

Head 253 –Department of Pension

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Pension for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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. My comments and observations on these financial statements of the Department presented to the Accounting Officer on 30 July 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018 appear in this report. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 29 October 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018 will be tabled in Parliament in due course.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department as at 31 December 2020, 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

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is 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 the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall 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.

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

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 summary 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 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.
- Evaluate the overall presentation, structure and content of the financial statements including 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, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

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

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations in paragraph 2.1(a), (b), (c), (e), 2.3, 2.5 (h), (i), (e), (f), (g), (h) made by me in this report on the financial statements of the preceding year had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-revenue receipts

Audit Observation	Comment of the Accounting Officer	Recommendation
The revenue amount of Rs.1,024,621,786 collected by the department under other 4 revenue codes for other institutions during the year under review had not disclosed as other receipts under non-revenue receipts in the financial performance statement, and due to that the total value of receipts in the statement of financial performance was understated from that amount.	In preparing the Financial Performance Statement (253), only the revenue estimates under the Revenue Accounting Officer code are taken into account. As the Revenue Accounting Officer of the Revenue Codes mentioned in the Observation is the Treasury Operations Department, those revenues are not included in the Financial Performance Statement as other receipts.	Revenue collected on behalf of other institutions should be expressed as other receipts under non-revenue receipts in the financial performance statement.

1.6.2 Recurrent Expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
Although domestic and foreign travel expenses for the year amount of Rs.2,397,956 should be shown under the cost of other goods and services in the financial performance statement, as that expenditure is shown under the	Domestic travel expenses (1101) and foreign travel expenses (1102) are shown under Salary and other employee benefits.	Domestic and foreign travel expenses should be included in the cost of other goods and services.

salaries, wages and other employee benefit expenditure, the salaries, wages, and other employee benefits overstated and other goods and services cost understated from that amount.

1.6.3 Property, Plant and Equipment

Audit Observation

Comment of the Accounting Officer

Recommendation

As at 31 December of the year under review, the value of the 02 fixed assets as per the Cigas program was Rs.59,767,636 and according to the financial statements it was Rs.74,977,453 therefore according to the financial statement the value was overstated by Rs. 15,209,817 and the value of the 04 fixed assets as per the Cigas program was Rs.125,931,241 and according to the financial statements it was Rs.102,556,055 therefore according to the financial statement the value was understated by Rs. 23,375,186. As a result, a net difference of Rs.8,165,369 in fixed assets was observed between the Financial Statements and the Cigas program.

This will be corrected in the preparation of the Financial Statements for the year 2021 as instructions have been received from the Department of Public Accounts to correct this discrepancy.

The value should be the same according to the fixed assets module in the Cigas program and the value according to the financial statements.

1.6.4 Non-maintenance of Registers and Books

Audit Observation	Comment of the Accounting Officer	Recommendation
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A Security Register containing the details of all officers and employees required to give security had not been prepared in terms of Financial Regulation 891(1).	Arrangements will be made to maintain a Security Register in consultation with the Secretary to the Ministry of Public Service, Provincial Councils and Local Government in accordance with Public Finance Circular No. 2019/09 regarding the maintenance of a Security Register in accordance with Financial Regulation No. 891 (1).	A Security Register containing the details of all officers and employees required to give security should be maintained in terms of Financial Regulation 891(1).

2. Financial Review

2.1. Revenue Management

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) Debit notices had not been obtained from the relevant institutions up to June 2021 in terms of Section 1 (a) of the Pension Circular No. 1/2001 dated 15 January 2001, to confirm the refunded income of Rs.13,563,414 during the year under review under Revenue Code 20:04:01:00.	Debit notices have been requested from the relevant institutions regarding the debit to the revenue account and the Departments of Labor, Survey and Agriculture, Ministry of Public Services, Provincial Councils and Local Government, Kurunegala, Polonnaruwa and Gampaha District Secretariats, Election Commission, Public Accounts Department have already been sent the debit notices.	Action should be taken to obtain debit notices in accordance with the circular.

