

## University Provident Fund - 2021

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### 1. Financial Statements

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#### 1.1 Opinion

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The audit of the financial statements of University Provident Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report 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 Fund as at 31 December 2021, 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 opinion.

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

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector 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 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 Fund or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the 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 Fund.

## 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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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 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 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. However, future events or conditions may cause the 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

Fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

**1.5 Non-compliance with Laws, Rules, Regulations and Management Decisions**

Following observations are made.

<b>Reference to Laws, Rules and Regulations etc.</b>	<b>Non-compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
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(a) Section 95 of the University Act No.16 of 1978	(i) In case the full amount to the credit of a contributor to the Provident Fund is not paid to him within a period of 3 months from the date of closure of his account, the total amount to the credit of his account shall be added and paid to him till the last day of the month preceding the month in which he is to be paid. However, an interest of Rs.626,716 was also paid for 36 cases where there was a delay of 3 months to 420 months due to the delay of the contributor or the delay of higher education institutions in paying the benefits after completion of service.  (ii) If the delay was due to the fault of the contributor, the interest should not be paid for that period, but there were 10 instances of delay in the	In cases where the contributor is not responsible for the delay in sending the Provident Fund release forms to the University Grants Commission, the late interest for the said delay shall be recovered from the concerned officials. Also, the respective universities and higher education institutes should deal with the charging of late interest from the relevant officials. Commission Circular No. 03/2022 dated February 07, 2022 has been issued in relation to avoiding delays in sending provident fund payment forms.  The respective universities and higher education institutes should deal with the charging of late interest from the concerned officials. The opinion of the	After closing the account of a contributor to the fund, the payment of benefits due to him shall be made as per Section 95 of the University Act No. 16 of 1978.  After closing the account of a contributor to the fund, the payment of benefits due to

payment of benefits ranging from 1 month to 408 months and for that period an interest of Rs.74,201 was paid to the respective contributors.

university vice-chancellors is that the reason for the delay is not the fault of the officials but the time taken to provide and gather information. Accordingly, Commission Circular No. 03/2022 dated February 07, 2022 has been issued in relation to avoiding delays in sending provident fund payment forms.

him shall be made as per Section 95 of the University Act No. 16 of 1978.

- (b) Commission Circular No. 155 dated February 02, 1982
- The application for receiving the benefits after the end of the service of the contributor must be submitted to the secretary of the commission within 02 months of the handed over to the concerned university. Nevertheless, interest of Rs.546,862 was also paid to the contributors for 35 cases of delay that had occurred from 02 months to 36 months due to the higher education institution not submitting it to the University Grants Commission within the stipulated time.
- Presently, the submission of provident fund applications has been further formalized and the new Commission Circular No. 2022/03 has been issued.
- It should be followed up whether the submission of applications is done as per the new circular.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 4,225.0 million and the corresponding surplus of the preceding year amounted to Rs. 4,062.5 million. Therefore, an improvement amounting to Rs. 162.5 million of the financial result was observed. The increase in the investment income was the main reason for this improvement.

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

When comparing the investment income of Rs.4,932.1 million in the year under review to the investment income of Rs.4,740.0 million in the previous year, an increase of Rs. 192.1 million or 4.1 per cent was observed. This situation was mainly due to the increase in investment interest income due to the increase in investments.