

Head 253 – Department of Pensions

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Head 253 – Department of Pensions for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended and notes to the financial statements including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) 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. The summary report containing my comments and observations on the financial statements of the Department of Pensions was issued to the Accounting Officer on 29 May 2024 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 12 June 2024 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Department of Pensions as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

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 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 and its materiality depends on the influence on economic decisions taken by users 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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

I express the following matters in terms of Section 6(1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

2. Financial Review

2.1 Revenue Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) At present, The rental income of Rs.6.3 million was in arrears as on 31 December 2023 from 10 institutions running on rent basis in the departmental premises and of which Rs.1.4 million were balances older than 12 months.	That the actions are being taken to collect the amount in arrears.	Arrears of income should be collected immediately.
(b) Although paragraph 1(a) of the Pension Circular No.1/2001 dated 15 January 2001 states that a report of contributions debited and credited by account summaries of each month should be sent to the Director General of Pensions before the date of 15 in the following month, Actions had not been taken according to the provisions to bring down the credit notices related to the contributions of Rs.22,080.9 million credited by other institutions during the year under review and bring down the debit notices from the relevant institutions to confirm the debits of Rs.3.5 million out of the debits of Rs.3.6 million made during the year.	The reasons such as additions, revocations of institutions related to each head due to certain changes will also affect these variations and debit notices have been sent from the relevant institutions regarding debits to the income account and debit notices are being received even now.	Circulars should be followed.
(c) Due to not maintaining data system regarding the officers who contributed to Social Security Contributions (Widows'/Widowers' and Orphans' contributions) to the central government	That the implementation of this program has become ineffective due to the lack of support from other institutions in the public sector (all government institution are not	A data system of contributors and contribution payments should be maintained to ensure that

and under the revenue account, on the lack of information regarding the members who are entitled to be benefited from the social security system, It had not been possible to ascertain whether the contributions were continuously received in the entitlement of benefits such as widows'/widowers' and orphans' pension and payment of contributions.

doing online reregistration).

contributions have been received accurately.

2.2 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The budget estimated allocation for 3 expenditure subjects under program (1) exceeded Rs.6,500,000 and a transfer of allocation of Rs.4,580,000 i.e. 70.46 percent by the financial regulation 66/69 was made and accordingly the net expenditure was Rs.11,002,993.	Due to the expansion of office activities, the provision needed to purchase office equipment and washing machines for circuit bungalow were transferred from the expenditure subjects that had excess provisions and utilized.	Expenditure should be accurately identified and prepared estimates.
(b) It was observed that the expenditure estimation was done without proper identification of the expenditure due to the estimated budget allocation of Rs.700,000 for the research and development expenditure of expenditure subject No.2507 was transferred to other expenditure subjects without spending during the year.	It was not possible to commence the research activities that were supposed to commence in the year 2023 and the essential works have been done by transferring as per the need with the aim of using the provisions more efficiently.	Expenditure should be accurately identified and prepared estimates.

2.3 Incurring Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
The expenditure payable on 31 December 2023 ha been understated by Rs.10,350,870.	Although it is stated that other expenses were understated by Rs.10,350,870 as on 31/12/2023, since the related vouchers were submitted to the accounts	Liabilities should be accurately identified and accounted.

department in the year 2024, that it was not recorded as a liability related to the year 2023 in the liability register.

2.4 Certification of Accounting Officer

Accounting Officer should certify the following matters in terms of provisions set out in Section 38 of the National Audit Act, No.19 of 2018. However, it had not been act accordingly.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The Accounting Officer should ensure that an effective internal control system is developed and maintained for the financial control of the department and the effectiveness of the system should be reviewed periodically and any necessary changes should be made accordingly to make the system effective, and although such reviews should have been done in writing and a copy of that should have been submitted to the Auditor General, statements that such reviews have been carried out had not been submitted to the audit.</p>	<p>Reviews of pension payment process and internal control have been carried out and necessary changes in internal control procedures have been made from time to time.</p>	<p>The provisions of Section 38 of the National Audit Act No.19 of 2018 should be followed.</p>

2.5 Non-compliance with Laws, Rules and Regulations

	Reference to Value Laws, Rules and Regulations	Non- Compliance	Comments of the Accounting Officer	Recommendation
(a)	<p>Pension 473,617 Circulars No.13/2010 dated 16 December 2010 and No.03/2013 dated 20 September 2013</p>	<p>Even though the widow who remarries is entitled to 50 percent of the widow's and orphan's pension, the pension was overpaid to two pensioners of the Hanwella and Dambulla Divisional Secretariats due to the full</p>	<p>That the inquiries have been sent to the Directorate of Salaries and Records for confirmation from the Hanwella and Divisional Secretariat and the Divisional Secretary has stated</p>	<p>Circulars should be followed.</p>

salary was paid even after the remarriage. that the data will be entered into the system to collect excess payments from the Dambulla Divisional Secretariat.