- (b) Although the relevant monthly reports for the revenue codes belonging to the Revenue Accounting Officers should be submitted to the Director General of Fiscal Policy before the 10 of the next month as per paragraph 07 of the Fiscal Policy Circular No. 01/2015 dated 20 July 2015, 07 Monthly Performance Reports for Revenue Code 20:04:01:00 were submitted with delays ranging from 41 to 107 days.
- The monthly reports are compared with the Treasury Accounts Statements and then submitted to the Director General of Fiscal Policy and This was due to the fact that the monthly Treasury Statements were released on the Public Accounts Department's website between the 14 and 17 of the month following the current month, and due to the global COVID 19 epidemic that led to a breakdown in the continuing duty throughout the year 2020.
- Action should be taken to submit monthly performance reports in accordance with the circular.
- (c) Receipts received for widows' / widowers' and orphans pensions and arrears contributions under the Revenue Code No.20.04.02.00 had not been properly prepared to be accurately identified by institution as well as contributors. Values reported by local authorities as arrears were accounted for as arrears in the financial statements. Accordingly, the accuracy of the arrear's income of Rs.823,984,589 at the end of the year under review could not be verified. Further, the contribution receipts amounting to Rs.11,021,652,894 collected during the year under review could not be identified according to the contribution accounts. Accordingly, it was not possible to confirm from the department whether the contributions were received continuously from each person in the payment of widows' / widowers' pension and repayment of contributions. Also, the Department of Pensions had not been able to recover the arrears without delay and make the necessary arrangements.
- Agree. An online database program has been introduced since October 2017 to create a database of basic information of all government officials. However, due to lack of support from other public sector institutions, the implementation of this program has become inactive. At present Public Administration Circular No. 03/2020 dated 31 December 2020 had been issued regarding the inclusion of details of Widows' / Widowers' and Orphans' Contributions to the Personal File and Public Administration Circular No. 26/2017 (V) dated 10/02/2021 had issued regarding re-registration of old members online. Accordingly, it is possible to ascertain whether the contributions have been received definitively and continuously in the event of receipt of benefits such as repayment of contributions.
- That steps should be taken to maintain a database of contributors and contributory payments by the Department of Pensions in collaboration with the relevant institutions.

- (d) Although in terms of Section 2.2 of the Director General of Pensions Circular No. 1/2001 dated 15 January 2001, when the Provincial Council issues one cheque for contributions to all offices, action should be taken to collect the recoveries for each month before the 15 of the following month, during the year under review, 5 Provincial Councils had been sent on 29 occasions with a delay of 15 days to 96 days and due to the fact that the Southern Provincial Council and the Uva Provincial Council were sending the relevant contributions in installments for each month without sending at the same time, 20 instances were observed with a delay of 16 to 132 days beyond the due date.
- Since the contributions are made at the time of payment of salaries, an extension has been made till the 20 of the next month. Letters have been sent to the Treasury Operations Department, the National Budget Department, Secretaries to Governors and Provincial Heads on a number of occasions. Although Widows 'and Orphans' contributions of government institutions in the Southern and Uva Provincial Councils should be collected through monthly account summaries and sent as a single cheque, until the errors in the monthly account summaries are corrected, the estimated value is remitted, after the errors are corrected and the balance is remitted.
- Action should be taken to collect the contributions on the due date.
- (e) Outstanding building rent due from National Housing Development Authority, Urban Development Authority and Central Environmental Authority for the period from 2009 to 31 December 2015 was Rs.24,605,333. Although the above institutions had requested the Department of Pensions to submit copies of the relevant lease agreements or monthly issued invoices or other documents for the payment of these rents, the Department had failed to submit such documents.
- These institutions were started on a lease basis when the ownership of the building complex of the Department of Pensions was in the possession of the Ministry of Public Services, Provincial Councils and Local Government. Although the ownership of the building complex has been transferred to the Department of Pensions since 01 November 2006, the lease agreements with the above institutions, the documents related to the arrears etc. have not been provided. As the Department of Pensions has not entered into an agreement with these institutions, I would like to inform you that the Department does not have any lease agreements.
- When the ownership of the building complex was transferred to the Department of Pensions from 01.11.2006, the documents and information related to the lease agreements and arrears should be obtained from the Ministry of Public Services, Provincial Councils and Local Government and action should be taken to recover arrears of building rent.

