

Teachers' Widows' and Orphans' Pension Fund – 2023

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Teachers' Widows' and Orphans' Pension Fund for the year ended 31 December 2023 comprising the balance sheet as at 31 December 2023 and the income and expenditure account for the year then ended and notes to the financial statements, including the information in relation to the material 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 provisions of the National Audit Act No.19 of 2018 and the section 6(1) of the regulations enacted in terms of sections 5 and 9 of School Teachers' Pension Ordinance No.44 of 1953. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2023, and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

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 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

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 determines 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 for 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 subsection 16(1) of 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 Scope of Audit (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 judgement 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 Non-compliance with laws, rules, regulations and management decisions

The following observations are made.

Reference to laws, rules and regulations etc.	Non-compliance	Comment of the Management	Recommendation
School Teachers' Pension Act No.44 of 1953			
(i) Regulation No. 04	Even though the teachers' widows' and orphans' pension should be paid having built a fund from the teachers' widows' and orphans' contributions, the contributions had been collected to the bank account of the Director General of Pensions without maintaining a separate bank account for the collection and payment of the contributions and the payments had been made under the expenditure head of Department of Pensions.	Since the payment of widows' and Orphans' pension for the teachers who serve in the pirivens and private schools are made from the appropriation head No. 253 of the Consolidated Fund allocated from the Annual Appropriation Act, the objective of the establishment of Teachers' Widows' and Orphans' Pension Fund is fulfilled.	In terms of the regulations of Act, the action should be taken accordingly having established the Fund.
(ii) Regulation No.9(a)	A document including the information on the persons who had been qualified to pay each contribution and pay the contributions had not been maintained.	The values credited by the provinces had been only sent by the credit notices and the details on charge of said contributions is not sent. However, a widows' and orphans' pension file	A formal information system on the persons who pay the contribution

including the information of s should be the school separately for the maintained. teachers who serve in the registered pirivens and the private schools which are provided the government's aids is maintained.

2. Financial Review

2.1 Financial Results

The operating result in the year under review was a surplus of Rs. 437,633,305 and the surplus of the preceding year was Rs.337,692,541 correspondingly. Accordingly, it was observed an increase of Rs.99,940,764 in the financial result. An increase of receipt of contributions by Rs.94,003,342 had been the main reason for this.

3. Operating Review

3.1 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) It couldn't be accurately identified the information on the actual money to be annually received to the fund, money received, outstanding, number of members in the fund, number of members who received the new membership in the fund in the year under review, and who had removed from the fund since a document is not maintained including the name and school of the member.	It is essential to obtain the assistance from the pirivens and assisted schools for the creation and improvement of a data system inserting the basic information on that. But the payment is only paid after recovery of such outstanding having calculated the outstanding widows' and orphans' contributions in the payment of the pension to these teachers.	An updated document on the members of the fund should be maintained.
(b) Since the objectives of this Fund are fulfilled from the appropriation head 253, this Fund is not essential. Even though it was proposed to be amended the relevant Acts, said proposal had not been achieved yet.	Even though it had been proposed to close this Fund having amended the Acts related to this Fund by a special committee appointed by the General Treasury in order to ensure its control subject to the parliament having reviewed the	The action should be taken to make aware the relevant authorized officers to be

statutory and non-statutory funds amended the
in compliance with a Act.
methodology accepted by the
Parliament by the budget
proposals No. 425 and 426 in
2016 in accordance with Public
Finance Circular No. 07/2016,
the decisions required for the
amendment of the relevant Act or
the closure of the Fund had not
been received yet. Therefore, the
annual financial statements are
prepared continuously and the
books are properly maintained.