

Universities Pension Fund - 2014

The audit of financial statements of the Universities Pension Fund for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and statement of financial performance, 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 University Act, No. 16 of 1978. My comments and observations which I consider should be published with the Annual Report of the Fund in terms of Section 12 (5) (c) of the Universities Act appear in this report.

1.2 Management’s Responsibility for Financial Statements

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

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 judgements, including the assessment of the risks of material misstatements

of the financial statements, whether due to fraud or error. In making those risk 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 Statement

2.1 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 2014 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

2.2.1 Non-compliance with Laws, Rules and Regulations

The following non-compliances were observed in audit.

<u>Reference to Laws, Rules, Regulations, and etc.</u>	<u>Non-compliance</u>
---	------------------------------

- | | |
|--|--|
| (a) Section 97 of the Universities Act No.16 of 1978 | Regulations had not been formulated by the Commission for the regularization, administration and the management of the Pensions Fund . |
|--|--|

- (b) Cabinet Decision Out of 25 per cent of contribution credited to the Universities Provident Fund on behalf of the officers, 10 per cent should have been credited to the Pension Fund. Contrary to that, action had been taken to credit 8/15th 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 discussions were held in this connection at the meeting of the Committee on Public Enterprises relating to the report of the Auditor General for the year 2012, action had not been taken to settle this problem.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Fund for the year ended 31 December 2014 had resulted in a surplus of Rs. 461,190,487 as compared with the corresponding surplus of Rs. 447,740,263 for the preceding year, and as such, an improvement of Rs.13,450,224 was observed in the financial result for the year under review as compared with the preceding year. The increase of net income on investment by Rs.14,927,194 had mainly attributed for that improvement of the financial result.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) The number of pensioners receiving pensions from the Pensions Fund established on 01 September 1999, was 172 as at the end of the year under review, and the total sum paid to them as pensions during the year under review amounted to Rs.

27,882,040. The debit balance of the Pensions Fund by the end of the year under review amounted to Rs. 130,105,996, and it was observed that the said balance would be sufficient for paying pensions only for about 4.6 years even when the possible liabilities of the ensuing years are not taken in to account.

- (b) In considering the information pertaining to last 05 years, the number of pensioners who did not have balances in private accounts, was constantly increasing, and an improvement of 450 per cent was observed during the year under review as compared with the year 2010.

4.2 Transactions of Contentious Nature

As it was necessary to observe the payment of contributory benefits to new members by evaluating the pension scheme once in 03 years in accordance with Section 03 of the Commission Circular No. 747 of 10 June 1999, an evaluation report had been obtained on 01 October 2013 at a cost of Rs. 285,000. In addition, a sum of RS. 80,000 had been paid to a private institution without a proper approval on 26 March 2014 for the aforesaid evaluation process stating as additional expenses.

5. Systems and Control

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) Control of investments of pensions
- (b) Control of systems of pensions