

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Department of Pensions for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. The summary report including my comments and observations on the financial statements of the Department of Pensions was issued to the Accounting Officer on 14 July 2020 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the Department in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 26 January 2021. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with the State Account Circular, No. 271/2019 dated 03 December 2019, give a true and fair view of the financial position of the Department of Pensions as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified 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 Chief Accounting Officer and Accounting Officer for the Financial Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 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.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Department of Pensions 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists, and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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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 scepticism 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with the Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

#### 1.5. Report on Other Legal Requirements

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I express the following matters in accordance with Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations made in my report on the financial statements of the preceding year with respect to the observations included in Paragraphs, 1.6.4 (a), 1.6.5, and 1.6.6 (a) (c) (iii) of this report, had not been implemented.

## 1.6 Comments on Financial Statements

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### 1.6.1 Statement of Financial Performance

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Audit Observation	Recommendation	Comment of the Accounting Officer
The sum of Rs. 43,437,572,432 collected under the public service Employees' Provident Fund, and Teachers' Widows' & Orphans' Pension Fund of the teachers during the year along with the payments totalling Rs. 43,255,697,553 made in the year, had been shown as other receipts and other payments respectively in the statement of financial performance. Nevertheless, annual financial statements had been prepared separately for those two Funds and presented to the Auditor General.	Instead of amending the Acts relating to the Teachers' Widows' & Orphans' Pension Fund of the teachers and operating the public service Employees' Provident Fund under the Head 253, those funds should be maintained separately.	Despite being proposed to amend the Acts through a Committee specially appointed by the Treasury in terms of Public Finance Circular, No. 07/2006, a final decision has not yet been reached. As such, the revenue collected, and the payments made during the year under those two funds, had been shown as other receipts and other payments respectively.

### 1.6.2 Cash Flow Statement

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The following observations are made.

Audit Observation	Comment of the Management	Recommendation
a) The income collected in the year under non-revenue receipts and other Heads, had been overstated by a sum of Rs. 113,171,795 in the cash flow statement.	The cash flow statement should be prepared in accordance with instructions given in the Circular, No. 271/2019 issued by the Department of State Accounts, dated 03 December 2019.	Only the value received in cash as the income for the year, had been shown in the cash flow statement. It is noted down to show the values in accordance with the trial balance including the values received through cross entries for the ensuing year.

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| b) The expenditure incurred on the transfers and subsidies for other Heads, personnel emoluments, and operations, had been overstated by a sum of Rs. 79,426,330 in the cash flow statement.  | - Do. | - Do.   |
| c) Expenditure on purchases or construction of physical assets during the year had been understated by a sum of Rs. 3,100,499 in the cash flow statement.   | - Do. | - Do.   |
| d) The value of recoveries made in the year under Advances to Public Officers Account "B", had been understated by a sum of Rs. 35,725,209 in the cash flow statement. Furthermore, the values of those payments amounted to Rs. 50,977,977 and Rs. 51,343,912 in the statement of financial position and Treasury printouts respectively. As such, a difference of Rs. 365,935 was observed. | - Do. | The cash flow statement was prepared by including only the values of payments and receipts shown in the Advances to Public Officers Account "B" as had been made in cash during the year. It is noted down to show the values in accordance with the trial balance including the values received and paid through cross entries for the ensuing year. |
| e) The values of receipts and payments of deposits had been understated by Rs. 1,903,911 and Rs. 2,475,252 respectively in the cash flow statement.   | - Do. | The cash flow statement was prepared by including only the values of payments and receipts of deposits made in cash in the year. It is noted down to show the values in accordance with the trial balance including the values received and paid through cross entries for the ensuing year.  |

### 1.6.3 Non-maintenance of Registers and Books

Audit Observation	Recommendation	Comment of the Accounting Officer
<p><u>Register of Securities</u></p> <p>A Register of Securities had not been prepared in terms of Financial Regulation 891(1) by including information relating to the officers who should give securities.</p>	<p>A Register of Securities on the officers who should give securities, should be maintained in terms of Financial Regulation 891(1).</p>	<p>Accepted.</p> <p>It is noted down to apprise the officers of the necessity to give securities, and prepare a Register containing information about such officers.</p>

### 1.6.4 Lack of Evidence for Audit

Evidence had not been furnished to the Audit on the following transactions.

