

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Public Service Provident Fund for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance for the year then ended 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 provisions of the National Audit Act No. 19 of 2018 and section 24 (1) (chapter 621) of the Public Service Provident Fund Ordinance No.18 of 1942. My comments and observations which I consider should be reported to Parliament appear in this report.

I do not express an opinion on the financial statements of the fund. Because of the significance of the matters described in paragraph 1.5 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

I expressed Disclaimer of opinion on the matters described in paragraph 1.5 of this report

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.

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

Management is responsible for the preparation of these 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 to do so.

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

As per Sub 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.

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 exercised 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 its 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 Audit Observations on the preparation of Financial Statements

1.5.1 Documentary Evidences not made available for Audit

Item	Amount Rs.Million	Audit evidence not furnished	Comments of the Management	Recommendati on
(a) Since schedules for Government contribution receivable from the Government, mentioned in the financial statements had not been presented, it could not be verified from which Institutions and for contributors in respect of whom they should receive.	221.1	Individual balance schedules	In the hope of later verification of the current balance, a procedure has been commenced from the year 2024 onwards to include a analysis on the contributory money received by cheques at institutional level.	The correctness of the balances can be verified by maintaining a proper data system on the individual accounts of the contributors.
(b) Since individual balance schedules had not been presented, correctness of the balance of the compulsory contribution account and the balance of the	36,705.6 56,522.3	Individual balance schedules	In the hope of later verification of the current balance, that a procedure has been commenced from the year 2024 onwards, to include a analysis on the contributory money received by	Correctness of the balances should be verified by maintaining a data system.

	Government contribution account could not be verified.			cheques at institutional level.	
(c)	Since single balance schedules had not been presented, correctness of the balance of the voluntary contribution account could not be verified.	56.4	Schedules with information on claimants	In the hope of later verification of the current balance, a procedure has been commenced from the year 2024 onwards to include a analysis on the contributory money received by cheques at institutional level.	Correctness of the balances should be verified by maintaining a data system.
(d)	No time analysis had been presented for the balance of the adjustment account brought forward from the year 1989.	5.6	Time analysis	The reasons for this situation to occur are the changes that have occurred in certain expenditure votes, and due to certain Institutions being dismantled or being amalgamated with some other institutions in terms of administrative aspect.	Action should be taken to identify currently responsible institutions and settle.

1.6 Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules and regulations	Non-compliance	Comments of the Management	Recommendation
Section 25 of the Public Service Provident Fund Act- 1942.	Although the Director General of Pensions should, at the end of each fiscal year, inform each contributor of the total amount of money deposited in his or her name by the relevant date, no procedure had been made to fulfil that requirement. .	It is informed that, in the hope of later verification of the current balance, a procedure has been commenced from the year 2024 onwards, to include a analysis on the contributory money received by cheques at institutional level.	Action should be taken as per the provisions of the Act.

2. Financial Review

2.1 Financial Result

The operating result in the year under review had been an excess of Rs. 17,102.56 million as compared with the corresponding excess of Rs. 8,273.96 million for the preceding year, thus indicating an improvement of Rs. 8,828.80 million in the financial result. The increase by Rs. 8,829.72 million of interest income on investment had been the main reason for the above improvement in the financial result.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Although ratio had been decided for the distribution of interest income of Rs.17,102,563,543 amongst contributors based on average value of the initial monthly allocation, this particular basis could not be found out by the audit and it was revealed that the whole of interest income is not distributed amongst the contributors. Interest income amounting to Rs.8,731,182 had been transferred to the General Deposit without being distributed amongst contributors.	That guidance has been provided by section 11 of the Public Service Provident Fund, and accordingly, those benefits have been distributed amongst contributors based on percentages determined by the Management Committee and that transfers made to the general Deposit accordingly.	Action should be taken to get a proper basis approved for the distribution of interest income.