

## **University Provident Fund - 2016**

---

The audit of financial statements of the Universities Provident Fund for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance, the 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 and Section 24 of the Universities Provident Fund Ordinance No.1 of 2015. 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**

---

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**

---

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 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 Provident 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 Accounts Receivable**

-----

The balance of dormant members of the Employees Provident Fund amounting to Rs.44,126,524 as at 31 December 2016 comprised the balances recoverable as well from the members who had violated agreements.

## **3. Financial Review**

-----

### **3.1 Financial Results**

-----

The operations for the year ended 31 December of the year under review had been a surplus of Rs.2,792,683,501 as compared with the corresponding surplus of Rs.2,544,644,089 for the preceding year thus observing an improvement of Rs.248,039,412 in the financial result of the year under review as compared with the preceding year. The increase in the investment income by Rs.174,309,903 and the decrease in the income tax expenditure by Rs.74,399,450 in the year under review had mainly attributed to the increase in the above surplus.

In consideration of the financial results of 05 preceding years, a steady improvement was observed and after making adjustments for the income tax paid to the Government, the contribution at the end of the year under review was Rs.2,850,171,996. As compared with the contribution of the preceding year, there was an improvement of 6 per cent.

## **4. Operating Review**

-----

### **4.1 Performance**

-----

The following observations are made.

- (a) According to the University Grants Commission Circular No.155 of 02 February 1982, the higher education institutions should submit details to the Secretary of the Commission within 02 months on the release of the balance of the Provident Fund of employees who had served and terminated service in those institutions, and if that purpose is delayed and interest had to be paid to the contributors due to that delay, it should be surcharged on the relevant

responsible officers. Even though the delay period had been extended from 04 months to 252 months, the interest paid for that delay period amounted to Rs.110,805. However, action had not been taken to recover it from the relevant officers in terms of the Circular. Moreover, in the release of funds of the members who had terminated service, the failure in submitting files within the due period by universities had mainly attributed to the delay in payments and the Commission had not prepared a proper methodology in preventing delays.

- (b) According to the decisions taken at the 739<sup>th</sup> committee meeting of the University Grants Commission held on 31 August 2007 in respect of loans paid from the University Provident Fund, in granting of loans, details on the contributions for the Provident Fund prior to the month of application and previous total loan installments should be received to the Finance Division of the University Grants Commission before the 10<sup>th</sup> day of the month of applying for the loan. However, instances were observed in which they were not received accordingly. The Commission had not taken proper steps in respect of those delays.

**5. Systems and Controls**  
-----

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

<b>Area of Systems and Controls</b> -----	<b>Observations</b> -----
Funds Management	<ul style="list-style-type: none"> <li>(i) Delay in releasing provident funds of members who had terminated their service.</li> <li>(ii) Delay in remitting monthly loan installments and contributions to the Provident Fund.</li> </ul>