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| <p>(f) The total arrears of rent payable as at 31 December 2020 by the 07 institutions operating on the premises on rent basis was Rs.2,036,600 and according to the time analysis, the value of the arrears for more than one year was Rs. 299,000.</p> | <p>Due to the Covid epidemic in 2020, the Maligawatta area where the office was located had been isolated for more than four months and rent could not be paid by 31 December 2020 due to non-operation of offices operating on a rental basis.</p> | <p>Action should be taken to recover arrears of building rent.</p> |
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2.2. Incurring of Liabilities and Commitments

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
<p>Although the balance provision at the end of the year under review for Gratuity Payments for retirees under Expenditure Code No. 253-1-2-4 is Rs. 5,349,310,643, as per the liabilities statement the liabilities under that expenditure code were Rs.5,392,442,185 and therefore the liabilities exceeding the provision was Rs. 43,131,542.</p>	<p>Due to insufficient cash receipts from the Treasury for the payment of gratuity in the year 2020, no additional provisions were received from the Treasury or the allocation of funds under FR 66 was made.</p>	<p>That the liabilities should be maintained so as not to exceed the remaining provision.</p>

2.3. Certification of Accounting Officer

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 -----	Comment of the Accounting Officer -----	Recommendation -----
<p>(a) 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</p>	<p>The power to incur expenditure and collect revenue pertaining to the functions of the Department of Pensions has been delegated in accordance with the Financial Regulations and the Auditor General has been</p>	<p>Action should be taken in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018.</p>

systems to be effectively carried out and 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.

informed and necessary changes in the internal control system have been made from time to time by conducting reviews on the pension payment process and internal control.

- (b) Although, the Accounting Officer shall ensure that all audit queries be answered within the specified time as required by the Auditor General, 17 audit queries issued for the financial year 2020 had not been answered and the value submitted for clarifications related to those audit queries was Rs. 45,980,603.

I agree that there is a delay in responding due to reasons such as deficiencies pointed out in the audit queries should be reported to other government agencies and answered after rectification and the minimum number of staff to be recruited during the Covid 19 epidemic. Action will be taken to respond to unanswered audit queries.

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2.4. Non-compliance with Laws, Rules and Regulations

<u>Observation</u>	<u>Comment of the Accounting Officer</u>	<u>Recommendation</u>
Reference to Laws, Rules and Regulations		
<p>(i) Pension Circulars No. 09/2015 and 08/2011 dated 14 September 2015 and 04 November 2011</p>	<p>Due to the lack of information about the current addresses and the fact that the minor has been informed several times through letters but has not come to receive the passbooks, 22 minors of three Divisional Secretariats of Thimbirigasyaya, Sri</p>	<p>The relevant Divisional Secretaries have informed that, information on the current addresses of these minors will be obtained from Grama Niladharis and banks and passbooks will be handed over to the account holders and letters</p>
<p>Information on the current addresses of persons who have attained the age of 18 years should be obtained from the Grama Niladharis and banks and action should be taken to hand over the pass books to the</p>		

Jayawardenapura Kotte and Yatinuwara had not handed over their passbooks to the relevant persons even though they were completed 18 years of age. Out of this, the total value of 20 pass books with respect to the updated dates was Rs. 2,145,720. have been sent to hand over the passbooks of persons who have attained the age of 18 years and they have been requested several times through letters to come to collect the passbooks, they have not come yet. relevant account holders.

- (ii) Pension Circular No. 6/2013 dated 03 December 2013 and Pension Circular Letter No. 02 dated 14 June 2011. Although the unpaid pensions were to be sent to the Department of Pensions one month after the due date, the pensions divisions of the Thimbirigasyaya and Harispattuwa Divisional Secretariats had otherwise withheld Rs. 1,848,838 in the General Deposit Account of the Divisional Secretariat for a period of 07 months to 14 months. The Thimbirigasyaya Divisional Secretary has informed that the pensions in the general deposit account have been sent and Action will be taken to send on the due date in the future and the Harispattuwa Divisional Secretary has informed that the money will be sent to the department within 03 months as it will take time to return the money from the banks. Action should be taken to send the unpaid pensions to the Department of Pensions in the month following the due date.

