

Teachers' Widows' and Orphans' Pension Fund - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Teachers' Widows' and Orphans' Pension Fund for the year ended 31 December 2024 comprising the balance sheet as at 31 December 2024 and the income and expenditure account, and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of Section 6(1) of the regulations made under Sections 5 and 9 of the School Teachers' Pension Ordinance, No.44 of 1953 and provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions of the National Audit Act, No.19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the fund as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the matters described in paragraph 1.5 of this report.

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 qualified opinion.

1.3 Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards 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.

In preparing the financial statements, management is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the fund's financial reporting process.

As per Section 16 (1) of the National Audit Act No.19 of 2018, the fund 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 of the Fund.

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 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 skepticism 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 fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the fund to cease to continue as a going concern.
- 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the fund has complied with applicable written law, or other general or special directions issued by the governing body of the fund;
- Whether the fund has performed according to its powers, functions and duties, and whether the resources of the fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws;

1.5 Audit Observations on Preparation of Financial Statements

1.5.1 Accounting Deficiencies

	Audit Observation	Management Comment	Recommendation
(a)	Due to the omission of contribution income for April of the year under review from Zonal Education Office Colombo in the financial statements, income had been understated by Rs.4,035,793.	The cheque sent from Zonal Education Office Colombo for Rs.4,035,793.16 received on 14 May 2024 as the contribution related to the month of April 2024 was returned due to error. That amount was received again on 06.06.2024 and recorded under 20.04.02.00 related to the year 2024.	Income relevant to the accounting year should be recognized.
(b)	Due to recording the receipts of December month related to the Zonal Education Kalutara twice in the receivable contribution balance of 31 December 2024, the balance of contribution receivables in the balance sheet had been overstated by Rs.122,104.	Rs.122,104 for the months of October, November and December 2024 and installment of Rs.122,104 for the month of December 2024 have been separately adjusted under the receipts of the year 2025 in relation to the year 2024.	Receivable income of related year should be properly identified.
(c)	Contribution for August 2024 was not received from one school and it had not been calculated the arrears contribution and included in receivable contributions amount as of 31 December 2024.	The August cheque was returned and it has now been received again, and it will be adjusted to reflect the total receipts for 2024 in 2025.	Arrears contribution should be calculated and included in receivable contribution balance.
(d)	Although the contribution rate for Widows and Orphans Pension was increased up to 8%, in one girls' school in the Zonal Education Kalutara from April to December 2024 and another school from April to September 2024, only 6 percent of the contribution was made to the	The arrears from October to December 2024 of the Girls' School belonging to the Zonal Education Kalutara and the arrears from April to September 2024 of the other school have been adjusted against the 2025 receipts for the year 2024. That the subject officers will take	Arrears contributions should be identified and accounted.

widows' and orphans' pension. As a result, the total arrears contributions for two schools was Rs.347,375 and had not been adjusted to the receivable balance of contributions as at 31 December 2024.

1.6 Non-Compliance with Laws, Rules, and Regulations etc.

The following observations are made.

Reference to Laws, Rules, and Regulations etc.	Non-Compliance	Management Comment	Recommendation
School Teachers' Pensions Act No.44 of 1953			
(i) Order No.04	Although a fund should be established from teachers' widows' contributions and pension payments to teachers' widows' and orphans' should be made through that, Contributions had been collected into the bank account of the Director General of Pensions without maintaining a separate bank account for the fund to collect and make payments and, payments had been made under the Pension Department expenditure head.	Since the payment of widows' and orphans' pensions for teachers serving in Piriven and private schools is made from Appropriation Head 253 of the Consolidated Fund allocated by the Annual Appropriation Act, that the objectives of establishing the Teachers' Widows' and Orphans' Pension Fund are fulfilled.	The fund should be established in accordance with the provisions of the Act and actions should be taken accordingly.
(ii) Order No. 9(a)	A register containing information on those eligible to pay each contribution and those who paid the contribution had not been maintained.	Only values credited from provinces are sent to us through credit notices and details regarding the collection of those contributions will not be sent. However, a separate Widows' and Orphans' Pension file containing their information is maintained under the name of the school for teachers working in Piriven and government-aided private schools registered under the Teachers' Widows and Orphans Pension Scheme.	A formal information system regarding contributors should be maintained.

2. Financial Review

2.1 Financial Results

The operational result for the year under review was a surplus of Rs.550,673,061 and corresponding surplus for the previous year was Rs.437,633,305. Accordingly, an increase of Rs.113,039,756 was observed in the financial result. This increase was mainly due to a rise in contributions receipts by Rs.120,207,536.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Due to not maintaining a register with members' name and school, it was not possible to accurately identify information regarding the actual receivable amount to the Fund, the amount received and the arrears amounts annually, the number of members of the Fund, the number of new members who obtained membership in the year under review, and the number who withdrew membership from the Fund.	The support of Piriven and assisted schools is also essential for the creation and development of a database containing basic information. However, when paying pensions to these teachers, payments will be made only after calculating the outstanding widows' and orphans' contributions and recovering the outstanding amounts.	An up-to-date register of members of the fund should be maintained.
(b) Even though this Fund is not essential, as the objectives of the Fund are fulfilled through Appropriation Head 253 of the Consolidated Fund and although it had been proposed that the Acts relating to the Fund should be amended, that proposal had not been implemented so far.	Although a special committee appointed by the Treasury to ensure that statutory and non-statutory funds are subject to parliamentary control in accordance with the Public Finance Circular No. 07/2016, the 2016 Budget Proposals Nos. 425 and 426 are reviewed in accordance with a procedure accepted by Parliament proposed that the Acts related to this fund should be amended and closed, the final decision of that committee has not yet been received and this matter was also discussed at the meeting held on 16.01.2025 under the chairmanship of the Director General of Public Finance. However, since there is no final decision, annual financial statements will be prepared and books will be maintained properly.	Actions should be taken to inform the relevant authorities to amend the Acts.