

Teachers' Widows' and Orphans' Pension Fund

1. Financial Statements

1.1 Qualified Opinion

In my of opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Teachers' Widows' and Orphans' Pension Fund as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.2.1 Sri Lanka Accounting Standards

The interest income and tax adjustment relating to the preceding year amounting to Rs.3,484,859 which should be adjusted to the Income and Expenditure Account for the year under review in terms of the Standard No.10, had been adjusted to the Accumulated Fund.

1.2.2 Accounting Deficiencies

According to a test check of 04 districts carried out during the year under review, a sum of Rs.4,414,749 had been credited to the Fund according to the Credit Notes received from the Ministry of Education whereas according to the Abatement Registers furnished to audit, contributions amounting to Rs.6,145,940 had been recovered from the teachers in those 04 districts. As such a sum of Rs.1,731,191 had been understated in the accounts.

1.2.3 Unreconciled Differences

According to the Treasury printouts, the contributions received in February of the year under review amounted to Rs.4,373,853 whereas according to the Credit Note sent by the Ministry of Education amounted to Rs.4,602,367. As such a non-reconciliation of Rs.228,514 was observed.

1.2.4 Lack of Evidence for Audit

The following items shown in the financial statements could not be satisfactorily vouched in audit due to the unavailability of evidence indicated against each item.

Item	Value	Evidence not made available
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(a) Members' Contribution for the year under review	65,649,234	Abatement Registers to be obtained from Zonal Education Offices
(b) Refund of Membership Contributions	4,022,715	Abatement Registers and books and records on which receipts were recorded
(c) Contributions received – December 2011	5,482,399	The Credit Notes received from Ministry of Education or the Abatement Registers obtained from the Zonal Offices.

1.2.5 Non-compliance with Laws, Rules and Regulations

Non-compliance with the following laws, rules, regulations, etc. were observed.

Reference to Laws, Rules, and Regulations	Non-compliance
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(a) Order No.9(a) made under Section 5 and 9 of the School Teachers Pension Act, No.44 of 1953	None of the registers had been maintained by the Fund in terms of the said Order
(b) Public Finance Circular No.PF/423 of 22 December 2006	
(i) Paragraph 2	The Fund had not been reviewed in terms of the Circular, and a report including the observations thereon had not been forwarded to the Department of Public Finance. As such it was not possible for the Ministry of Finance to determine whether it is necessary to maintain the Fund any further.
(ii) Paragraph 4.1	The Budget for the year had not been approved by the Minister in charge of the Subject in terms of the paragraph.

(iii) Paragraph 4.3(f)

A certificate that the balance to the credit of the Fund as at the last date of the year under review had been reconciled with the Treasury books had not been furnished with the financial statements

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements, the financial results for the year under review had been a surplus of Rs.95,550,961 as compared with the corresponding surplus of Rs.74,633,090 for the preceding year, thus indicating an improvement of Rs.20,917,871 in the financial results.

2.2 Analytical Financial Review

The financial results for the year under review as compared with the preceding year had improved by 28 per cent. Nevertheless, the interest income had decreased by Rs.1,348,754 or 3.5 per cent and the refund of members' Contribution had increased by Rs.623,514 or 18.3 per cent . The receipt of Contributions had increased by Rs.19,132,699 or 34 per cent and that had been the reason for the improvement in the financial result.

3. Operating Review

3.1 Performance

The following observations are made.

- (a) The Fund had not taken action to maintain Registers containing the particulars of the teachers who have become contributors to the Fund by remitting Contributions to the Teachers' Widows' and Orphans' Pension Fund or the particulars of private schools and pirivenas.
- (b) The receipt of monthly contributions had been in the range of Rs.4.3 million and Rs.7.0 million and fluctuations in the receipt of each month were observed. The Fund did not have a methodology for the computation of the contributions

receivable monthly while the contributions received only had been brought to account as the contribution for the year.

- (c) Even though interest income amounting to Rs.16 million had been received by the Fund during the year under review, out of that no money had been utilized for the payment of pensions of the Fund. A sum of Rs.4,022,715 had been utilized to refund the contribution of contributors who are not entitled to Widows and Orphans Pensions Fund and the entire balance of Rs.12,147,088 had been invested. All the pension payments had been made from the Head of Expenditure of the Department of Pensions.
- (d) According to the payment records of the Department of Pensions there were 796 beneficiaries as at 01 January 2011 receiving pensions from the Fund in terms of provisions in the School Teachers Pension Act, No.44 of 1953. Nevertheless, the Fund had not taken action to maintain the particulars of pensions paid to them during the year under review. According to the Monthly Classifications of Pension Payments of the Department of Pensions an average of pensions about Rs.1,005,765 had been paid by the Department.
- (e) The Fund had not taken action in terms of the instructions of the Treasury to make necessary revisions to the Orders made under the School Teachers Pensions Act, No.44 of 1953.
- (f) Out of the surplus money of the Fund, a sum of Rs.116,347,993 had been invested by the Fund in fixed deposits instead of investing money in the favorable to the Fund by evaluation of the anticipated benefits from the fixed deposits and the Treasury Bonds as approved by the Treasury. Thus the Fund had been deprived of the opportunity of earning a higher interest income.

4. Systems and Controls

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