2.5 Transaction with Fraudulent Nature

Audit Observation

Comment of the Accounting Officer

Recommendation

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| <p>(a) When several pensions are received together, the interim allowance should be paid only on the combined salary as per the Pension Circular No. 04/2011 dated 16 May 2011, Pension Circulars No. 05/2012 dated 20 December 2012 and Pension Circulars No. 13/2014 dated 03 November 2014. According to the audit sample check, out of the overpayment as interim allowance, a sum of Rs.867,317 overpaid for 03 retirees was outstanding as at 30 June 2021 at Katana Divisional Secretariat and</p> | <p>The Katana Divisional Secretariat has taken action to recover the overpaid inter allowance as follows.</p> <p><u>22- / 01-801214</u></p> <p>Monthly installments of Rs.6,951.46 is being charged from November 2020. The amount to be charged further is Rs.356,888.</p> | <p>The pension database should be upgraded so that there are no overpayments and the loss should be recovered in accordance with Financial Regulations 103 and 104.</p> |
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Wariyapola Divisional Secretariat had not recovered the overpayment of Rs. 623,750 paid for 03 pensioners till June 2021.

01-800947/ 12-801996

Monthly installments of Rs.6,930.62 is being charged from October 2020. The amount to be charged further is Rs.357,055.

21-800010 / 12-1770

Monthly installments of Rs.5,791.67 is being charged from October 2020. The amount to be charged further as at 30 June 2021 is Rs.156,374.

Wariyapola Divisional Secretariat

Referred to determine the installments to be charged for the overpaid interim allowance to the retirees mentioned in the query.

(b) According to the findings of the sample audit, due to failure to check whether the overpayment of pensions has been made on the notice of late death, one pensioner of the Thimbirigasyaya Divisional Secretariat had been overpaid with a pension of Rs. 352,030 and no action had been taken to recover the overpayment by the date of the audit.

Letters have been sent to the heirs on 06.01.2021 to take action to repay the overpaid pension.

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(c) After the death of the retiree, the pension was overpaid due to the delay in notification but in cases such as withdrawing money from an ATM card and misappropriating money from other persons as the bank account is a joint account; it was not possible to recover the overdue pensions due to the lack of money in the bank account. Sample audit revealed that a total value of Rs. 2,904,712 to be recovered as at 30 December 2020 from

The Divisional Secretary has informed that about 50% of the amount due from the deceased pensioners has been recovered due to the future installments being levied on the loans given by the banks to the retirees. The Divisional Secretary of Sri Jayawardenapura Kotte has informed that letters have been sent to the relevant banks to

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those who had obtained the money illegally as Rs.1,125,600 on 16 occasions in respect of Thimbirigasyaya Divisional Secretariat and Rs.1,779,112 on 13 instances in respect of Sri Jayawardenapura Kotte Divisional Secretariat.

