

## **Provident Fund – “B”**

### **State Mortgage and Investment Bank Provident Fund**

#### **1. Financial Statements**

##### **1.1 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 –“B” as at 31 December 2012 and its financial performance for the year then ended in accordance with Generally Accepted Accounting principles.

##### **1.2 Comments on Financial Statements**

###### **1.2.1 Accounting deficiencies**

Following accounting deficiencies were observed in audit.

Investment Income amounting to Rs. 21,730 received in 2012 for 2010 had been erroneously taken to account for the year under review. Thus Investment Income had been overstated by the same amount.

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

Following instances of non-compliance were observed in audit.

#### **Reference to Laws, Rules, Regulations etc.**

Extra ordinary Gazette, No.38/19-  
Friday, dated 01 June 1979 .  
Rule 04

#### **Non-Compliance**

All monies standing to the credit of members shall be invested in debentures of any government Bank or Government securities. However all funds had been invested in fixed deposit of State Mortgage and Investment Bank.

## 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. 2,299,550 as compared with the corresponding interest credited to members accounts amounting to Rs. 1,813,064 for the preceding year thus showing an increase in financial results by Rs.486,486 or 26.83 per cent. The main reason for this positive trend was the increase of interest rate during the year under review.
- (b) According to the information made available, the operating results of the Fund for the last 03 years and for year under review are shown below.

	<u>2012</u> Rs.	<u>2011</u> Rs.	<u>2010</u> Rs.	<u>2009</u> Rs.
(i) Interest Income on Fixed Deposits and Savings Accounts	1,280,552	1,675,320	1,976,387	2,417,405
(ii) Interest Income on Loans to Members	<u>110,860</u>	<u>67,197</u>	<u>89,225</u>	<u>73,230</u>
(iii) Total Generated Interest Income	1,391,412	1,742,517	2,065,612	2,490,635
(iv) Tax Expenses	<u>(187,232)</u>	<u>(181,306)</u>	<u>(212,149)</u>	<u>(284,719)</u>
(v) Net Interest Income	1,204,180	1,561,211	1,853,463	2,205,916
(vi) Supplementary Contribution by State Mortgage and Investment Bank	1,095,370	251,853	268,028	626,569
(vii) Total interest credited to Members	<u>2,299,550</u>	<u>1,813,064</u>	<u>2,121,491</u>	<u>2,832,485</u>

The following observations are made in this connection

- a) The interest income on fixed deposits and savings accounts had decreased from Rs. 2,417,405 to Rs. 1,280,552 or 47.02 per cent during the period 2009-2012.
- b) The interest income on loan to members had increased from Rs.73,230 to Rs. 110,860 or 51.38 per cent during the period 2009-2012.
- c) The supplementary contribution had increased from Rs. 626,569 to Rs. 1,095,370 or 74.82 per cent while total interest credited to member accounts had decreased significantly from Rs.2,832,485 to Rs. 2,299,550 or 18.81 per cent during the period 2009-2012.

**2.2 Identified Losses**

- (a) Due to investment made without considering requirements of fund investment had been withdrawn before maturity date. Thus fund incurred a loss of Rs. 142,865. Details are shown below.

Fixed deposit No	Period	Interest Rate(%) 2011	Amount Rs.	Date of withdrawn	Interest Rate (%) 2012	Amount Rs.
F/001/000096	13.08.2011 - 13.8.2012	10	517,591.70	09.08.2012	8.5	43,995.29
001/25/31409	23.11.2011-24.11.2012	8.5	484,647.81	08.10.2012	5.5	26,655.63
1/25/53057	30.12.2011-31.12.2012	9	347,835.11	12.11.2012	8.63	30,018.17
F/001/04/001 2656	07.09.2011-07.09.2012	8.5	767,198.99	09.08.2012	5.5	42,195.94
						142,865.03

- (b) Interest had not been received for the period in between maturity date and withdrawn date. Thus fund had incurred an estimated loss of Rs. 99,207. Details are shown below .

Fixed Deposit No	Date of Maturity	Date of withdrawn	Excess days (without Interest)	Loss of Interest Rs.
F/001/25/0020811	12.11.2012	06.12.2012	25	18,409
0-01/25/0020572	6.12.2012	06.12.2012	54	26,060
1/25/0028918	09.11.2012	06.12.2012	27	3,640
1/25/0031011	21.10.2012	12.11.2012	22	3,129
001/25/0051824	30.09.2012	08.10.2012	9	2,572
1/25/55337	28.09.2013	12.11.2012	46	37,093
F/001/04/0025136	09.10.2012	12.11.2012	35	4,095
F/001/04/0041355	24.07.2012	09.08.2012	17	4,209
Total				99,207

### 2.3 Loan Granted to Members

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

	<u>Year ended</u> <u>2012</u> Rs.	<u>31 December</u> <u>2011</u> Rs.
Brought Forward Balance	892,467	1,534,010
<u>Add</u>		
Loans granted to members during the year	<u>350,000</u>	<u>120,000</u>
	1,242,467	1,654,010
<u>Less</u>		
Recoveries during the year	<u>(1,235,193)</u>	<u>(761,543)</u>
Carried Forward Balance	<u>7,274</u>	<u>892,467</u>

The loan granted to members had increased by Rs.230,000 or 191.6 per cent in the year 2012 when compared with the year 2011 and recoveries had increased by Rs.473,650 or 62.20 per cent in the year 2012 when compared with the year 2011.

## 2.4 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.

	2012				2011			
	Members Contribution	Bank Contribution	Interest Credited	Total	Members Contribution	Bank Contribution	Interest Credited	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Brought Forward Balance	3,325,548	4,981,852	12,151,352	20,458,752	3,811,759	5,709,077	12,871,285	22,392,121
<u>Add</u>								
Contribution during the year	231,543	347,313	2,271,478	2,850,334	292,647	438,971	1,813,064	2,544,681
Total	3,557,091	5,329,165	14,422,830	23,309,086	4,104,406	6,148,048	14,684,349	24,936,802
<u>Less</u>								
Paid during the year	2,560,382	3,834,276	10,198,110	16,592,768	778,857	1,166,196	2,532,997	4,478,050
Balance carried forward	996,709	1,494,889	4,224,720	6,716,318	3,325,549	4,981,852	12,151,352	20,458,752

Total contributions to the Fund had increased by Rs 305,653 or 12.01 per cent in the year 2012 when compared with the year 2011 and a sum of Rs: 16,592,768 had been paid to the members in the year 2012 when compared with the year 2011.

