

## **Teachers' Widows' and Orphans' Pension Fund - 2019**

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### **1.1 Qualified Opinion**

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The audit of the financial statements of the Teachers' Widows' and Orphans' Pensions Fund for the year ended 31 December 2019 comprising the balance sheet as at 31 December 2019 and the income and expenditure account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of section 6 (1) of regulations made under section 5 and 9 of the Teachers' Widows' and Orphans' Pensions Ordinance No 44 of 1953 read in conjunction with Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka and provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

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 Judges of the Superior Courts 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**

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My opinion is qualified 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 opinion.

### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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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 Responsibility for the Audit of 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 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, 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. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. 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 Financial Statements**  
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**1.5.1 Internal Control over the preparation of financial statements**  
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Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

**1.5.2 Accounting Deficiencies**  
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<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
<p>As per order No 04 of the Teachers’ Widows’ and Orphans’ Pensions Ordinance No 44 of 1953, Teachers’ Widows’ and Orphans’ Pensions should be paid following a building up of a fund out of Teachers’ Widows’ and Orphans’ contributions, However, no Separate account had been maintained for collection and payment of Contributions and the contributions had been collected Under the bank account of the Director General of Pensions and the said Expenses had been incurred under</p>	<p>agree</p>	<p>Should reveal through accounts notes on the instance of fund becoming inactive.</p>

the Vote of the Department of Pensions. Thus No revelation had been made through accounts notes about the Value of the Widows' and Orphans' contributions made within the year and on the instance of fund becoming inactive.

### 1.5.3 Absence of written evidence for the Audit

Subject	Amount	Audit Evidence not made available	Comments of the management	Recommendation
	<b>Rs.</b>			
Receipts of contributions	137,818,157	6 Percent as Widows'/widower and Orphans' contributions and 6 percent as pension fund contribution from <i>Piriven</i> and Private /Assisted school teachers should be monthly remitted under annexure 2 to the Department of Pensions. However, it was not possible to identify in what amount from which officer the amount Rs. 137,818,157, consisted of, credited from 3 provinces by the Department of Education through accounts summaries in the year 2019.	agree	Should be accounted following the identification of contribution type for which the money was credited monthly through accounts summaries

## 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
Order No 9 (A) of the School Teachers Widows' and Orphans' Pensions Ordinance No 44 of 1953	No register had been maintained on the persons making contributions.	It is not practicable to maintain an Individual accounting system.	Should maintain a register containing information on the persons making contributions.

## 1.7 Cash Management

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Although the Deputy Secretary's account had been maintained in the final account for collection and payment of contributions and other income, it was observed that Rs.1,039,177,078 depicted in the balance sheet of the Deputy Secretary of the Treasury as at 31 <sup>st</sup> December 2019 was a nominal balance.	agree	The balance of the Deputy Secretary of the Treasury should be revealed through accounts notes as a nominal balance.

## 2. Financial Review

### 2.1 Financial Results

According to the submitted financial statements, the financial result of the year under review is a surplus of Rs224, 019,899. and the corresponding surplus of the previous year was Rs.148,370,923, thus observing a growth of Rs.75,648,976 in the financial result in the year under review when compared with the previous year. However, due to the fact that the Teachers' Widows' and Orphans' Pensions are paid from the account of the Director General of Pensions, this balance had been occurred without the deduction of payment of pensions. Further, the above high growth was also the result of an increase of Rs.7,155,782 in the interest income and the increase by Rs.72,550,012 in the receipts of contributions in the year under review.

### 3. Operational Review

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#### 3.1 Management Inefficiencies

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The following observations are made.

<b>Audit Observation</b>	<b>Management Comments</b>	<b>Recommendation</b>
(a) It was not possible for the audit to get the information revealed related to dues owing to the fund since no updated schedule had been maintained on the members of the fund.	The support of the Piriven and private /Assisted schools is needed to create a data base containing basic information.	Updated schedule should be maintained on the members of the Fund.
(b) When it comes to repaying the contributions, although steps had been taken to pay the money recovered from the contributor by checking with the history sheet, no procedure had been established to verify whether such money was correctly received by the fund.	payments are made by checking with the History sheet after getting it confirmed from the Head of the institution that the Widows' and Orphans' contributions were remitted to the Department,	A system should be introduced to verify from the Department of Pensions whether the contributions were received by the Fund.