Audit Observation	Recommendation	Comment of the Department
<p>a) A pension file should be maintained for each pensioner. However, as had been observed in audit test checks, pensions had been paid to 60 pensioners by 03 Divisional Secretariats without maintaining pension files, whilst 12 pensioners with temporary files had also been paid pensions.</p>	<p>As for the pensioners without files, temporary files should be prepared and approval should be obtained promptly. Payment of pensions to the pensioners failing to furnish information, should be discontinued.</p>	<p>Sixty pensioners in the Divisional Secretariats of Colombo, Gangawata Korale, and Kurunegala have been requested to furnish information in order to prepare files. The number of pensioners with temporary files in the Divisional Secretariats of Colombo, Kurunegala, and Yatinuwara, had been 12.</p>
<p>b) Seventeen instances were observed according to the Information System for the month of November 2019 in which the same pensioner who had proceeded abroad, was paid 02 civil pensions. By January 2021, codes for 13 of those 34 pensions had been changed, whereas payments had been halted for 12. Nevertheless, 28 of those files had not been made available for examination.</p>	<p>Internal control of the Information System should be improved so that more than one civil pension would not be paid to a pensioner. The overpayments made with respect to the pensions that had been halted, should be recovered.</p>	<p>Action has been taken to correct the codes used on categories of pensions in the Information System.</p>

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| <p>c) According to the Information System for payment of pensions, 02 civil pensions had been paid in favor of the same name and bank account during December 2014-May 2018. One of those files contained no essential documents whatsoever. Furthermore, no action had been taken for the recovery of overpayments, if any.</p> | <p>An active pension file should contain the main documents such as, application for pension, pension grant, and history sheets. Overpayments should be recovered if any.</p> | <p>The said pension file is recognized as a temporary file. Action will be taken to collect the relevant information by informing the pensioner.</p> |
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1.6.5 Certifications to be Made by the Accounting Officer

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The Accounting Officer should certify the following matters in terms of provisions set out in Section 38 of the National Audit Act, No. 19 of 2018. However, it had not been so done.

Audit Observation	Recommendation	Comment of the Department
<p>a) The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the Department, and carry out periodic reviews to monitor the effectiveness of such systems, and accordingly make any alterations as required for such systems to be effectively carried out. Such reviews should be carried out in writing, and a copy thereof should be presented to the Auditor General, but no statements had been furnished to the Audit that the reviews had been carried out.</p>	<p>Provisions set out in Section 38 of the National Audit Act, No. 19 of 2018, should be followed.</p>	<p>The authority to incur expenses and collect revenue was delegated in accordance with the Financial Regulations, and the Auditor General was informed. A review was carried out on the process of paying pensions and the internal control system thereby making alterations. However, it is accepted that the Audit was not informed in that connection.</p>

- b) The Chief Accounting Officer and the Accounting Officer should ensure that all the audit queries are answered within a specific period as required by the Auditor General. Nevertheless, the audit queries had not been answered as per Paragraph 3.3 of the report. - Do. As the answers have to be given by obtaining information from the other Government institutions related to the Department of Pensions, it is accepted that a delay had occurred.

### 1.6.6 Non-compliances with Laws, Rules, and Regulations

Instances of non-compliances with provisions of Laws, Rules, and Regulations observed in audit test checks are given below.

	Audit Observation -----	Recommendation	Comment of the Accounting Officer	
	Reference to Laws, Rules, and Regulations -----	Non-compliance -----	-----	
a)	Financial Regulation 371 (b) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	The sub-impressts given should be settled as soon as the completion of intended purpose for which it was given. However, it was observed that a delay of 09-52 days had occurred to settle the sub-impressts totalling Rs. 142,000 obtained in 03 instances.	Action should be taken to settle the sub-impressts as soon as the completion of intended purpose for which it was given.	Accepted. All the staff grade officers have been instructed to settle the impressts within the specified time.
b)	Section 04 of the Public Administration Circular, No. 2/2019, dated 30 May 2019.	Once the demise of a person who had been receiving a pension from the Government, is registered, the District Registrar, the Additional District Registrar, or the Registrar General should be informed in that connection, and the Divisional Secretariats should have instructed the Registrars, and the Medical Registrars under their scope that a copy of the	The Divisional Secretariats should be informed to act in accordance with Circulars.	It has been informed by the Divisional Secretariats that all the Registrars in the division have been instructed to inform the Divisional Secretariat in terms of Section 04 of the Circular.

said report be sent to them once a week. However, it was observed in an audit test check that the Divisional Secretariats of Narammala, Kurunegala, Yatinuwara, and Gangawata Korale, had not so done.

c) Pension Circulars.

