

Teachers' Widows' and Orphans' Pensions Fund - 2017

The audit of financial statements of the Teachers' Widows' and Orphans' Pensions Fund for the year ended 31 December 2017 comprising the balance sheet as at 31 December 2017 and the income and expenditure account and significant accounting policies for the year then ended and a summary of 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 Section 6(1) of the Regulations enacted in terms of Sections 5 and 9 of the School Teachers Pensions Act No 44 of 1953 (Chapter 432). My comments and observations on these financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

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

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).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the balance sheet, income and expenditure account.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 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.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

Contributions in North Western, Southern, Eastern, North Central, Uva and Northern provinces had not been credited to the Fund and those had not been identified and accounted as receivable contributions.

2.2.2 Lack of Evidence for Audit

The following observations are made.

- (a) Even though a sum of Rs.768,159,240 had been shown as the balance of the Deputy Secretary of the Treasury under the assets of the balance sheet as at 31 December 2017, the confirmation of balances had not been furnished to audit for the establishment of that value.
- (b) The contributions should be received to the Department of Pensions for 2 objectives as 6 per cent as the contribution for widow/widower and orphans of the teachers of Pirivenas and private/assisted schools and 6 per cent for the contribution of their pensions due to they are not completely accepted as public officers. However, a sum of Rs.64,801,067 credited by 3 provinces to the Account No.8186 in the year 2017 by credit notes under monthly summary of accounts by the Ministry of Education, could not be clearly identified whether credited for which contribution.

2.3 Non-compliance with Laws, Rules, and Regulations and Management Decisions

A register including the information on contributions of each contributor had not been maintained in terms of the Order No. 9(a) enacted in terms of School Teachers Pensions Act, No. 44 of 1953.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Fund for the year under review amounted to a surplus of Rs.131,957,353 as compared with the corresponding surplus of Rs.102,956,197 for the preceding year. As compared with the preceding year, an improvement of Rs.29,001,156 in the financial results had been observed. Increase of the interest income by a sum of Rs. 13,220,729 and receipt of contributions by a sum of Rs. 20,102,114 had mainly attributed to the above improvement of the financial result.

4. Operating Review

4.1 Performance

In terms of the Order No.04 of the School Teachers Pensions Act ,No.44 of 1953 , payment of teachers' widows' and Orphans' pensions should be made by establishing a fund by the Teachers' Widows' Orphans' Pensions contributions. However, the objectives of the establishment of this Fund had not been fulfilled due to a Bank Account had not been maintained for the Fund for collecting and incurring of expenditure and the contributions had been collected to the contribution of Widows' and Orphan's Bank Account (No.100199026658) of the Department of Pensions and the aforesaid expenditure had been incurred under the provisions of the budget of the Expenditure Head of the Department of Pensions.

4.2 Management Activities

The following observations are made.

- (a) The information such as the cash receivable ,cash received and outstanding to the Fund could not be revealed to audit due to failure in maintaining a schedules, including the number of members of the Fund, number of persons who obtained new memberships during the year under review , number of members who left the membership and the name, school of the members etc.
- (b) According to the Pensions Circular No.3/2008 dated 30 January 2008, contributions for the Widows'/ Widowers' and Orphans' Pensions for primary and secondary levels should be recovered 6 per cent from the basic salary. Nevertheless, a sum of Rs.776,380 should have been received as the contribution for the Teachers' Widows' and Orphans ' of the teachers with permanent pension scheme in Sri Chandrananda Buddhist School which is a private school , only a sum of Rs.258,793 had been received as 2 per cent from the basic salary. Accordingly, contributions amounting to Rs.517,587 had been received in deficit.
- (c) Even though, in refunding the contributions , action had been taken to pay the money after checking the history sheet , a methodology had not been established to examine whether the said money was received to the Fund accurately.

5. **Accountability and Good Governance**

5.1 **Internal Audit**

An internal audit in respect of the functions of the Fund had not been carried out during the year under review in terms of Financial Regulation 133 even by the internal audit unit of the Department of Pensions .

6. **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.

Areas of Systems and Controls	Observation
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(a) Accounting	(i) Income and expenditure had not been brought to account so as to reflect the operation of the Fund. (ii) Failure to maintain the individual accounts of the members.
(b) Management of Contributions	Failure to account the contributions of the said Fund by identifying separately the contributions of the Teachers' Pensions Fund and the Teachers' Widows' and Orphans' Pensions Fund .