

Universities Pension Fund 2011

1 Financial Statements

1:1 Opinion

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 2011 and its financial performance for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Non-compliance with Laws, Rules and Regulations

The following non compliances were observed.

Reference to Laws, Rules, etc.	Non-compliance
(a) The decision of Cabinet of Ministers No. CP/99/0438/11/033 of 09 April 1999.	According to the decision of Cabinet of Ministers, 10 per cent out of the 25 percent credited to the Universities Provident Fund should be credited to the Pension Fund. However, action in terms of Circular No. 747 of the University Grants Commission had been taken to credit 8/15 of the 15 percent contribution of the Provident Fund to the employer Pension Fund.
(b) Letter No. A/Establishments /2004 dated 28 January 2005 and No. 5/Establishments/11 dated 24 August 2001 of the Commissioner General of Labour.	Even though the Commissioner General of Labour had reported that the academic allowances should not be taken into consideration in the computation of contribution to the Universities Provident Fund and the gratuity, the academic allowances had been taken into consideration in the computation of contribution to the Pension Fund.

Accordingly, the amount credited excessively to the Pension Fund from the year 2004 up to May 2011 amounted to Rs. 194 million approximately.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the surplus of the Fund for the year ended 31 December 2011 amounted to Rs.61,151,399 and the corresponding surplus for the preceding year amounted to Rs. 25,105,595. Accordingly, the increase of interest income on investment of fixed deposits had mainly effected for improvement in the financial results for the year under review by Rs.36,045,804 as compared with the preceding year.

3. Operating Review

3.1 Performance

The number of pensioners receiving pensions as at end of the year under review from the Fund established on 01 September 1999 stood at 111 and the pension paid to them during the year under review amounted to Rs. 16,867,284. The credit balance available in the Pension Fund as at end of the year under review amounted to Rs. 76,114,209 and out of this, the pension could be paid in future without considering liabilities would be arisen in future. However, it was observed that this balance is adequate only for the next 4 ½ years approximately. Even though there were no cash balances in the individual accounts, a sum of Rs. 1,303,638 had been paid as pension for eleven pensioners during the year under review.

3.2 Management Inefficiencies

It was observed that there were long delays between the date of submission of pension applications after rectifying deficiencies in the applications while taking action to repay the balance contribution and the interest existed in the credit of the pension accounts of

the employees who are not completed 20 years of service period at the time of retirement and the date of payment of amount eligible to the pensioners.

4. Systems and Controls

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

- (a) Payment of Pension
- (b) Computation of Contribution