

Provident Fund of the Sri Lanka Buddhist and Pali University – 2016

The audit of financial statements of the Provident Fund of the Sri Lanka Buddhist and Pali University for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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 Buddhist and Pali University of Sri Lanka 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

The 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 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. 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 free and fair view of the financial position of the Provident Fund of the Sri Lanka Buddhist and Pali University as at 31 December 2016 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 Accounting Deficiencies

Contributions amounting to Rs. 75,948 that had remained payable in the preceding year, had been shown as interest payable under the comparative information in the statement of financial position of the year under review.

2.3 Transactions not Supported by Adequate Authority

A sum of Rs. 14,852,534 had been incurred in the year under review in 03 instances on purchasing Treasury Bills with a face value of Rs. 16,329,679 without a proper approval of the Administrative Council.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the operations of the Provident Fund of the University for the year under review had resulted in a surplus of Rs. 11,611,846 as compared with the corresponding surplus of Rs. 7,793,718 for the preceding year, thus observing an improvement of Rs. 3,818,128 in the financial result of the year under review as compared with the preceding year. The increase in the interest income on Treasury Bills by a sum of Rs. 3,861,539 as compared with the preceding year, had mainly attributed to the said improvement.

4. Operating Review

4.1 Performance

In order to provide benefits for the academic and non-academic staff of the Sri Lanka Buddhist and Pali University, the Provident Fund of the Sri Lanka Buddhist and Pali

University had been established under the Buddhist and Pali University of Sri Lanka Act, No. 74 of 1981 for the administration, utilization, and management of the Provident Fund.

The interest deposited by the Fund in the contributors' accounts in the year under review amounted to Rs. 11,608,963, whereas a sum of Rs. 7,798,968 had been deposited in the preceding year. Accordingly, a 49 per cent growth in the benefits for the year under review had been observed as compared with the preceding year. The benefits paid were based on the investment income of the Fund, and as such, the benefits had fluctuated from year to year.

4.2 Management Activities

In terms of Section 27 of the Buddhist and Pali University of Sri Lanka Act, No. 74 of 1981, the Council of the University had been entrusted to make regulations for the administration and management of the Provident Fund. Being based thereon, a regulation had been made to grant loans equivalent to 60 per cent of the balance of the account, for the contributors of the Fund under a repayment period of 10 years without interest. Accordingly, a sum of Rs. 44,538,828 had been granted to 88 employees as loans up to 31 December of the year under review. As no interest whatsoever had been recovered thereon, the growth of the Fund had been adversely affected.

5. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were brought to the attention of the Reverent Mahopadhyaya of the Buddhist and Pali University from time to time. Special attention is needed in respect of following areas of control.

Areas of Systems and Controls

Observations

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| (a.) Settlement of Administrative Expenditure | Although the operating activities of the Fund had been carried out by the staff of the Buddhist and Pali University, action had not been taken to settle a justifiable administrative expenditure in favour of the Fund. |
| (b.) Administration of Employee Loans | The growth of the Fund being affected due to non-limitation of the employee loans. |