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| <p>(i.) Pension Circular, No. 01/2011 (Amendment), dated 07 April 2014.</p>                | <p>Maintaining a well-managed Control Account at all Divisional Secretariats is a compulsory requirement for keeping a formalized pension payment system. According to the test check, such a Control Account had not been maintained by the pensions officers of the Divisional Secretariats, Colombo, Pannala, and Narammala.</p>   | <p>As officers have been attached to every Divisional Secretariat for the pension payment system, accuracy of the expenditure incurred on pensions should be verified by preparing a well-managed Control Account.</p> | <p>As the payment of pensions is done through the centralized database, it is difficult to maintain a separate Control Account at the Divisional Secretariats, but it is the responsibility of the Divisional Secretary to maintain a Control Account.</p>   |
| <p>(ii.) Sections 21, and 29 of the Pension Circular, No. 01/2018, dated 19 June 2018.</p> | <p>All pensioners residing abroad should furnish their Life Certificates every year within the period from 01st December to 31st March of the ensuing year. Payment of pensions to those who failed to do so, should be temporarily suspended from May of that year. Nevertheless, payment of pensions to 5156 pensioners residing abroad who had not furnished Life Certificates for the year 2019, was not suspended up to November 2019.</p> | <p>Action should be taken in accordance with Circulars to suspend the payments.</p>  | <p>It was decided in August 2018 to make payments only through banks due to weaknesses in payment systems. Officers had to be assigned with duties relating to objections and inquiries when the pensions suspended were transferred to banking system. Although it was expected to suspend paying pensions from the year 2020 to the pensioners</p> |

(iii.) Pension Circular, Nos. 09/2015 dated 14 September 2015 and 08/2011 dated 04 November 2011.	Passbooks of minors with a value of Rs. 2,028,101 pertaining to 03 Divisional Secretariats, were not handed over to the relevant persons in 54 instances although they had reached the age of 18 years.	Benefits should be given in accordance with provisions of the Circulars.	residing abroad without furnishing Life Certificates for the year 2019, it could not be so done due to pandemic. Letters had been posted in regard of the Divisional Secretariat, Colombo, and one person had obtained the passbook, Two letters had been posted relating to the Divisional Secretariat, Kurunegala, and measures have been taken to obtain information about the other children from the Grama Niladharis.
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2. Financial Review

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2.1 Revenue Management

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The following matters were observed.

Audit Observation	Recommendation	Comment of the Accounting Officer
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a) A revenue of Rs. 42,736,960 had been repaid during the year under review under the Revenue Code, 20.04.01.00 (Central Government), and in order to verify a sum of Rs. 41,310,201 of those payments, debit notices had not been obtained from the	Action should be taken in accordance with Circulars to obtain debit notices.	The relevant institutions have been requested for debit notices, and reminders were sent. It is the responsibility of the institution to which debits were sent, to furnish the reports before the 15th day of the ensuing month as well.

relevant institutions in accordance with Section 1(a) of the Pension Circular, No. 1/2001 dated 15 January 2001.

