5. Systems and controls

The deficiencies in system and controls observed during the course of audit were brought to the notice of the Chairman of the Fund from time to time. Special attention is needed in respect of the following areas of control.

- (a) Formulation of Ordinances.
- (b) Collection of Contributions and Calculation of Interests
- (c) Recovery of the Money Receivable to the Fund.
- (d) Release of the Membership Funds