

1. Financial Statements

1.1 Opinion

The audit of the financial statements of Universities Pension Fund for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 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 material accounting policy information, was carried out under my direction in pursuance of provisions of the National Audit Act No. 19 of 2018 and the Universities Act No. 16 of 1978 read in conjunction with the Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2025, and of its financial performance and cash flows for the year then ended in accordance 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

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 intend 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 Sub 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 Responsibility for 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 skepticism 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. 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 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.

Audit scope 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 etc

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comments	Recommendation
University Grants Commission Circular No. 03/2022 dated 07 February 2022.	Although it is stated that the balance credited to the Pension Fund account should be paid to the contributor within a period of 3 months upon the closing of contributor account, it is revealed in the examination of provident fund refunds that the delays ranging up to 838 days beyond the 3-month period had occurred. This situation had been caused by the failure to introduce a supervision and follow-up mechanism and to identify and take actions against the parties responsible for the delays.	It is the responsibility of the respective universities or higher educational institutions to quickly forward the applications for the release of pension funds of university system employees to the University Grants Commission, and instructions in this connection have been issued through the Commission Circular No. 03/2022 and Pension Circular Letter No. 11. At the event of the delays of applications, the proceedings are made considering whether the delay was caused by the member or by the institution.	The credit balance of the account should be refunded to the contributor within 3 months upon the retirement.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a profit of Rs. 3,862,271,818, and the corresponding profit of the preceding year amounted to a sum of Rs. 3,470,453,982. Accordingly, an increase of Rs. 391,817,536 was observed in the financial result.

2.2 Trend Analysis of main Income and Expenditure Items

The investment income for the year under review was Rs. 4,526,484,185, and it had shown an increase of Rs. 459,771,531 or 11.31 percent compared to the preceding year's investment income of Rs. 4,066,712,654. Also, when comparing the expenditure of Rs. 45,577,676 for the year under review with the preceding year's expenditure of Rs. 40,788,946, there was an increase of Rs. 4,788,730 or 11.74 percent. Accordingly, both the income and expenditure of the Fund had increased by about a similar percentage relative to the preceding year, it was observed that the growth in expenditure had been slightly higher than the growth in investment income.