

## **Teachers' Widows' and Orphans' Pension Fund - 2012**

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### 1. Financial Statements

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#### 1:1 Disclaimer of Opinion

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Because of the significance of the matters described in paragraph 1.2.1 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

#### 1:2 Comments on Financial Statements

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##### 1:2:1 Lack of Evidence for Audit

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The following observations are made.

- (a) As a separate Bank Account for the Fund and a cash book for recording the transactions relating thereto were not available, the information on the money received by the Fund and payments made there from could not be examined.
- (b) According to the financial statements prepared and presented for the year 2012, the balance of the Receipts and Payments Account as at 31 December amounted to Rs.437, 517,439. But any documentary evidence in support of that balance had not been furnished to audit.
- (c) According to the Order No. 9(a) of the Orders made under the School Teachers' Pensions Act, No. 44 of 1953, the registers containing the information on each person paying assistance, all assistance paid by the Government for the Fund and the assistance payable on the death of a person paying assistance should be maintained. Any of such registers had not been maintained.

- (d) The credit advices relating to the Southern and the North Western Provinces had not been obtained from the Ministry while the Abatement Registers of the Southern Province for 10 months and for 11 months in respect of the North Central Province had not been obtained from the Zonal Offices. As such, the contributions for the year under review could not be satisfactorily vouched.

1:2:2 Unexplained Differences  
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According to the test check carried out in the year under review, a sum of Rs.155,556 from 02 provinces had been credited to the Fund according to the Credit Advices received from the Ministry of Education. Nevertheless, according to the Abatements Registers furnished to audit, the contributions recovered from the teachers in those two provinces amounted to Rs.261,883. As such a difference of Rs.106,327 was observed.

1:2:3 Non-compliance with Laws, Rules and Regulations  
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The annual budget had not been approved by the Minister in charge of the subject in terms of Paragraph 04.1(a) of the Public Finance Circular No. PF/423 of 22 December 2006.

2. Financial Review  
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2:1 Financial Results  
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According to the financial statements presented, the financial result for the year under review amounted to a surplus of Rs.119,639,248 as compared with the corresponding surplus of Rs.95,550,961 for the preceding year. As compared with the preceding year, an improvement of Rs.24,088,287 or about 25 per cent in the financial results had been indicated.

Even though the refund of contributions during the year under review had increased by Rs.4,706,791 or 53 per cent the increase of the interest income by a sum of Rs.35,712,103 or 69 per cent and increase of the receipt of contributions by a sum of Rs.21,580,090 or 25 per cent had been the main reasons for the improvement of the surplus.

### 3. Operating Review

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#### 3:1 Operating Performance

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The following observations are made.

- (a) The receipt of monthly contributions ranged between Rs.5.6 million and Rs.11.2 million and fluctuations in the receipt or contributions of each month were observed. The Fund did not have a methodology for the computation of the contributions receivable monthly and as such the contributions received in cash and transfer orders only had been brought to account as the contributions for the year.
- (b) Even though interest income amounting to Rs.51.9 million had been received by the Fund in the year under review, money from that had not been utilized for the payment of pensions. A sum of Rs.8.7 million had been spent on the refund of contributions received by the Fund and the balance sum of Rs.43.2 million had been invested. All pensions had been paid from the Head of Expenditure of the Department of Pensions.
- (c) Action in accordance with the Treasury instructions had not been taken to amend as appropriate the Orders made under the School Teachers' Pensions Act, No. 44 of 1953.

In this connection, the Director General of Pensions informed me in June 2013 that as the entitlement of Government pensions and the Widows' and Orphans' Pensions has been made applicable to the teachers of Pirivenas and Private Schools and as the need for the payment of contributions had not been specified, the need for the amendment to the Orders did not arise.

4. Systems and Controls

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director General of Pensions from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Maintenance of Abatement Registers
- (c) Investments