

## **Local Government Services Widowers' and Orphans' Pension Fund – 2017**

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The audit of financial statements of the Local Government Services Widowers' and Orphans' Pension Fund for the year ended 31 December 2017 comprising the balance sheet as at 31 December 2017 and the income and expenditure account and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Order No. 06 of the Local Government Services Widowers' and Orphans' Pension Fund Orders 1986 made under Section 23 of the Local Government Services Act, No. 16 of 1974. My comments and observations on the above financial statements appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### **1.3 Auditor's Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 - 1810). Those Standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **1.4 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 2:2 of this report.

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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In my opinion, except for the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Local Government Services Widowers' and Orphans' Pension Fund as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Accounting Deficiencies**

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The following observations are made.

- (a) A sum of Rs.11,504,404 remitted by the Fund to the Department of Pensions, had been shown as an expenditure in the financial statements.
- (b) Contribution of pensions amounting to Rs.15,069 received in the year under review pertaining to preceding years had been shown as the deficit of the income and expenditure account.

## **3. Operating Review**

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### **3.1 Performance**

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In terms of Section 16(a) of the Local Government Service (Amendment) Act, No.10 of 1985, this Fund had been established with the objective of payment of pensions to the widowers and children of the pensionable members of the Local Government Service. However, the officers in the Local Government Service were entitled to the benefits of pensions and widows' and orphans' pensions of the public officers with the establishment of Provincial Public Service in the year 1993. As such, new members had not joined this Fund from 03 September 1993 up to the year under review and due to the non-receipt of contributions of the new members, the money of the Fund was not adequate to make the payments for these officers. Nevertheless, the expenditure of the Fund was incurred from the budgetary provisions made under the Head of the Department of Pensions and as such the main objectives of the establishment of the Fund had not been achieved.

### **3.2 Operating Activities**

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As the Fund did not have an updated list of names of pensioners entitled to pension, erroneous payments could have been made due to the inefficiency in making adjustments for death of pensioners.

#### **4. Accountability and Good Governance**

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##### **4.1 Internal Audit**

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Even though an Internal Audit Unit had been established in the Department of Pensions, an internal audit of the Fund had not been carried out in the year under review by that Unit or in terms of the Financial Regulation 133.

#### **5. 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 failure to maintain the information on members of the Fund in an updated manner by calling for information at the regional level in the payment of pensions.