

## **Provident Fund of the Buddhist and Pali University of Sri Lanka - 2014**

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The audit of financial statements of the Provident Fund of the Buddhist and Pali University of Sri Lanka for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the income statement, and a summary of significant accounting policies and other explanatory notes 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 38 of the Buddhist and Pali University of Sri Lanka Act, No. 74 of 1981. My comments and observations which I consider should be published with the Annual Report of the Provident Fund of the Pali and Buddhist University in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed Report in terms of Section 13(7)(a) of the Finance Act was furnished on 08 April 2015 to the Reverent Mahopadhyaya .

### **1:2 Management’s Responsibility for Financial Statements**

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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**

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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 judgment, 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**

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

### **2. Financial Statements**

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#### **2.1 Qualified Opinion**

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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 Provident Fund of the Buddhist and Pali University of Sri Lanka as at 31 December 2014 and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

## **2.2 Comments on Financial Statements**

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### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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Even though, the cash flow statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standard No.2 to present the cash inflows and outflows, the following deficiencies were observed in cash flow statement.

- (a) Payment of dividends amounting to Rs.8,866,549 accrued for the Contributory Accounts of non –cash flow had been shown as a cash flow.
- (b) Even though investment of treasury bills, cash flow of the payment of maturity and issuing of employee loans and cash recoverables should be included in cash flow statement, the net cash flow had been shown instead of showing receipts and employments separately.
- (c) Even though the actual cash flow for the contributory accounts shown in the financing activities amounted to Rs.19,125,108, it had been shown as Rs.25,553,417 in the cash flow statement.

### **2.2.2 Lack of Evidence for Audit.**

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A sum of Rs.115,122,702 had been invested in Treasury Bills in the year under review and Treasury Bills valued at Rs.101,461,634 had been matured. Interest income of Rs. 9,924,467 had been identified in the year under review from matured and invested bills. A sum of Rs.991,526 had been accounted as taxes, despite the withholding tax paid on this interest had not been deducted. Any source document causing for this deduction had not been presented to the audit.

### **2.3 Non –compliance with Laws, Rules, Regulations and Management Decisions**

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Even though general account for the Provident Fund and separate accounts for each contributor should be maintained as per the Paragraph (2) of Part IV of the Buddhist and Pali University Act of Sri Lanka , 2 general contributory accounts as employer and employee in the general ledger and 2 accounts as employer ,employee in the sub ledger of the Provident Fund had been maintained. Necessity of maintaining contributory accounts as two parts was not revealed in audit and it was observed that a misunderstanding could arise that the employer has some rights in the provident Fund by the users of the financial statements in such a classification.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the operation of the University Provident Fund for the year under review had resulted in a surplus of Rs. 9,854,467 as compared with the surplus of Rs. 10,077,969 for the preceding year thus decreasing the financial results by Rs. 223,502. The decrease in the interest income on Treasury Bills by Rs. 302,794 had been the main reason for this decrease.

## **4. Operating Review**

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### **4.1 Performance**

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The Employees Provident Fund of the Buddhist and Pali University of Sri Lanka consists of 10 per cent contributions recovered from monthly salaries of permanent

employees of the University and 15 per cent contribution payable from the earnings of the University. This money is invested in the Treasury Bills and used to grant loans to employees. The interest credited to the contributory accounts of Fund during the year under review amounted to Rs. 8,866,549 and the previous year interest credited was Rs. 9,065,820. Accordingly, the interest income of the year had decreased by 2.2 per cent.

#### **4.2 Management Inefficiencies**

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The following observations are made.

- (a) Even though, a compound interest percentage should be fixed by the Board of Control in terms of Section 28(3) of the Act at the end of each year after consulting the Minister in charge of the subject of Finance, the relevant approval had not been obtained in this connection and a sum of Rs.8,866,549 had been distributed among the contributory accounts being determined an interest of 8.11 per cent based on the profit in the year.
  
- (b) Balances in the Contributory Accounts of a Provident Fund is not closed without a request of the relevant contributor or claimant and the interest should be paid on the balance of the Provident Fund until it is removed. Nevertheless ,the Provident Fund Account of 2 officers against whom cases had been filed in Labour Tribunal who had been dismissed from the University service on disciplinary grounds had been closed and relevant interest thereof had been accounted the credit of other account holders without computing the interest for several years without a request of those officers .(Details are given below)

Account Balance on which interest should be calculated	The year to which interest credited last time.	Date of application of the Employee provident Fund	Number of years not calculated interest
(Rs.)			
470,841	2004	01.09.2014	10
396,543	2008	Not applied	6

- (c) As distribution of dividends on the contribution of the end of the year of the Provident Fund is the normal procedure, dividends in respect of the contribution of the year under review are also entitled by the account holders of the Fund. However, any dividend had not been granted for the sum aggregating to Rs.1,394,738 of 23 new members who enrolled during the year 2014. The reasons caused to accrue the dividends in two ways for the year under review was not explained to audit.

## 5. Systems and Controls

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Weaknesses in systems and controls observed during the course of audit were brought to the attention of Rev. Mahopadhyaya from time to time. Special attention is needed in respect of the following areas of control.

- (a) Control of Investments and investment income
- (b) Control of Loans and Advances
- (c) Control of Contributory Accounts