- b) The Department of Pensions had not taken action to maintain a database for the officers who had contributed to the W&OP under the Revenue Code, 20.04.01.00 (Central Government). Due to lack of accurate information about the members eligible to receive benefits, it was not possible to verify through the Department as to whether the contributions had continuously and regularly been received in order to provide benefits, such as repayment of contributions.
- With assistance of the relevant institutions, the Department of Pensions should take measures to maintain a database containing information about the contributors and the payment of contributions.
- A software with which data of all the Government officers can be input online, had been introduced in October 2017, but the implementation of the software had become hampered due to lack of cooperation of the other institutions. After being certified by the last workplace, particulars of contributions are obtained by the Department of Pensions in order to commence paying pensions. As for the repayment, it is examined as to whether recovery was made at the specified rate.
- c) A database, suitable for identification of receipts of contributions and the outstanding contributions for the social security fund of the Provincial Councils under the Revenue Code 20:04:02:00 in terms of institutions and contributors, had not been developed. As the values provided by the Local Authorities had been brought to accounts as outstanding revenue, the accuracy of the outstanding revenue amounting to Rs. 808,293,002 could not be verified as well as identifying the values according to the contributor, could not be done during the year under review.
- A database for the contributors and payment of contributions should be maintained, thus action should be taken to verify the receipt of contributions.
- A programme was introduced in October 2017 to develop a database containing information about all the Government officers. However, due to lack of cooperation of the other institutions, the programme showed sluggish performance. The other Provincial Councils, except the Western Provincial Council, collect the contributions through the account summaries, and remitted by way of cheques. All the receipts and the receipts of outstanding revenue from all the Government institutions, are brought to accounts as revenue, whilst the outstanding revenue is brought to accounts based on the reports of the Provincial Councils on revenue in

- d) When the Provincial Councils issue one cheque for contributions of all the offices, contributions for each month should be collected prior to the 15<sup>th</sup> day of ensuing month in terms of Section 2.2 of the Circular, No. 1/2001 of the Director General of Pensions dated 15 January 2001. However, instances were observed in which delays ranging from 14 to 94 days had occurred in the year under review.
- e) Seven cheques valued at Rs. 756,996 sent by 05 institutions which directly remitted contributions by way of cheques, had been returned on miscellaneous reasons during 24 May 2019 and 10 October 2019. Nevertheless, those contributions had not been received again even after a lapse of over one year by 14 January 2021.
- When the Provincial Councils issue one cheque for contributions of all the offices, contributions for each month should be collected prior to the 15<sup>th</sup> day of ensuing month in terms of Section 2.2 of the Circular, No. 1/2001 of the Director General of Pensions dated 15 January 2001. However, instances were observed in which delays ranging from 14 to 94 days had occurred in the year under review. Action should be taken to collect the contributions on time.
- Seven cheques valued at Rs. 756,996 sent by 05 institutions which directly remitted contributions by way of cheques, had been returned on miscellaneous reasons during 24 May 2019 and 10 October 2019. Nevertheless, those contributions had not been received again even after a lapse of over one year by 14 January 2021. Action should be taken to collect the contributions in regard of the cheques that had been returned. Allocations on contributions are made at the time of paying salaries. As such, the date has been set for 20, and action has been taken to collect the contributions by informing through letters and telephone in case of delays. The Department of Treasury Operations and the Finance Commission have been apprised in this regard with a copy to your office. Remittance of monies regularly is the responsibility of other Government institutions as well. Accepted. The relevant institutions were queried as to the said cheques, but no answers were given.

## 2.2 Management of Expenditure

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The following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
a) Savings of Rs. 7,684,757 and Rs. 10,032,998 had occurred with respect to 04 recurrent Objects and 06 capital Objects respectively; and, this represented 11-91 per cent of the net provision made for an Object, thus observing that the provision had not been utilized optimally.	Estimates of expenditure should be prepared correctly in accordance with Financial Regulation 50.	Efficient management of expenditure under the 05 recurrent Objects resulted in the saving whereas savings occurred under the 07 capital Objects due to following the National Budget Circular, No. 05/2019 dated 2019.09.24 causing a mandatory saving of 10 per cent.

- b) Following the transfer of provision amounting to Rs. 16,365,000 in terms of Financial Regulation 66/69 in addition to the provision of Rs. 46,859,000 made on 04 Objects during the year under review, provision amounting to Rs. 8,006,579 had saved under those Objects representing 48 per cent of the sum transferred.
- Estimates of expenditure should be prepared correctly in accordance with Financial Regulation 50.
- The provision transferred to the capital Objects had saved following the limitation of expenses in accordance with National Budget Circular, No. 5/2019. Provision transferred to Item, No. 2-1508 of expenditure had been limited due to non-preparation of revised pension files.

