

## Universities Pension Fund - 2012

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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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 Universities Pension Fund as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### 1.2 Comments on Financial Statements

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##### 1.2.1 Accounts Receivables

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A sum of Rs.32,137,660 relating to the cost of living allowances receivable by the Pension Fund from the Employees Provident Fund had not been recovered by obtaining particulars from the Universities for the period from April to December 2012.

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

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

| <b>Reference to Laws, Rules,<br/>Regulations etc.</b>              | <b>Non-compliance</b>  |
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| -----  | -----  |
| (a) Cabinet Decision No.<br>CP/99/0438/11/033 of 09<br>April 1999. | According to the Cabinet decision, 10 per cent out of 25 per cent being credited to the Universities Provident Fund on behalf of the officers should have been credited to the Pension Fund. However, according to the Circular No. 747 dated 10 June 1999 of the University Grants Commission, action had been taken to credit 8/15 of the 15 per cent contribution made by the |

- employer to the Provident Fund, to the Pension Fund. Even though directives were given at the meeting of the Committee on Public Enterprises held on 07 March 2013 relating to the report of the Auditor General for the year 2011 to take action to settle this problem, action had not been taken accordingly.
- (b) Section 97 of the Universities Act, No.16 of 1978. Even though income and expenditure of the Pension Fund for the year 2012 amounting to Rs.207,724,261 and Rs.197,135,825 respectively had been brought to account, the Commission had not prepared Ordinances for regularizing , administrating and managing the Fund.
- (c) Letter No. A/Establishments /2004 dated 28 January 2005 of the Commissioner General of Labour. The University Grants Commission had issued the Circular No.1000 dated 08 January 2013 by incorporating the academic allowances within in the definition of total earnings based on the concurrence of the Treasury without taking action to revise the Cabinet decision dated 23 March 2011. Action had not been taken even up to 31 December 2012 to settle a sum of Rs.248.57 million received excessively to the Pension Fund due to inclusion of academic allowances prior to issuing the above circular or to take proper action.
- (d) Circular No. 747 dated 10 June 1999 of the University Grants Commission Even though the pension system should be evaluated once in 3 years and the contribution / payment of benefits of new members should be reviewed, the above evaluation had not been carried out after 31 December 2008.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the surplus of the Fund for the year ended 31 December 2012 amounted to Rs. 10,588,436 and the corresponding surplus for the preceding year amounted to Rs. 61,151,399 and as such a deterioration of Rs.50,562,963 was observed in the financial results for the year under review as compared with the preceding year. Even though the income on investment had increased by Rs.3,744,687 the matters such as increase of payment of interest for members and pensioners accounts by Rs.50,780,030 and Rs.1,569,872 respectively and increase of adjustments for pension fund by Rs.452,266 had mainly attributed for that deterioration.

### 2.2 Analytical Financial Review

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Financial results for the year under review had decreased by Rs.50,562,963 or 83 per cent as compared with the preceding year. Key variations of income and expenditure are given below.

|                                 | 2012        | 2011        | Variance   | Percentage<br>of Variance |
|---------------------------------|-------------|-------------|------------|---------------------------|
|                                 | -----       | -----       | -----      | -----                     |
|                                 | Rs.         | Rs.         | Rs.        | %                         |
| Investment Income               | 227,837,778 | 224,093,091 | 3,744,687  | 2                         |
| Interest on Members<br>Accounts | 189,115,287 | 138,335,257 | 50,780,030 | 37                        |
| Interest on Pension<br>Accounts | 6,153,684   | 4,583,812   | 1,569,872  | 34                        |
| Adjustment for Pension<br>Fund  | 1,755,904   | 1,303,638   | 452,266    | 35                        |

### **3. Operating Review**

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#### **3.1 Performance**

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The following observations are made.

- (a) The number of pensioners receiving pensions as at end of the year under review from the Fund established on 01 September 1999 stood at 121 and the pension paid to them during the year under review amounted to Rs. 17,495,086. The credit balance available in the Pension Fund as at end of the year under review amounted to Rs. 78,674,647. It was observed that these balances are adequate for the payment of pensions only for the 4 ½ years approximately without considering the liabilities could be arisen in the ensuing years.
- (b) Even though there was no balance in the private accounts of the pensioners in the year under review, sums totalling Rs.1,755,904 had been paid to 15 members as pension. Even though there was no individual balance as compared with the year 2008, number of employees to whom pension had been paid, had increased by 400 per cent and also the expenditure incurred thereon had increased by 1,105 per cent as compared with the year 2008.

#### **3.2 Management Inefficiencies**

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Interest, audit fees, and bank charges had only been accounted as expenditure of the Pension Fund established for Universities through the Circular No. 747 dated 10 June 1999 of the University Grants Commission whereas other administrative and other expenditure had not been accounted under the Pension Fund.

### **4. Systems and Controls**

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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) Evaluation of Pension System