- (d) In case of overpayment of pension / widow's pension due to delay in notification after death of the pensioner, if the bank has been notified to send the money back if there is money in the account, further steps should be taken to recover the amount if the bank has not sent the reply. However, it was observed in the sample tests, the Thimbirigasyaya and Sri Jayawardenapura Kotte secretariats had been overpaid on 94 occasions and a sum of Rs. 8,643,512 had been in arrear without taking action to recover. Out of this, the overdue payment period of the Sri Jayawardenapura Kotte Divisional Secretariat was 1 to 4 years.
- The Divisional Secretary has informed that about 50% of the amount due from the deceased pensioners has been recovered, due to the collection of future installments from the salaries of the pensioners for the loans given to the retirees by the banks of the Thimbirigasyaya Divisional Secretariat. The Divisional Secretary informed that letters have been sent to the relevant banks to recover the dues from the deceased pensioners at the Sri Jayawardenapura Kotte Divisional Secretariat.
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- (e) Two pensioners of the Thimbirigasyaya Divisional Secretariat and three retirees of the Kaduwela Divisional Secretariat had not submitted their live certificates during the sample examination conducted by the audit in July 2018 and June 2019 on retirees who had not submitted their life certificates. An additional amount of Rs. 2,068,762 had been paid from the date of death until the head office terminated the pension due to the Grama Niladhari or the relatives of the family not informing the Salaries Division of the death of the pensioner. The Divisional Secretariat had not taken action to recover the overpaid amount in accordance with the Financial Regulations 103,104.
- Retirees who did not submit their life certificates for the year 2019 at the Thimbirigasyaya Divisional Secretariat will be expected to have their pensions terminated if they do not submit their life certificates by 2020, but due to the current COVID 19 epidemic, there were practical restrictions on obtaining life certificates due to travel restrictions and no action was taken to suspend pensioners' pensions.
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- (f) The overpaid interim allowance from 01 November 2015 to 31 March 2020 for the retiree No. 0-40-3031 / 0-06-3031 of the Yatinuwara Divisional Secretariat was Rs.75,250 and to recover a sum of Rs. 1,500 each from June 2021 it was included in to the database and the amount to be recovered further was Rs.73,750.
- The overpaid interim allowance has been added to the database to charge Rs. 1,500 from June 2021.
- The pension database should be upgraded so that there are no overpayments and the loss should be recovered by complying with Financial Regulations 103,104.
- (g) Out of the overpayment of Rs. 93,600 made by the Gangawata Korale Divisional Secretariat for a deceased pensioner, another Rs. 72,600 was due to be recovered by 1 July 2021.
- The amount receivable from retired Mrs. B.D. Agnes was Rs. 93,600 and her heirs paying Rs. 5,000 per month, so the amount paid up to 01.07.2021 is Rs.21,000. The amount due further is Rs.72,600.
- An arrangement should be made to expedite the reporting of the details of the deceased pensioners so that no overpayments can be made and the loss should be recovered by complying with Financial Regulations 103 and 104.
- (h) Even though the retirement file has been transferred between the Divisional Secretariats, due to not update the database, two pensions under Pension Nos. 01-603037 and 01-1603037 were incorrectly paid from August 2004 to December 2019 for a pensioner belonging to the Gangawata Korale Divisional Secretariat. According to the F.R. 104 investigation it was estimated the overpayment from January 2008 to December 2019 at Rs.2,169,551, but it was not calculated the overpayment of pensions for the **41** months prior to **2008**. The retiree had died on 02 March 2021 and after deducting the amount charged from him from the date of termination of the pension to the date of his death, more than Rs. 1,839,320 was to be recovered furthermore.
- An inquiry has been conducted into the payment of the double pension as per FR104 and the overpayment has been estimated at Rs. 2,169,551. The payment of pensions has been stopped from December 2019 and the pensioner died on 02 March 2021. Accordingly, the amount to be recovered further is Rs. 1,839,320.20 and the Divisional Secretary has informed that action will be taken to recover from the Widows 'and Orphans' Pension.
- The internal control system should be improved to verify the database is constantly updated every time when a pension file is transferred between the Divisional Secretariats. According to F.R. 103,104, action should be taken to assess and recover overpayments for all periods.

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| <p>(i) Out of the overpaid pension of Rs.2,696,303 to a retired officer who died while receiving 02 pensions as a civilian and a widow by Nos. 01-603326 and 21-500158, the amount that had not been recovered by 18 December 2020 was Rs. 2,388,251.</p> | <p>The Gampaha Divisional Secretary has informed that a complaint has been lodged against him under No. 118/18 at the Gampaha SSP's office and filed a case under No. 24/2019 for non-payment.</p> | <p>Arrangements should be made to obtain information on deceased retirees as soon as possible and update the system for prevent overpayments and action should be taken in accordance with Financial Regulations 103 and 104 and recovering losses incurred from those responsible.</p> |
| <p>(j) A sum of Rs.582,423 had been remitted to the bank account of the officer who died on 07 November 2013 while receiving pension under No. 01- 600772, for a period of 29 months after her death. Of this, Rs. 581,916 had been withdrawn using an ATM card but the money had not been recovered from the responsible parties as on 31 December 2020.</p> | <p>A complaint has been lodged with the Gampaha Special Crimes Unit to take legal action against the perpetrator. Complaint No. 119/19 (FCID) Case No. - B25 / 2019.</p> | <p>-Do-</p> |
| <p>(k) According to the database, instead of the identity card number of the pensioner No.21-0-105353, using pensioner's daughter's National Identity Card number a sum of Rs.1,562,470 had been paid as pension till 86 months after the death of the pensioner. The money was obtained by her daughter, but no legal action or disciplinary action was reported in the audit and out of this overpayment, a further amount of Rs. 1,166,336 was due on 31 December 2020.</p> | <p>The daughter of the retiree is paying Rs. 20,000 per month and the balance due by December 2020 is Rs.1,116,336.</p> | <p>-Do-</p> |
| <p>(l) Galnewa Divisional Secretariat Pension Officer had credited a sum of Rs1,596,640 to the account of an Army Widow and the money had been obtained by the pension officer. Information that a disciplinary inquiry was conducted in this regard was not reported to the audit and the officer had paid Rs. 1,000,000 to the Galnewa Divisional</p> | <p>Activities have been initiated on 30.09.2020 to conduct disciplinary inquiries against the officer and as the residence and telephone numbers of the officer had been changed, after finding the relevant information, her caretaker was</p> | <p>Formal disciplinary action should be taken against the responsible officers and over payments should be recovered.</p> |

