

Teachers' Widows' and Orphans' Pension Fund - 2022

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 2022 comprising the balance sheet as at 31 December 2022 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 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 2022, 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
The contribution account amounting to Rs.351,699,361 and the contribution receivable account amounting to Rs.7,460,120 could not be satisfactorily verified due to the non-submission of lists of individual balances and membership registers to the audit.	It is observed that maintaining an individual account system is not practical. Apart from this, 03 sub-accounts are maintained which include the contributions due and the contributions related to the year.	Arrangements should be made to maintain a formal information system about contributors.

1.6 Non-compliance with laws, rules, regulations and management decisions etc.

The following observations are made.

Reference to laws, rules and regulation etc.	Non-compliance	Management Comment	Recommendation
(a) Order No. 04 of the School Teachers' Pension Act No. 44 of 1953	Although the teachers' widows' Orphans' pensions should be paid by building a fund through teachers' widows' Orphans' contributions, a separate bank account was not maintained for the fund to collect and pay the contributions and the contributions were collected in the bank account of the Director General of Pensions, and payments had been made under the expenditure head of the Pension Department.	The purpose of establishing the Teachers' Widows' Orphans' Pension Fund is fulfilled as the payment of widows' and orphans' pension for teachers working in Piriven and Private schools is made from appropriation head No. 253 of the Consolidated Fund allocated by the Annual Appropriation Act.	It should be act according to the directives of the Act.

2. Financial review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs.337,692,542 and correspondingly the surplus of last year was Rs.295,472,900. Accordingly, an increase of Rs.42,219,642 was observed in the financial result. This increase was mainly due to the increase in contribution receipts by Rs.47,230,749.

3. Operational review

3.1 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
Due to the non-maintenance of a membership register including the name of the members and school, the actual amount receivable to the fund annually, the amount received and arrears, the number of members of the fund, the number of new members in the reviewed year, and the number who left the membership of the fund could not be accurately identified separately.	The support of Piriven and Aided schools is also essential for creating and improving a data system that includes basic information about the person name of the teachers of Piriven and Aided school, schools or Piriven, the provinces they belong to, the number of members who have taken membership of the fund and the number who have left the membership of the fund, etc. Nevertheless, payments are made only after calculating the arrears of widows and orphans contributions and recovering the arrears in the payment of pension to these teachers.	An up-to-date register should be maintained about the members of the fund.