

## **Provident Fund “B” of the State Mortgage and Investment Bank - 2015**

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The audit of financial statements of the Provident Fund “B” of the State Mortgage and Investment Bank (“the Fund”) for the year ended 31 December 2015 comprising the balance sheet as at 31 December 2015 and the profit and loss account and statement of changes in equity 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 Paragraph 9 of the Extraordinary Gazette No.38/19 dated 01 June 1979 of the Democratic Socialist Republic of Sri Lanka.

### **1.2 Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka 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 Auditing 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 judgement, including the assessment of the risks of material misstatement 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 the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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 Provident Fund “B” of the State Mortgage and Investment Bank as at 31 December 2015 and its financial performance for the year then ended in accordance with Sri Lanka Accounting Standards.

### **2.2 Comments on Financial Statements**

#### **2.2.1 Comply with Sri Lanka Accounting Standards (SLFRS/LKAS)**

A statement of cash flows for the year under review had not been prepared and presented for audit together with other the financial statements in terms of LKAS 01- Presentation of financial statements.

#### **2.2.2 Unexplained Differences**

The following unexplained differences were observed in audit.

- (a) A difference of Rs.2,012,953 was observed between the supplementary contribution receivables shown in the financial statements of Funds maintaining under the State Mortgage and Investment Bank (“the Bank”) and the corresponding balances shown in the financial statements of the Bank for the year under review.
- (b) The supplementary contributions of Rs. 254,251 shown in the financial statements for the year ended 31 December 2014 had been brought as Rs.816,975 to the financial statements for the year under review. Hence, un-explained difference of Rs.562,724 was observed between those two amounts.

## **3. Financial Review**

### **3.1 Financial Results**

According to the financial statements presented, the operations of the Fund during the year under review had resulted in a pre-tax surplus of Rs.104,579 as compared with the corresponding pre-tax surplus of Rs.644,421 for the preceding year, thus indicating a deterioration of Rs.539,842 in the financial results of the year under review. Decrease of interest income by Rs. 540,230 during the year under review was the main reason attributed for this deterioration.

## 3.2 Operating Review

### 3.2.1 Performance

The main activities of the Fund are as follows:

- Collecting the Provident Fund on behalf of all employees attached to then Ceylon State Mortgage Bank.
- Payment of retirement benefits to the members.
- Providing loans to members on the basis of their contributions made to the Fund

The following observations are made in performing the above activities.

- (a) Total receipts to the Fund during the year under review had decreased by Rs.273,240 or 26 per cent as compared with the previous year. Further, there were no members to the Fund for the payment of retirement benefits as at the end of the year 2015. Hence, the entire balance of the Fund as at 31 December 2015 had reduced to Rs.30,372 which led to cease the operations of the Fund in near future. The summary of the operations of the Fund during the year under review and in the preceding year are given below.

	2015		2014	
	Rs.	Rs.	Rs.	Rs.
Opening balance		8,814,132		7,758,694
Add: Receipts to the Fund				
- Contributions of members	79,256		95,385	
- Contributions of the Bank	118,885		143,078	
- Interest income	584,057		816,975	
	-----	782,198	-----	1,055,438
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		9,596,330		8,814,132
Less: Payments from the Fund				
- Payment to members		(9,565,958)		Nil
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Closing balance		30,372		8,814,132
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- (b) According to the information made available for audit, no loans had been granted to the members of the Fund during the year under review and in the previous year.