Secretariat by 22 October 2012. The money to be recovered from that amount had not been recovered by 31 December 2020.

informed to forward the permission application to the Department of Pensions, but that permission card has not been sent yet.

(m) The Accountant attached to the Divisional Secretariat had credited a sum of Rs.6,758,120 to his account as arrears of pensions from 2009 to 2013 by changing the data in the pension database of the Kuruwita Divisional Secretariat. The money had not been recovered by 31 December 2020.

The Ratnapura District Secretary has informed that the accountant has been dismissed.

That disciplinary action should be taken against the officials responsible for the fraud and the loss should be recovered from those responsible in accordance with Financial Regulations 103,104.

2.6 Issuing and Settling Advances

Following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) According to the reconciliation statement of the Advances to Public Officers Account submitted for the audit, the outstanding balance of more than 5 years to be recovered from the 12 suspended, dismissed and transferred officers on that day amounted to Rs.718,350 and this balance had not been settled till the date of audit.	A letter has been sent requesting to write off the loan balances of 4 transferred officers and a letter has been sent to the Director General of Combined Services requesting the current information of two officers. The Wattala Divisional Secretary has also informed that one officer is not at the relevant address. According to the assets report of one of the suspended officers, no property was reported and one officer was re-informed to settle the loan balance. Further, disciplinary action has not been finished against two officers. Since the officer who left the service has gone abroad, action has been taken to ask the Attorney General to recover the loan balance.	That action should be taken to settle the outstanding loan balances.

- (b) As on 31 December 2020 the total balance of the individual balance classification summary of the Advances to Public Officers Account as per the department books was Rs.168,586,842 and according to the control account the balance was Rs.168,558,187 and
- These balances are loan balances owed by the officers currently and have served in the Department. Action will be taken as instructed by the Department of Public Accounts to balance this unidentified balance in the control account and balance the balance in the treasury books and the departmental books after obtaining the necessary approval.
- Department books should be tally with the Treasury computer printout and the total of the individual balance classification summary according to the department books should be tally with the balance according to the control account. If there is a difference, the reason should be identified and adjusted.
- a difference of Rs.298,655 was observed between those balances. However, although the department has confirmed that there is no difference in comparison with departmental books and treasury computer prints as per Financial Regulation 427/1, it was observed that this is not correct.

3. Operating Review

3.1 Planning

Audit Observation

Comment of the Accounting Officer

Recommendation

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| <p>(a) Although it has been identified in the 2020 Budget Estimates that in addition to the payment of Widows' and Orphans' Pensions to the pensioners without delay, a contributory pension should be introduced in addition to the Employees Provident Fund for the semi-public sector banks and the private sector, those activities were not included in the action plan.</p> | <p>An action plan is prepared that includes specific tasks for the year. A program to introduce a contributory pension was not included in the 2020 Action Plan as it was not planned at the time of formulating the 2020 Action Plan. The Department of Pensions has not yet received an order to introduce a contributory pension scheme.</p> | <p>The action plan should be prepared and implemented according to the specific priorities stated in the budget estimate.</p> |
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3.2 Annual Performance Report

