

## **Universities Provident Fund - 2012**

### **1. Financial Statements**

#### **1.1 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 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Comments on Financial Statements.**

##### **1.2.1 Sri Lanka Public Sector Accounting Standards.**

In terms of Public Sector Accounting Standard No.01, the statement of changes in Equity which should be furnished along with the financial statements had not been furnished.

##### **1.2.2 Accounting Deficiencies**

The following matters were observed

- a. The Universities Provident Fund balance as at 31 December 2012 amounted to Rs.20,832,082,627. The unidentified balance included in that balance amounting to Rs.6,851,305 had not been identified and the adjustment had not been made in the relevant accounts.
- b. A Sum of Rs.500,000 had been taken in to revenue as reserves during the year from the balance of Non-performing Membership Reserve Account amounting to Rs.8,000,000 as at 01 January 2012 without proper approval.

- c. Out of the Rs.500 million received for the Universities Provident Fund Account to settle the cost of living allowance, a sum of Rs.270.4 million had been computed as cost of living allowance outstanding and brought to account as payables without crediting the Membership Accounts of the Universities Provident Fund.

### **1.2.3 Accounts payable.**

The following observations are made

- a. The balance of refunds payable of Provident Fund of Rs.20,732,055 had made from the total of unclaimed membership funds though the services were terminated. The cheques drawn for these balances had been cancelled and action had not been taken in respect of the out dated cheques valued at Rs.19,437,750 remained 01 year to 11 years in terms of section 93 of the universities Act. It was observed that interest is being crediting to the members account Instead of being crediting to the Government revenue.
- b. The age analysis of the creditors balances aggregating Rs.41,600 as at the end of the year under review had been ranged from 03 years to 09 years.

### **1.2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions.**

The following non - compliances were observed.

<b><u>Reference to laws, Rules etc.</u></b>	<b><u>Non-compliance</u></b>
a. Decision of the Cabinet of Ministers dated 23 March 2011	The academic allowance had been included with the definition of total earnings by the University Grants Commission with the concurrence of the Treasury and issued the Circular No.1000 dated 08 January 2013 without taking action to revise the Decision

of the Cabinet of Ministers dated 23 March 2011. Before issuing the circular, the academic allowance had been included, and as such contributions amounting to Rs.217.49 million had received in excess to the Provident Fund. Action had not been taken either to set off the contribution or to take proper action.

b. Section 91 of the Universities Act No.16 of 1978

Even though income and expenditure of the Provident Fund had been brought to account in the year 2012 amounting to Rs.1,610,934,308 and Rs.1,625,642,752 respectively the Commission had not made ordinances for the regularization, administration and management of the Fund.

c. Finance Circular No 3/2001 of the University Grant Commission dated 02 February 2001

Even though provident fund contributions for the relevant month should be received by the University Grant Commission before 10<sup>th</sup> of the following month or as at that date, it was revealed that proper method had not been followed to identify that all the cheques relating to the month had been received on due dates, and the cheques had been banked without a delay.

## **2. Financial Review**

### **2.1 Financial Results**

According to the financial statement presented, the net income of the Fund available for distribution as at 31 December 2012 amounted to Rs.2,022,174,457 as compared with the net income available for distribution in the preceding year amounting to Rs.1,366,400,312. The increase of the financial result for the year under review as compared with the preceding year by a sum of Rs.655,774,145 had been mainly due to increase of income from investments by a sum of Rs.190,390,600 and re-brought the income from Interest Rate Equalization Account non-performing membership account by a sum of Rs.281,650,220 and Rs.5,000,000 respectively.

## **3. Operating Review**

### **3.1 Performance**

Expenditure on interest, audit fees, bank charges and stationery only had been brought to account under Provident Fund established for universities by the Universities Act No.16 of 1978 while expenditure on administration and others had not been brought to account under the Provident Fund

## **4. Accountability and Good Governance**

### **4.1 Action plan**

This Fund had been established under the University Grants Commission. The planned activities relating to the Universities Provident Fund had been shown in the action plan of University Grant Commission. Even though it had been planned to establish and implement

a medical insurance scheme in the action plan for 2011/2012, such activity had not been implemented up to 31 December 2012.

**5. Systems and controls**

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

- i. Receipts and Release of the Membership Fees.
- ii. Cash and Bank