

State Mortgage and Investment Bank Provident Fund – “A”-2011

1 Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the State Mortgage and Investment Bank Provident Fund –“A” as at 31 December 2011 and its financial performance for the year then ended in accordance with Generally Accepted Accounting principles .

1.2.1 Comments on Financial Statements

1.2.2 Accounting Deficiency

Year end balances of the loans given to members as appearing in the loan amortization schedule differed from those balances appearing in the members’ contribution schedules as at 31 December 2011. Details are as follows.

Employee No.	Loan balance as per register of Provident Fund (A) and financial statements for the year ended <u>31 December 2011</u> Rs.	Loan balance as per the Loan amortization schedule as at <u>31 December 2011</u> Rs.	<u>Difference</u> Rs.
96	1,814,979.31	1,813,725.01	1,254.30
76	580,000.00	575,000.00	5,000.00
101	1,427,166.42	1,413,665.31	13,501.11
92	262,878.46	257,766.02	5,112.44
88	657,462.96	648,472.90	8,990.06
Total	<u>4,742,487.15</u>	<u>4,708,629.24</u>	<u>33,857.91</u>

1.2.3 Accounts Receivable and Payable

It was observed that the Annual bank contribution to the Fund amounting to Rs.48,138,871 accumulated over number of years as at balance sheet date had been shown as receivable instead of transfer to the Fund.

2. Financial and Operating Review

2.1 Financial Results

- (a) According to the financial statements presented, the operations of the Fund during the year under review had resulted in an interest credited to members accounts amounting to Rs.5,922,971 as compared with the corresponding interest credited to members accounts amounting to Rs.6,914,930 in the preceding year thus showing a decrease by Rs.991,959 or 14.34 per cent. The main reason for this negative trend

was the decrease of total contribution of the members due to retirement and decrease of interest rates.

(b) According to the information made available, the operating results of the fund had decreased for the last 04 years. Details are as follows.

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	Rs.	Rs.	Rs.	Rs.
(i) Interest Income on Fixed Deposits	759,453	1,714,287	3,335,702	4,822,617
(ii) Interest Income on Loan to Members	444,107	389,447	470,074	567,637
(iii) Interest Income on Savings Account	47,262	-	-	-
(iv) Total Generated Interest Income	1,250,822	2,103,734	3,805,776	5,390,254
(v) Bank Charges	-	1,500	100	-
(vi) Tax Expenses	599,455	701,570	1,033,539	997,905
(vii) Net Interest Income	651,367	1,400,664	2,772,137	4,392,348
(viii) Supplementary Contribution by State Mortgage and Investment Bank	5,271,604	5,514,266	7,358,120	5,408,362
(ix) Total Income	5,922,971	6,914,930	10,130,257	9,800,711
(x) Total interest contributed to Members	5,922,971	6,914,930	10,130,257	9,800,711

The following observations are made in this connection

- a) The interest income on fixed deposits had decreased from Rs. 4,822,617 to Rs. 759,453 or 84.25 per cent during the period of 2008-2011. The reason for this negative trend was the withdrawals of fixed deposits.
- b) The interest income on loan to members had decreased from Rs. 567,637 to Rs. 444,107 or 21.76 per cent during the period of 2008-2011. The reason for this negative trend was the settlement of loan to members.
- c) The supplementary contribution had decreased from Rs. 5,514,266 to Rs. 5,271,604 or 4.40 per cent while total interest credited to members accounts had decreased from Rs. 6,914,930 to Rs. 5,922,971 or 14.34 per cent during the period of 2010-2011.

2.2 Loans Granted to Members

According to the information made available to audit, details of loans granted to members during the year under review and the preceding year are given below.

	<u>Year ended 31 December</u>	
	<u>2011</u>	<u>2010</u>
	<u>Rs.</u>	<u>Rs.</u>
Brought Forward Balance	4,947,066	7,426,264
<u>Add</u>		
Loans granted to the members during the year	<u>5,540,000</u>	<u>480,000</u>
	10,487,066	7,906,264
<u>Less</u>		
Recoveries during the year	<u>2,636,670</u>	<u>2,959,198</u>
	7,850,396	4,947,066
<u>Add</u>		
Refund of excess money to members and interest on Loan	7,708	-
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Carried Forward Balance	<u>7,858,104</u>	<u>4,947,066</u>

The loans granted to the members had increased by Rs. 5,060,000 or 1,054.16 per cent in the year 2011 when compared with the year 2010 and recoveries decreased by Rs. 322,528 or 10.89 per cent in the year 2011 when compared with the year 2010.

2.3 Members Contribution

According to information made available to audit, a summary of members' contribution, Bank contribution and interest credited to members accounts for the year under review and preceding year are given below

	2011				2010			
	<u>Members Contribution</u>	<u>Bank Contribution</u>	<u>Interest Credited</u>	<u>Total</u>	<u>Members Contribution</u>	<u>Bank Contribution</u>	<u>Interest Credited</u>	<u>Total</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Brought Forward Balance	8,412,627	12,596,432	46,168,275	67,177,334	8,555,779	12,810,382	44,189,640	65,555,801
<u>Add</u>								
Contribution and Sundry debtors during the year	937,789	1,406,705	5,922,971	8,267,465	1,384,229	2,075,998	6,852,407	9,370,109
Total	9,350,416	14,003,137	52,091,246	75,444,799	9,940,008	14,886,380	51,042,047	74,925,910
<u>Less</u>								
Paid during the year	1,586,402	2,361,501	10,147,747	14,095,650	1,527,381	2,289,948	4,873,773	7,748,576
Balance carried forward	7,764,014	11,641,636	41,943,499	61,349,149	8,412,627	12,596,432	46,168,274	67,177,334

The members' contribution to the Fund had decreased by Rs. 446,440 or 32.25 per cent in the year 2011 when compared with 2010 and Bank contribution also had decreased by Rs.669,293 or 32.23 per cent in line with members contribution and total amount paid had increased by Rs. 6,347,074 or 81.91 per cent in the year 2011 when compared to the year 2010.