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) When comparing the Annual Performance Report submitted with the Financial Statements for the year under review and the information obtained by the Government Audit Division from each sector, although according to the Annual Performance Report the amount received in relation to the Public Service Provident Fund in December was Rs. 61,399,468, according to the information obtained from that section, it was Rs. 61,457,155 and a difference of Rs. 57,687 had been appeared and although according to the Annual Performance Report the amount of payment in the months of April, May was Rs. 38,364,041, according to the information obtained from that section, it was Rs. 22,364,041 and a difference of Rs. 16,000,000 had been observed and although according to the Annual Performance Report the interest income was Rs.30,360,072,498, according to the information obtained from that section, it was Rs.31,562,748,355 and a difference of Rs1,202,675,857 had been observed and although according to the Annual Performance Report the amount received in relation to the Civil and Armed Services Gratuity Payments was Rs. 26,237,294,814 for 24,149 Nos., according to the information obtained from that</p>	<p>Prior to February 28, only a draft annual performance report was submitted, along with the financial statements. The Annual Performance Report presented to Parliament has been prepared without any shortcomings.</p>	<p>Correct data should be included in the annual performance report submitted with the financial statements submitted for audit.</p>

section, it was Rs.26,808,301,923 for 24,524 Nos. and a difference of Rs. 571,007,109 in value and 375 in Nos. had been observed.

3.3 Procurement

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) According to the Financial Regulations 701 (i) the contract agreement should include the completion date and quantitative damages due to delays, but it was observed in the sample test checks that this clause was not included in the contract agreements of three construction contracts with a contract cost of Rs.5,909,881. Further, it was stated in paragraph 8.12.2 of the Procurement Guidelines that a Certificate of Completion should be issued by the Engineer /Consultant certifying compliance with the specifications and other terms and conditions agreed upon, but no such certificate was issued in respect of these Contracts.</p>	<p>Relevant matters are set out in Article 07 of the Agreement.</p>	<p>Action should be taken in accordance with Financial Regulation 701 (i).</p>
<p>(b) In accordance with paragraph 2 of Supplementary 35 for 2.14.1 of the Procurement Guidelines, Bidding for construction contracts had to be done by registered contractors. However, when the Department selects a contractor for the renovation and maintenance of the Wedamulla Resort in Kelaniya, deficiencies had been observed such as calling 3 bids from a selected contractor from the companies listed on the yellow and rainbow pages of the telephone directory, failure to use standard bidding documents in bidding, failure to provide</p>	<p>Limited bids were called for the selection of contractors and accordingly bids were invited from 06 companies listed in the yellow and rainbow pages of the telephone directory. The contract was awarded to Irosh Construction, which submitted the lowest bid, in accordance with the recommendations of the Technical Evaluation Committee. This institution has previously carried out the contracts of the Department of</p>	<p>Bidding for construction contracts should be done in accordance with the Procurement Guidelines.</p>

performance security, failure to submit the contract in accordance with the standard bidding documents.

Pensions with a proper standard. A retention rate of 5% was withheld on payment. I would like to inform you that we will take steps to maintain performance security when awarding contracts in the future.

3.4 Losses and Damages

Following observations are made.

Audit Observation

Comment of the Accounting Officer

Recommendation

According to note number one in the financial statements, the amount to be further recovered from the overpaid pension at the end of the year under review is Rs. 521 million. This balance consisted of Rs. 4.8 million for more than 10 years, Rs. 66 million for 5-10 years and Rs. 450 million for less than 5 years.

Premiums are based on other pensions, age, overpayment and claims, so there is a delay in recovering over payment.

Necessary steps should be taken to recover the overpaid pensions without delay.

3.5 Management Weaknesses

Following observations are made.

Audit Observation

Comment of the Accounting Officer

Recommendation

(a) The monthly subsistence allowance of Rs.6,855 had been paid as Rs.20,860 to the pensioner No. 4-50111 by the Ganewatta Divisional Secretariat and therefore it was overpaid by Rs.687,790 during the period from 1st July 2015 to 10th August 2020 and the outstanding amount of Rs. 559,236 had not been recovered by June 2021.

