

## **Buddhist and Pali University of Sri Lanka Provident Fund – 2018**

---

### **1.1 Opinion**

---

The audit of the financial statements of the Buddhist and Pali University of Sri Lanka Provident Fund for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018. Comments and observations which I consider should be submitted to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Provident Fund as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.2 Basis for Opinion**

---

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

---

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Provident Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Provident Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Provident Fund's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Provident Fund is required to maintain proper books and records of all its income, expenditure, assets and

liabilities, to enable annual and periodic financial statements to be prepared of the Provident Fund.

#### **1.4 Auditor's Responsibility on the Audit of the Financial Statements**

---

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Provident Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Provident Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Provident Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Provident Fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Provident Fund has complied with applicable written law, or other general or special directions issued by the governing board of the Provident Fund;
- Whether the Provident Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Provident Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Financial Statements**

-----

### **1.5.1 Internal Control over the preparation of financial statements**

-----

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

## **1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.**

-----

<b>Reference to Non-compliance Laws, Rules Regulations etc.</b>	<b>Comments of the Recommendation Management</b>
---	--

-----

Buddhist and  
Pali University  
of Sri Lanka  
Act No. 74 of  
1981

---

- |     |                |   |  |   |
|-----|----------------|---|--|---|
| (a) | Section 27     | Since the power of compilation of orders has been vested to the Governing Council of the University, a directive had been compiled for providing a loan of 60 per cent out of the balance of the contributory account to the contributors of the Fund on the basis of recovering the loan in 10 years. An unfavourable effect had occurred to the growth of the Fund due to non-charging of an interest for the total of Rs. 74,244,555 granted as loans to 119 employees as at 31 December in the year under review. | Action had been taken as per the approval of the Governing Council after compilation of Orders in accordance with the Circular of the University Grants Commission.                | Decisions should be taken to support the growth of the Fund.  |
| (b) | Section 29 (3) | Even though action should be taken to pay benefits with the relevant interest by closing the Provident Fund Account existed at the moment of terminating the service by an officer who had terminated his service in the year 2013, the contributory interest as at 31 December 2014 had also been credited to the Account. Therefore, the amount of Rs. 2,359,617 payable by the date of termination of service to the Officer had been increased up to Rs. 2,589,800 by Rs. 230,183.                                | It is informed that contributory amount and interest up to 31.12.2014 was Rs. 2,589,800, until the decision on the retirement of the officer is taken with effect from 20.03.2013. | Arrangements should be taken to pay benefits by closing the contributory account in terms of the Act immediately after an officer terminates his service. |

## 2. Financial Review

-----

### 2.1 Financial Result

-----

The operating result of the year under review amounted to a surplus of Rs.15,260,579 and the corresponding surplus in the preceding year amounted to Rs. 17,081,641. Accordingly, a deterioration amounting to Rs. 1,821,062 in the financial result was observed. The major reason for this deterioration was the payment of income taxes amounted to Rs. 2,484,280.

### 2.2 Trend Analysis of Major Income and Expenditure items

-----

The expenditure of the year under review had been increased by 123 per cent when it is compared with the expenditure of the preceding year and incurring of additional expenses such as the payment of fees for the Subcommittees of the Governing Council and legal expenses and the increase in audit fees had attributed to this increase in expenditure.

### 2.3 Ratio Analysis

#### ----- Current Ratio

The Current ratio in the year under review was 27:1 and the Current ratio of the preceding year was 11:1. The reason for this was the investment of the amount that had been invested in Treasury Bills in the preceding year in short-term fixed deposits during the year under review.

### 3. Operational Review

#### ----- 3.1 Management Inefficiencies

The following observations are made.

<b>Audit Observation</b> -----	<b>Comments of the Management</b> -----	<b>Recommendation</b> -----
(a) The Fund had been deprived of the Interest amounted to Rs. 166,363 due to investing a total of Rs. 22,886,831, which had been in 5 fixed deposits maintained at an annual interest of 10.75 per cent, under fixed deposits in another Bank at an interest rate of 13.15 per cent each during the year under review prior to realizing them.	The aforementioned investments were closed prior to the maturity as the Bank had offered these investment benefits to the University only when a minimum amount of Rs. 100 million had been deposited in fixed deposits and the new deposit had been opened under a higher interest rate and thereby, the overall benefit derived by the Fund was Rs.216,749.	Arrangements should be made to invest additional money in order to get the maximum benefits to the Fund.
(b) The remaining balance should be paid to the Officer subsequent to recovering the amount of any loss or damage incurred to the University from the balance of the Provident Fund existed as at the date of termination of the service of the officer. However, Twenty five (25) per cent out of the balance of the Provident Fund of a female officer resigned from the service on 24 July 2006 had been retained by giving reasons such as not handing over of goods and the amount had been stated in the financial statements even up to 31December in the year under review as a balance payable.	Since a legal case is pending in this regard in the Court under Case No. SC/Appeal/86/2009 and therefore, it has been scheduled to make future arrangements after getting the decision of the Case.	Action should be taken without delay to release Provident Fund after recovering the amounts chargeable to with effect from 20.03.2013 the Fund when an officer retires or leaves the service.