

## **Universities Pension Fund - 2013**

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The audit of financial statements of the Universities Pension Fund for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance and 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. My comments and observations which I consider should be published with the Annual Report of the Universities Pension Fund in terms of Sub-section 12(5) of the Universities Act appear in this report.

### **1.2 Management's Responsibility for 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 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 risks 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**

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### 2.1 **Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the Universities Pension Fund as at 31 December 2013 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 **Accounts Payable**

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A sum of Rs.5,586,731 received from the Treasury in the year 2012 for the settlement of the amount that should be credited to the pensions fund after the decision taken by the Cabinet of Ministers to compute the pensions including the cost of living had been recorded as cost of living allowances payable to the Higher Educational Institutes without crediting the respective pensions accounts .

#### 2.2.2 **Non-compliance with Laws, Rules, Regulations and Management Decisions**

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Non-compliances with laws, rules and regulations are given below.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a) Section 97 of the University Act No.16 of 1978	Ordinances had not been prepared by the Commission for regulation, administration and the management of the Pensions Fund .
(b) Cabinet Decision No. අමප/99/0438/11/033 dated 09 April 1999	According to the decision of the Cabinet of Ministers , 10 per cent should have been credited to the Pension Fund out of 25 per cent of contribution credited to the Universities Provident Fund on behalf of the officers. Contrary to that , action had been

taken to credit 8/15 out of the 15 per cent contribution to the Pension Fund made by the employer to the Provident Fund according to the Circular No. 747 of the University Grants Commission. Even though directives were given at the meeting of the Committee on Public Enterprises relating to the report of the Auditor General for the year 2012 to take action to settle this problem, action had not been taken accordingly.

### 3. **Financial Review**

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#### 3.1 **Financial Results**

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According to the financial statements presented, the operations of the Fund for the year ended 31 December 2013 had resulted in a surplus of Rs. 446,407,001 as compared with the corresponding surplus of Rs. 205,857,407 for the preceding year and as such an increase of Rs.240,549,594 was observed in the financial result for the year under review as compared with the preceding year. The increase of income on investment by Rs.241,972,967 had mainly attributed for that increase of the financial result.

### 4. **Operating Review**

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#### 4.1 **Performance**

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The following observations are made.

- (a) According to the test checks, 07 instances of delayed payments ranging from that 01 to 05 years were observed in the payment of credit balance available in the Pension Accounts of the employees who were resigned from the service without completing the service of 20 years.
- (b) It was observed that there was an interest which deprived to the contributor due to a time delay between the date of last computation of the interest and the date of payment of the such amount and interest in re-payment of the contribution available in the pensions accounts of the employees who did not complete the service of 20 years.

### 5. **Systems and Control**

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the Pensions Ordinance.