

## **Provident Fund of the Sri Lanka Buddhist and Pali University – 2017**

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The audit of financial statements of the Provident Fund of the Sri Lanka Buddhist and Pali University for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, 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(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 38 of the Buddhist and Pali University of Sri Lanka Act, No. 74 of 1981. My comments and observations which I consider should be published with the Annual Report of the University in terms of Section 14(2) (c) of the Finance Act, appear in this report.

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

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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**

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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. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, the financial statements give a free and fair view of the financial position of the Provident Fund of the Sri Lanka Buddhist and Pali University as at 31 December 2017 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**

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#### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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##### **a) Sri Lanka Public Sector Accounting Standard 01**

Cash flow statement of the fund had been prepared on indirect method but had not been disclosed by notes as per the paragraph 132 (a) of the standard.

##### **b) Sri Lanka Public Sector Accounting Standard 02**

Investment in Treasury bills and seven days deposits amounting to Rs.34,279,506 and Rs.50,000 respectively had been shown under current assets in the financial position statement in the year under review, but had been shown under investment activities in the cash flow statement instead of shown under working capital and cash & cash equivalent.

#### **2.2.2 Transactions not Supported by Adequate Authority**

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A sum of Rs.193,108,516 had been invested in Treasury bills in the year under review and its face value was Rs.211,266,644 and face value of which amounting to Rs.175,894,652 had been matured in the year under review and had been reinvested without the approval of the order No. 12 of the Council of the university.

## **3. Financial Review**

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### **3.1 Financial Result**

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According to the financial statements presented, the operations of the Provident Fund of the University for the year ended 31 December 2017 had been a surplus of Rs.17,081,641 as compared with the corresponding surplus of Rs.11,611,846 of the preceding year, thus indicated an improvement of Rs.5,469,765 in the financial result. The increase of the interest income on Treasury Bills by a sum of Rs.5,478,299 as compared with the preceding year, had mainly attributed to the this improvement.

While reviewing financial result of the year under review and last four years, since year 2013 to year 2015 the financial results and contribution of the fund had gradually deteriorated, but since preceding year it had improved and was Rs.17,081,641 at the end of the year under review.

#### 4. Operating Review

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##### 4.1 Performance

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The interest credited to the contribution accounts by the Fund in the year under review had been a sum of Rs.17,083,755, and it had been a sum of Rs. 11,608,963 in the year 2016 and had been a sum of Rs.7,798,968 in the year 2015. As such, it was observed that 49 per cent improvement existed in the amount of benefit in the year 2016, as compared with the year 2015. But compared with 2016 the improvement had been reduced by 2 per cent and was 47 per cent.

##### 4.2 Management Activities

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The power entrusted to make orders for the administration and management of the Provident Fund had been entrusted to the council of the university in terms of section 27 of Sri Lanka Buddhist and Pali University Act No.74 of 1981. Accordingly, an order to issue 60 per cent out of the balance of the contributory account to the employees without interest as loans for a repayment period of 10 years had been prepared as per the financial circular No.06/2007 dated 31 August 2007 of university Grants Commission. As such, a sum of Rs.57,790,254 had been provided for 105 employees as loans as at the 31 December in the year under review and it was observed that it had caused disadvantageous to the growth of the Fund due to not recovery of any interest.

#### 5. Systems and Controls

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

<b>Areas of Systems and Controls</b>	<b>Observations</b>
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(a.) Absorption of Administrative Expenses	Operating activities of the Fund is handled by the staff of the Buddhist and Pali University, but action had not been taken to absorbed to reasonable administrative expense in respect of the Fund.
(b.) Employee Loans	Making impacts on the growth of the fund not restricting employee loans.
(c.) Investments	No action to improve existing investment and not moving for most favourable investment activities.