

Public Service Mutual Provident Association - 2024

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Public Service Mutual Provident Association ("Association") for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report 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 Association as at 31 December 2024, 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 Association'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 intend to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Association 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 Association.

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

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 Company'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 Company'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. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company 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 Association, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Association has complied with applicable written law, or other general or special directions issued by the governing body of the Association;
- Whether the Association has performed according to its powers, functions and duties; and

- Whether the resources of the Association had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 4,152,369 and the corresponding profit in the preceding year amounted to Rs. 119,379,592. Therefore, a deterioration amounting to Rs. 115,227,223 of the financial result was observed. This deterioration was mainly due to the fact that interest paid on member contributions in previous years was deducted from the retained earnings of the previous year, but was accounted for as a financial expense in the year under review.

3. Operation Review

3.1 Loans provided by the Association

The number of pair of spectacles loans and consumer loans (mortgage loans) provided by the association in 2024 increased by 334 percent and 80 percent respectively compared to 2023, while the number of members who received salary loans decreased by 600. Due to errors in the existing computer system, there is a problem in identifying members who are not paying their loan instalments properly.

3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
As at the end of the year under review, necessary actions had not been taken to identify the outstanding loan instalments and interest in respect of each loan category other than housing and property loans.	Due to defects in the existing computer system, there is an issue in identifying the members whose instalments are not being properly recovered. It was informed that necessary actions will be taken immediately after rectifying the issues in the computer system	The defects in the existing computer system should be rectified without delay.

3.3 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
At the beginning of the year under review, the unsorted remittance account had a balance of Rs. 4,172,674, of which only Rs. 20,434, representing approximately 0.49 per cent, had been cleared during the year. Further, unidentified credits and debits amounting to Rs.10,725 and Rs.55,892 respectively had remained during the year under review.	In the year 2024, the net increase in the balance of unsorted remittance accounts amounted to Rs. 24,732. Compared to previous years, this value is relatively low. Since certain members have made direct payments to the bank without notifying the Society, an unidentified balance still remains. It was informed that once such debit transactions are identified, necessary corrections will be made immediately.	Action should be taken to identify and clear the balance in the unsorted remittance account.