

University Provident Fund – 2020

1. Financial Statements

1.1 Opinion

The audit of the financial statements of University Provident Fund for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 the National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Fund to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Accounts Receivables and Payables

1.5.1 Accounts Payables

Audit Observations	Management's Comment	Recommendation
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Although, a sum of Rs.48,891,896 relating to 473 cheques, issued for the period from year 2001 to 2020 but cancelled due to non-claim, was shown under the current liabilities in the Statement of Financial Position, Management had not taken adequate steps to settle those amounts.	According to the audit query, the reason for the invalid checks was that the member had not provided the bank account details properly. In this regard, as per the recommendations of the University Provident Fund Monitoring Committee, the relevant list of names has been published on the website of the University Grants Commission.	Steps should be taken to inform the relevant parties about the unclaimed balances and settle them.

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

Following observations are made.

Reference to Laws, Rules, Regulations	Non-compliance	Management's Comment	Recommendation
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(a) Section 93(2) of the University Act No.16 of 1978	Although the service of a lecturer at the University of Moratuwa was terminated on 10 September 2000, the release of the fund's balance was delayed by 227 months until 29 May 2020. A sum of	According to the Commission Circular No. 155 dated 05.02.1982, application for fund release from the Provident Fund should be sent to the University Grants Commission within 02 months of leaving the	According to the Universities Act, in the event of termination of employment for any reason before retirement, the balance and interest in the name of the

Rs.1,455,971 was released with interest of Rs.1,228,899 on the balance of Rs.227,072 in the account on the date of termination of service.

service, A lecturer's employee of the provident fund release Fund shall be paid to the leaflet has been sent to the the employee University Grants without delay. Commission 227 months after it was suspended. From that day onwards, further steps are taken to release the provident funds and the interest is calculated based on the credit balance of the relevant member in his account. Accordingly, the fund has not incurred a loss and the interest adjusted on the employee's credit balance has been paid correctly.

- (b) Section 95 of the University Act No.16 of 1978
- (i) The balance in the contributor's account must be paid within 03 months of the termination of the contributor's account. However, there were delays ranging from 01 month to 317 months to refer to the relevant higher education institution and make payments for the applications submitted by 108 contributors and a sum of Rs. 9,241,071 had been paid as interest for that delayed period.
- University Grants Commission provident fund release papers have to be retained for a period of 2-3 months as payments are suspended from December to February until the final accounts are prepared each year and the interest rate for the following year is determined. Accordingly, it is clear that there has been no delay in the University Grants Commission. Also, since the interest payment is based on the members' balance, the University Grants Commission does not pay any late interest that the member is not entitled to. This payment is in accordance with Section 95 of the Universities Act No. 16 of 1978.
- According to the Section 95 of the Act, action should be taken to release the balance within 03 months of termination of service of the contributor.

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| | <p>(ii) Due to the intentional or negligence of the terminated client, the submission of application for release of the fund had delays ranging from 01 month to 312 months and the Commission had not made adequate provisions to avoid the situation of late application.</p> | <p>Provisions have been made for this through the Circular of the University Grants Commission No. 155 dated 02 February 1982 and at present, the submission of provident fund applications has been further formalized and a new circular draft has been prepared and will be issued in due course.</p> | <p>Necessary action should be taken to minimize the delay in requesting release of funds, either intentionally or negligently by terminated contributors.</p> |
| <p>(c) University Grants Commission Circular No. 155 dated 05 February 1982</p> | <p>(i) Submitting the application sent to the Institute of Higher Education to the Secretary of the University Grants Commission within 02 months, in case of any error or delay in the relevant institution of higher education, the interest paid on that delay should be surcharged to the relevant responsible officer. However, the circular did not comply with the provisions, for calculating and paying interest on delays of a period of 01 month to 34 months when referring to the Secretary of the Commission.</p> | <p>This was discussed at length at the University Provident Fund Monitoring Committee and University Vice Chancellors are of the opinion that the delay is not due to the fault of the officials but the time taken to provide and collect information. Accordingly, a circular draft containing new guidelines in this regard has been prepared. It will be released in the near future.</p> | <p>If there is any delay in the release of the fund, the cause of the delay should be identified and the surcharge should be formalized to the officials responsible for it.</p> |
| | <p>(ii) Although action should be taken to release the fund to the contributor within one month after considering the applications submitted by the Institute of Higher Education to the Secretary of the University Grants Commission to release the</p> | <p>The dates on which the applications were duly filled and actually received by the University Grants Commission should be taken into consideration. In addition, provident fund applications received between December and</p> | <p>Delays in the release of contributions should be minimized after considering the applications submitted to the Secretary by the Higher Education Institutions.</p> |

contributor's money, it was observed that there was a delay of 01 month to 53 months. February of each year are not released in December, January and February until the final accounts are prepared and the annual interest is calculated. Also, due to the spreading of Covid-19 in 2020, the activities of the University Grants Commission have been suspended from 13.03.2020 to 13.05.2020.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 4,063,226,896 and the corresponding surplus of the preceding year amounted to Rs.3,770,201,568 Therefore an improvement amounting to Rs. 293,025,328 of the financial result was observed. The increase in the investment income was the main reason for this improvement.