Universities Pension Fund - 2015

The audit of financial statements of the Universities Pension Fund for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and statement of financial performance, 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 Fund in terms of Sub-section 12 (5) of the Universities Act appear in this report. A detailed report in terms of Sub-section 12(5) of the Universities Act was furnished to the Secretary of the Commission on 17 May 2016.

1.2   Management's Responsibility for the Financial Statements

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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 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 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.

2.   Financial Statements

2.1   Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Universities Pension Fund as at 31 December 2015 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 Non-compliance with Laws, Rules, Regulations and Management Decisions
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The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc.	**Non-compliance**
(a) Section 97 of the Universities Act No.16 of 1978	Ordinances had not been formulated by the Commission for the regularization, administration and the management of the Pensions Fund.
(b) Decision of the Cabinet of Ministers No.අමප/99/0438/11/033 dated 09 April 1999	Instead of the amount to be credited to the Universities Pension Fund in respect of the officers according to a decision made by the Cabinet of Ministers, an amount prescribed by the Circular No. 747 of the University Grants Commission had been credited to the Pension Fund. Even though discussions were held in this connection at the meeting of the Committee on Public Enterprises, action had not been taken even by the end of the year under review to seek an ultimate solution for this problem.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the year under review had been a surplus of Rs.507,289,450 as compared with the corresponding surplus of Rs.473,558,077 for the preceding year, thus indicating an improvement of Rs.33,731,373 in the financial results of the year under review as compared with the preceding year. The increase of income from investments by Rs.28,231,422 had mainly attributed to the improvement in the financial results.

3.2 Analytical Financial Review

The current assets ratio of the Fund in the year under review was 14:1 and the current ratio had improved by 28 per cent in the year under review as compared with the preceding year. The increase in short term deposits by Rs.154,000,000 had mainly attributed to this improvement.

4.   Operating Review

4.1   Performance

The Pensions Fund had been established to formulate a pension scheme for the permanent staff of universities and   the Fund comprised of 12,243 members with a   balance   totalling Rs.5,256,054,608 as at the end of the year under review. The number of   pensioners   who were receiving pensions from the Fund stood at 193 and the pensions paid to them during the year under review   amounted to Rs.31,861,064.

4.2   Management Activities

Nine instances where a delay of 7 years had occurred in obtaining the balance credited to the Pensions Accounts of the members who have resigned from the service in university without completing a service period of 20 years were observed due to delay in submission of reports and declarations of liabilities of contributors by the universities and higher educational institutions.

5.   Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Secretary of the Universities Grants Commission from time to time. Special attention is needed in respect of the collection of membership fees in an updated manner.