### 2.3 Issue and Settlement of Advances

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The following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
a) According to the reconciliation statement of Advances to Public Officers Account made available to the Audit, the outstanding balance continued to exist over 05 years pertaining to 12 officers who had been interdicted or transferred, or had vacated the service as at that date, totaled Rs. 718,350. Those balances had not been settled up to 14 January 2021.	Action should be taken to recover the outstanding balances of advances.	Accepted. There existed no information to inform that the loan balances of officers totalling Rs. 45,639 be settled. Disciplinary inquiries relating to officers involving a sum of Rs. 328,002 have not been concluded. Action has been taken to refer to the Attorney General relating to the loan balance of Rs. 146,321.
b) According to the summary of clarification of individual balances as at 31 December 2019, a difference of Rs. 315,738 was observed between the balance of Government officers' advances, and the balance of Control Account. A sum totalling Rs. 85,877 included therein had continued to exist over 07 years, and those balances had not been settled even during the year under review.	The difference between the summary of the classification of individual balances and the Control Account, should be identified and settled.	The sum of Rs. 85,877 included in the said difference of Rs. 315,738 comprised irrelevant payments totalling Rs. 72,885, and irrelevant payments made to the staff totalling Rs. 12,992. Letters have been sent to the Director General of Combined Services in order to identify the current work places of 02 responsible officers, whilst taking action to send letters to the last work place of the other officer based on the

information received from the Director General of Combined Services.

3. Operating Review

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3.1 Losses and Damages

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The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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<p>a) According to Note, No. 01 of the financial statements, the sum that remained further recoverable from the overpaid pensions, amounted to Rs. 591 million. This balance comprised, a sum of Rs. 8 million older than 10 year, a sum of Rs. 37 million continued to exist over a period of 5-10 years, and a sum of Rs. 546 million that should have been recovered within a period of 05 years.</p>	<p>Necessary action should be taken for the prompt recovery of overpaid pensions.</p>	<p>The amount overpaid is recovered in installments, or the entire amount is recovered at once. Inquiries have also been conducted whenever necessary in terms of Financial Regulation 104. Installments are decided based on the facts such as, other pensions received by them, age, overpaid amount, and requests. As such, a delay occurs in recovering the overpayments.</p>
<p>b) Comparison of opening and closing balances of the register of Losses and Damages as at 31 December 2018 and 01 January 2019 revealed differences in the balances recoverable with respect to 444 Divisional Secretariats.</p>	<p>Closing balance of the preceding year should be as same as the opening balance of the year under review.</p>	<p>The difference occurred due to reasons such as, making adjustments to the differences in information furnished by the Divisional Secretariats, and when the monies receivable by the Government in excess of the gratuity were recovered from the pension and remitted at the time of retirement, corrections were made to those balances shown in the Register of Losses and Damages.</p>
<p>c) With the adjustment of Internal control over the</p>		<p>The amendments made to the</p>

pensions made on 01 July 2019 by the Pension Circular No.01/2019 dated 11 June 2019 for all the pensioners who had retired before 01 January 2017, the interim allowance of Rs.3500 paid until then as per the budget proposals should have been stopped. Nevertheless, contrary to that 214 pensioners had been paid the interim allowance together with the subsidy allowance paid along with the Widows' and Orphans' and Widowers' and Orphans' pension and as such, approximately Rs.16,839,900 had been overpaid from 01 July 2019 to December 2020.

data base should be improved to ensure not to pay interim allowance for the pensioners whose pensions were adjusted by the Pension Circular and overpayment of pensions should be recovered by taking action in accordance with the Financial Regulations 103 and 104.

benefits provided for the disabled and deceased officers of the three forces, have given rise to create these types of issues from time to time. Further, this may be further complicated according to the demands made by the officers concerned and the solutions presented. Therefore, a request has been made on 15.12.2020 to the Ministry of Defence to appoint a committee with the representatives of the Ministry of Defence, Ministry of Finance, Ministry of Public Services Provincial Councils and Local Government, three forces and the Department of Pensions in order to review salaries and allowances of the three forces, pensions and allowances paid in the event of retirement, disability and death, the fixed monthly allowances etc. and make recommendations for granting solutions.

d) It was revealed at an audit test check carried out on 02 Divisional Secretariats that overpayment of interim allowances totaling Rs.780,500 had been made due to payment of Rs.113,500 from January 2012 to February 2020 to an officers retired on 05 September 2007 contrary to the Pension Circular No.04/2011 dated 16 May 2011, payment of service pension and disability pension of Rs.180,500 from November 2014 to March 2019 contrary to the Pension Circular No.13/2014 dated 03

Internal control over the data base should be improved to ensure making payments in compliance with the circulars and overpayment should be recovered by taking action in accordance with the Financial Regulations 103 and 104.

