

Universities Pension Fund - 2016

The audit of financial statements of the Universities Pension Fund for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and statement of financial performance, statement of changes in equity and cash flow statement and summary of significant accounting policies and other explanatory informations for the year then ended 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 University 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.

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 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 2016 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

A sum of Rs.11,688,067, the amount of total income tax relating to the year under review had set-off from the balance amounting to Rs.13,186,248 in the Over-allocation Account for income tax in the preceding year and its difference of Rs.1,498,181 only had been stated as income in the statement of financial performance.

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

Ordinances had been prepared by the Commission for the regulation, administration and its management in terms of Section 97 of the Universities Act No.16 of 1978.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operational result for the year under review had resulted in a surplus of Rs.588,520,971 as compared with the corresponding surplus of Rs.507,289,450 for the preceding year, and as such, an improvement of Rs.81,231,521 or 16 per cent was observed in the preceding year. The increase of the net income on investment by Rs.82,652,261 had mainly attributed for that improvement of the financial result.

4. Operating Review

4.1 Performance

The Pensions Fund had been established to establish a pension scheme for permanent University employees and it consisted of 13,173 members with a balance amounting to Rs.6,395,517,956 by the end of the year under review. The number of pensioners who obtain pensions in it were 222 and the pension money paid in the year under review for them had been a sum of Rs.38,825,270.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Secretary to the University Grants Commission from time to time. Special attention is needed in respect of the field of Accounting.