The total overpayment allowance paid to the pensioner is Rs.687,790. As his pension has been suspended from September 2020 to June 2021, the amount due after deducting the outstanding salary of Rs. 128,554 is still Rs. 559,236. The Divisional Secretary has been instructed to conduct an investigation as per F.R. 104.

Excess payments should be recovered in accordance with Financial Regulations 103 104 regarding overpayments of pensions.

- (b) Although 2868 sq. ft. of office space was leased to 5 offices, no lease agreements were entered into and although the lease agreements of 04 leasing companies had expired, no action had been taken to renew those leases by the date of the audit. Informed to enter into an agreement with the Post Office. The District Secretary has informed that it is difficult to pay rent from the Grama Niladhari offices as a government service providing office. Bank of Ceylon has been informed to enter into an agreement for the Bank of Ceylon ATM. The draft agreement has been forwarded to the relevant institutes to renew the agreements of the institutes whose lease period has expired. That lease agreements should be entered into with the agencies that provide the office premises on a rental basis.
- (c) Although a pension file must be maintained for all retirees, sample tests revealed that the pension files of 369 pensioners of the Thimbirigasyaya Divisional Secretariat were missing. The Divisional Secretary has informed the retirees to submit the required documents for the preparation of temporary pension files for the 369 who do not have pension files. As it is the duty of the officers of the Department of Pensions to maintain and keep the pension files of the pensioners, the files should be handed over in writing among the pension officers and in case of a transfer they should be properly transferred to another officer, disciplinary action should be taken against the officers for not keeping the files safe, and temporary files should be prepared and approved.
- (d) During the examination of the Payment Database for the month of September 2020 in the Pension Database, although the pensions of all public officers who retired before 01 January 2017 should be adjusted as per Public Administration Circulars Pensions of 479,415 retirees, have been converted and pensions of 39,373 retirees have not been converted. I notice that the adjustment has been delayed due to various shortcomings in the files. (Lack of National Identity Card Action should be taken in accordance with the circular provisions.

03/2016 and 14/2019 as per the Pension Circular No. 01/2019 dated 11 June 2019 from 01 July 2019, as at 13 January 2021, the number of files whose pensions had not been amended was 39,373 due to the lack of National Identity Card numbers, misplacement of files due to war and other reasons, and salary related issues.

3.6 Operational Inefficiencies

Audit Observation

The Department of Pensions had not taken action to maintain a database of officers who have contributed to Widows' / Widowers' and Orphans' Pensions. Due to the lack of accurate information on the number of members to be benefited, the Department could not confirm whether the contributions were received definitively and continuously in the event of a claim for Widows' / Widowers' and Orphans' Pension Scheme and refund of contributions.

Comment of the Accounting Officer

A program that allows online entry of data on all government officials has been introduced since October 2017, but implementation has been stalled due to lack of support from other agencies. Details of recovery will be brought to the Department of Pensions for commencement of payment of pensions after certification by the last employed institution and after it is checks whether a refund has been made in respect of the prescribed percentage.

Recommendation

Steps should be taken to maintain a database of contributors and contributory payments by the Department of Pensions in collaboration with the relevant agencies.

4. Good Governance

4.1 Internal Audit

Audit Observation

Comment of the Accounting Officer

Recommendation

Activities planned under the Internal Audit Plan, such as preliminary audit of financial control system, leave and overtime audit, and dealing with public petitions, were not included in the action plan of the Department of Pensions. Furthermore, the Internal Audit Plan for the year 2020 did not focus on areas such as revenue collection inspections, training related process inspections, construction contracts and procurement inspections.

As the Department of Pensions spends approximately Rs. 240 billion annually on pension payments, the internal audit has placed more emphasis on these payments due to the high risk involved. However, as pointed out by the Government Audit, action will be taken to include it in the audit plan.

That the internal audit plan should be prepared to cover all the activities of the department.

4.2 Audit and Management Committee

Audit Observation

Comment of the Accounting Officer

Recommendation

Only one Audit and Management Committee was held in the year 2020.

Due to the COVID epidemic in 2020, the planned audit and management committee meetings could not be held. Audit and Management Committee Meeting for the First Quarter 2021 was held on 30.04.2021.

Four Audit and Management Committee meetings should be held in a year