Details have been entered in the data base in order to recover the overpayments. The balance that remained recoverable by December 2020 was Rs.647,540.

November 2014 and payment of interim allowance of Rs.486,500 along with disability allowance to 05 retired war heroes of the armed services contrary to the Pension Circular No.03/2016 dated 27 April 2016.

- e) As revealed at an audit test check, the subsistence allowances, interim allowances and pensions overpaid due to erroneous computation by the Divisional Secretariat, Narammala in 04 instances and the amount overpaid due to commencement of the payment of pensions prior to due date was Rs.1,067,609.
- Internal control over the data base should be improved and overpayment should be recovered by taking action in accordance with the Financial Regulations 103 and 104.
- Details have been entered in the data base in order to recover the overpayments. The balance that remained recoverable by December 2020 was Rs.966,253.00.
- f) In terms of Pension Circular No.8/2010 dated 07 September 2010 and Sections 03 and 04 of the Pension Circular No./2014 dated 10 January 2014, the pensioners who receive a pension with cost of leaving allowance and are serving in the Government institutions and statutory bodies such as corporations, boards should not be paid the cost of living allowance along with the pension. Nevertheless, as revealed during an audit test check, 08 Divisional Secretariats had overpaid Rs.3,399,768 as the cost of living allowance to 19 pensioners who were employed in statutory bodies while receiving their pensions.
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- Details have been entered in the data base in order to recover the dues monthly. The amount that remained recoverable by December 2020 was Rs.2,599,178.

### 3.2 Management inefficiencies

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The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
a) As disclosed at the audit test checks, payment of pensions for 66 pensioners and 78 pensioners of the Divisional Secretariat, Colombo for the year 2018 and 2019 had been stopped due to lack of their life certificate. Although it had been stated that Some pensioners had died and letters were sent to the bank to get back the overpayments made, the number of deceased pensioners and the value of the overpayment had not been identified.	If overpayments had been made in respect of the pensioners deceased, it should be recovered.	The Divisional Secretary has informed that the payment of pensions of the pensioners who submitted the life certificate has been initiated, and letters have been sent to the bank to get back the overpayments made and some Grama Niladharees have reported that some pensioners have proceeded abroad.
b) After the death of retired woman who had proceeded abroad and claimed for two civil and widows' pensions under the No 1-52361 and 21-30243 a sum of Rs.60,848 had been paid in excess for the month of April and May 2019 and that amount had not been recovered.	An arrangement should be put in place to keep records immediately after causing a death and overpayment of pensions should be recovered by taking action in accordance with the Financial Regulations 103 and 104.	She had died in March 2019 and a copy of the death certificate and a request letter have been sent to the bank branch to recover the total amount of Rs.60,847.
c) According to the Abatement Reports of the Gangawatakorale Divisional Secretariat, overpayment of Rs.719,872 made for 04 deceased pensioners remained recoverable.	Overpayment of pensions should be recovered by taking action in accordance with the Financial Regulations 103 and 104.	The hirers have been informed through the Grama Niladharees to recover the relevant amount.
d) As disclosed in the inspection of data base relating to the payments pensions made in September 2020, there were 3906 files in which pensions had not been revised	Action should be taken in accordance with the circular provisions.	Pensions of 479,415 pensioners have been converted while pensions of 39,373 pensioners have not been converted. It is observed that the various shortcomings

according to the Public Administration Circular No.6/2006. Further, adjustment of pensions of all the pensioners who had retired before 01 January 2017 should have been made as per Public Administration Circular No.03/2016 and 14/2019 with effect from 01 July 2019 through the Pension Circular No.01/2019 dated 11 June 2019. Nevertheless, due to the reasons such as lack of national identity card number, misplacement of files due to the war and other matters, issues relating to salaries, the number of files which had not been completed as at 13 January 2021 was 39,373.

found in the files had resulted in the delay in above adjustments. (Lack of national identity card number, misplacement of files due to the war and other matters, issues relating to salaries)

