

Local Government Service Widowers' and Orphans' Pension Fund - 2012

1. Financial Statements

1:1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 1.2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly I do not express an opinion on these financial statements.

1:2 Comments on Financial Statements

1:2:1 Accounting Deficiencies

The overall expenditure of the Fund on the payment of pensions in the year under review had not been computed and adjusted to the Income and Expenditure Account.

1:2:2 Lack of Evidence for Audit

The following observation are made.

- (a) According to the financial statements presented for audit, the expenditure of the Fund on the payment of pensions in the year under review amounted to Rs.3,196,199 whereas according the classification of expenditure in the computer data system of the Department of Pensions, the expenditure on pensions for the year under review amounted to Rs.54,139,919. As such a difference of Rs.50,943,720 was revealed. The management failed to furnish the audit evidence in explanation for that difference.

- (b) The contributions received annually by the Fund had been brought to account under the Accumulated Fund. But a separate ledger account had not been prepared for the identification of the balance of contributions received.

1:2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliances
(a) Public Finance Circular No. PF/423 of 22 December 2006.	The budget for the year under review had not been approved by the Minister in charge of the subject.
(b) Section 8 of the Local Government Service Widowers' and Orphans' Pensions Fund Orders of 1986.	Even though in registers for recording all contributions paid by the contributors and the Local Authorities should be maintained, it had not been so done.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the operations of the Fund for the year under review had resulted in a surplus of Rs.31,176,110 as compared with the corresponding surplus of Rs.37,137,830 for the preceding year, thus indicating a deterioration of Rs.5,961,720 in the financial results. The decrease of the interest income by Rs. 963,554 in the year under review as compared with the preceding year due to decrease in the rate of interest and the capital loss on the maturity of investments amounting to Rs.5,397,553 had been the main reasons for the deterioration in the financial results.

3. System and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director General of Pensions from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Records of Expenditure
- (c) Investments