

Provident Fund of the Sri Lanka Buddhist and Pali University - 2015

The audit of financial statements of the Provident Fund of the Sri Lanka Buddhist and Pali University for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance 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(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 38 of the Sri Lanka Buddhist and Pali University Act, No. 74 of 1981. My comments and observations which I consider should be published with the Annual Report of the University in terms of Section 14(2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the 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 Auditing 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 judgement, including the assessment of 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 University's preparation and fair presentation of 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 University'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. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Buddhist and Pali University as at 31 December 2015 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 Transactions not supported by Adequate Authority

A sum of Rs.18,747,379 had been invested for the purchase of Treasury Bills, its face value of which amounting to Rs.19,914,851 without the approval of the Council of the University in the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Provident Fund of the University for the year ended 31 December 2015 had been a surplus of Rs.7,793,718 as compared with the corresponding surplus of Rs.8,862,941 of the preceding year, thus indicating a deterioration of Rs.1,069,223 in the financial result. The decrease of the interest income on Treasury Bills by a sum of Rs.1,069,998 than the preceding year had been the main reason for this deterioration.

4. Operating Review

4.1 Performance

Sri Lanka Buddhist and Pali University Provident Fund had been established under Sri Lanka Buddhist and Pali University Act No.74 of 1981 to provide benefit to the academic and the non-academic staff of Sri Lanka Buddhist and Pali University, for the control or practice and management on provident funds.

The interest credited to the contribution accounts by the Fund in the year under review had been a sum of Rs.7,798,968 and it had been a sum of Rs.8,866,549 in the preceding year. As such, it was observed that 12 per cent deterioration existed in the amount of benefit in the year under review, as compared with the preceding year. The paid benefit is decided on the investment income of the Fund and accordingly, it had been varied from year to year.

4.2 Management Activities

The following observations are made.

- (a) The bank balance at the end of the year had become a minus value of Rs.224,778 due to issuing cheques without considering the daily balance in the current account maintained for the Provident Fund by the University.
- (b) The power conferred to make orders for the administration and management of the Provident Fund had been entrusted to the Council of the University in terms of Section 27 of Sri Lanka Buddhist and Pali University Act No.74 of 1981. Accordingly, an order to issue 60 per cent out of the balance of the contributory account to the employees without interest as loans for a repayment period of 10 years had been prepared. As such, a sum of Rs.37,544,904 had been provided for 78 employees as loans as at the 31 December in the year under review and it was observed that it had caused disadvantageous to the growth of the Fund due to not recovering any interest.

5. Systems and Controls

The deficiencies in systems and controls observed during the course of audit were brought to the notice of the Vice Chancellor from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

Observations

(a) Investment

Not improving the existing investment operation and not focusing on more advantageous and new investment methods.

(b) Employee Loans

Making impacts on the growth of the Fund on not restricting the grant of employee loans.