- e) According to the audit test check carried out on the repayment of contributions, although the Department of Pensions collected contributions, there were no details on the contribution recovered from each contributor. Therefore, such details had to be obtained from the relevant institutions. Hence, there observed 7 instances where contributions could not be obtained due to the reasons such as not knowing the fact of not being assigned a number until retirement, failure to find out the salary ledger owing to the transfers, decaying the documents inclusive of the details on the recovery of contributions, misplacement of information of the institution, delay in furnishing the details on the
- An adequate data base should be maintained to establish the particulars on the recovery of contributions of the widows' and orphan's pension scheme from the Department of Pensions. After the receipt of applications, expeditious steps should be taken to inform the shortcomings of the applications.
- It is a complicated task to maintain reports on monthly contribution recoveries. Payments for the completed files are made and due to reasons such as taking a long period to send replies in respect of the files of which shortcomings were pointed out, failure to precisely find out the relevant file, changing scope of some institutions and due to the transfers, delays were observed in making payments. As a less complicated method has been introduced at present, payment activities have become accelerated.

deduction of contributions of the widows' and orphan's pension scheme from the former station and not furnishing such information. There were 06 instances of payment delays owing to the delay in informing the shortcomings of the applications and the period of such delay was from 04 months to 03 years.

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| <p>f) According to the data base on pension, there observed 5454 instances that the date of the receipt of pension had not been indicated. It was further observed that there were 130 instances where the date of birth of the pensioner had been stated as the date of receipt of pension and a date following the date of birth of the pensioner had been stated as the date of receipt of pension by September 2020.</p> | <p>The date of receipt of the pension should be corrected in the data base by examining the pension file.</p> | <p>Details of most of the pensioners have been corrected by obtaining information of the officers retired from 08.10.2016 through a central data base and correcting information including national identity card number, date of retirement of the pensioners in revising pensions in terms of Public Administration Circular No.14/2019 and the remaining details will be corrected in the future.</p> |
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### 3.3 Failure to Reply Audit Queries

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Audit Observation	Recommendation	Comment of the Accounting Officer
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<p>Replies to 06 Audit queries issued to the Department in the year under review had not been furnished even by 02 September 2020 and the value of quantifiable transactions relating to those audit queries amounted to Rs. 17,637,547.</p>	<p>In terms of Financial Regulation 155, the Accounting Officer should inspect the Audit Query Register referred to in F.R. 452(1) after a specific time and take steps to correct any shortcomings pointed out by the audit queries and replies to those queries should be furnished forthwith.</p>	<p>It is accepted that there is a delay since replies should be given after correcting the shortcomings pointed out in the audit queries by the institutions relating to the Department.</p>

### 3.4 Transactions of Fraudulent Nature

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The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Out of the overpayment made after the death of retired officer who was receiving pension under the Pension No.21-2012767 by the Divisional Secretariat Colombo, it had been agreed to pay Rs.86,756 as a lump sum on 25 October 2020. Nevertheless, the relevant amount had not been totally recovered as at 08 January 2021 despite lapse of 2 years and 5 months from making overpayment of pension.	An arrangement should be put in place to keep records of the deceased pensioners to prevent from making overpayments and the loss should be recovered by taking action in accordance with the Financial Regulations 103 and 104.	As the balance amount was not paid, a complaint was lodged to the Police and it was agreed to pay that amount on 25 October 2020.
(b) Although the file of the pensioner who had received his pension under the national identity card No.503334208V from the Divisional Secretariat, Gangawata Korale from January 1991, Divisional Secretariat, Harispattuwa from August 2004 and the Divisional Secretariat, Kundasale from March 2011 had been transferred between the Divisional Secretariats, due to not updating the data base, pension had been paid by the Divisional Secretariat, Gangawata Korale from August 2004 to December 2019. Even though a sum of Rs.2,184,885 had been so overpaid from January 2008 to December 2019 on the information included in the data base, that amount had not been recovered.	Internal control over the data base should be improved so as to ensure whether the data base is updated in case of transferring a file between Divisional Secretariats and overpayment should be recovered in accordance with the Financial Regulations 103 and 104.	A committee has been appointed to conduct an investigation on the double payment of pension. The overpayment has been assessed to be Rs.2,169,551 by the inspection carried out according to the Financial Regulation 104.

- (c) Of the overpayment of pension amounting to Rs.2,696,303 paid to a retired officer who had died on 30 May 2012 while receiving 02 pensions as civil and widows' pensions under No.01-603326 and 21-500158 respectively, a sum of Rs.2,388,251 had not been recovered even by 18 September 2020.
- An arrangement should be made to update the data base by obtaining information on the deceased pensioners and overpayment should be recovered by taking action in accordance with the Financial Regulations 103 and 104.
- Due to not reporting the information on the death, this overpayment has been made. As the person who committed this fraud had defaulted the payment of balance after making payment of Rs.308,052, a case has been filed under No.24/2019 after lodging a complaint at the Office of Senior Superintendent of Police, Gampaha under No.118/18.
- (d) Pension of Rs.582,423 had been remitted to the account of a deceased officer over a period of 29 months from her death which occurred on 07 November 2013 while receiving pension under No.01-600772. Although a sum of Rs.581,916 of the above amount had been withdrawn using an ATM card, that money had not been recovered even by 18 September 2020.
- The data base should be updated by obtaining information on the deceased pensioners and the loss should be recovered by taking action in accordance with the Financial Regulations 103 and 104.
- It has been informed that a compliant was made at the the Special Crime Unite, Gampaha under No.119/19 (FCID) to take legal action against the fraud and filed a case under No.B25/2019.
- (e) According to the data base, a daughter of a deceased pensioner bearing Pension No 21-0-105353 had obtained a sum of Rs.1,562,470 for a period of 86 months from the death of the pensioner using her (the daughter) national identity card number and a sum of Rs.1,196,336 was further remained recoverable as at 31 December 2019. No legal or disciplinary actions had been taken against the officers who should be held responsible for overpayment.
- An arrangement should be made to update the data base by obtaining information on the deceased pensioners and losses should be recovered by taking action in accordance with the Financial Regulations 103 and 104.
- Payments are being made at a monthly installment of Rs.20,000 and the balance remained recoverable by December 2020 was Rs.1,116,336.
- (f) A sum of Rs.1,596,640 had been credited to the account of a widow who is not entitled to pension of the Divisional Secretariat,
- Formal disciplinary action should be taken against the responsible officers and overpayments should be recovered.
- Initial steps regarding the conduct of disciplinary inquiry against the relevant officer has been commenced on 30 September 2020 and the

Galnewa and that money had been obtained by the officer in charge of the subject of pension. Even though a sum of Rs.1,000,000 had been repaid by 22 October 2012, balance of Rs.596,640 had not been recovered even by 18 September 2020.

permission paper of the defendant of the officer has not yet been submitted.

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| (h) | The Accountant attached to the Divisional Secretariat, Kuruwita had altered the data of the data base and credited a sum of Rs.6,758,120 to his account from the year 2009 to 2013 as arrears of pension. Nevertheless, that amount had not been recovered even by 18 September 2020. | The relevant loss should be recovered from the responsible officers in terms of Financial Regulations 103 and 104. | It has been informed by the Letter No.DSRT/DASH/HRM/10/6/3-3 dated 06.06.2020 of the District Secretary, Ratnapura that the aforesaid Accountant was dismissed. |
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4. Human Resource Management

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
<p>In terms of Section 13.3 of Chapter II of the Establishments Cord, an acting appointment shall be made as a temporary measure until a permanent appointment is made. However, service of a fulltime officer is needed for the post, the permanent appointment should be made without delay. In case service of a fulltime officer is not needed, duties should be distributed among other officers of the Department. Nevertheless, according to the organizational chart of the Department, acting appointments had been made for 04 posts of senior level and for 07 Pension Officers who were serving in the Divisional Secretariats while being attached to the Department of Pensions by 24 June 2020. The acting period of those posts had ranged from 08 months to 65 months.</p>	<p>Action should be taken In terms of Section 13.3 of Chapter II of the Establishments Cord.</p>	<p>Since qualified officers have not been attached to the Department to make permanent appointments, the officers already attached have been appointed to act in the service under the approval of the Public Service Commission depending on their experience and the seniority. Officers of the nearest Divisional Secretariat have been appointed for the Divisional Secretariat with vacancies. By the Letter dated 28 February 2020, requests have been made to attach the officers.</p>