(b)	Pension Circular No. 1/2014 dated 10 January 2014 and Pension Circular No. 8/2010 dated 07 September 2010	31,953,239	Although the cost of living allowance should not be paid to the pensioner exceeding the cost of living allowance of Rs.7,800 that received by government employee, the cost of living allowance had been over paid with salary military of services in 116 occasions to the dependents of the dead and disabled military officers according to the data system and in 14 occasions in Ibbagamuwa, Warakapola and Dambulla Divisional Secretariats.	That the Divisional Secretariats have mentioned that they are working to recover. (No answers were provided for cases identified by the database.)	Circulars should be followed.
		94,478,613	If a government salary is received with cost of living allowance, even though the cost of living allowance is not entitled to the pension during the period of receiving such salary, due to the payment of the cost of living allowance in such way, the cost of living allowance had been over paid in Kalutara, Dambulla, Medadumbara, Hanwella, Bamunakotua, Matara, Mawanella, Kegalle divisional secretariats and	That the Divisional Secretariats have mentioned that they are working to collect over payments.	Circulars should be followed.

in 269 cases according to the data system.

	12,328,059	Although the cost of living allowance can be taken up to Rs.7,800, the cost of living allowance had been under paid for 64 pensioners from Dambulla, Hanwella, Warakapola, Bamunakotua, Matara, Kegalle, Ibbagamuwa, Weerambagedara, Higurakgoda, Yatinuvara, Bingiriya, Ibbagamuwa, Narammala, Kurunegala, Alavwa, Polgahawela and Ridigama Divisional Secretariats.	That the Divisional Secretariats have informed that they will make payments in the future with arrears.	Circulars should be followed.	
(c)	Pension Circular No.13/2014 dated 03 November 2014	13,743,400	In cases where several pensions are received jointly, although the interim allowance that paid monthly should be paid only to the accumulated pension, the interim allowance had been over paid for 47 pensioners identified from Hanwella, Matara, Kegalle, Akurana, Yatinuvara, Bingiriya, Mawanella, Divulapitiya, Kalutara Divisional Secretariats and the data system.	Regional secretariats have mentioned that the over payments will be recovered in the future.	Circulars should be followed.

- (d) Pension Circular 2,522,000
No.1/2019 dated
11 June 2019
- In the event that some person receives the subsistence allowance along with the widow's pension, after the widow's pension is amended as per Pension Circular 01/2019, although the interim allowance paid for the subsistence allowance should be suspended, since the interim allowance was paid for the subsistence allowance in the Kegalle and Warakapola Divisional Secretariats without suspending such way, that allowance had been overpaid.
- The Divisional Secretaries have stated that the interim allowance paid has been suspended and the overpaid allowance will be recovered in installments.
- Circulars should be followed.
- (e) Pension Circular 10,337,836
No.1/2019
Amendment II
dated 26 July
2019
- While it has been stated that the salary conversion is not relevant for the pensioners and dependents who are receiving salaries from the three-military forces up to the age of 55 years, the pensions of 45 dependents receiving military salary according to the data system and 04 pensioners of the Warakapola Divisional Secretariat have also been revised and paid and therefore pensions had been over paid.
- The Warakapola Divisional Secretary has stated that the correct salary has been established and the overpaid amount is being recovered.
- Circulars should be followed.

(f) Pension Circular
No. 01/2022
dated 20 January
2022

- Paragraph 2

1,995,000

As Rs.5000 allowance entitle for 18 pensioners in Dambulla, Bingiriya, Higurakgoda, and Bamunakotua Divisional Secretariats had not been paid.

That the Divisional Secretaries have mentioned that actions are being taken for the payment. Circulars should be followed.

- Paragraph 2(ii).

21,640,000

Although it has been stated that, when officers serve in government with receipt of widow's pension receive allowance of Rs.5,000 along with salary, this allowance is not entitled along with pension, 223 government officers according to the data system had been overpaid the allowance of Rs.5,000 from January 2022 to August 2023 with the widow's pension.

That the payment of Rs.5000 allowance has been suspended and the data has been entered into the system to recover the overpayment. Circulars should be followed.

- Paragraph 2(iii)

3,509,000

Although it has been stated that the dependents of the deceased tri armed forces officers up to the age of 55 are not entitled to the special allowance of Rs.5,000 along with the pension, 39 dependents according to the data system and 13 dependents of the Ibbagamuwa, Kegalle, Warakapola and Matara Divisional Secretariats had been

That the allowance of Rs.5000 has been suspended and the overpayment is to be charged in installments. Circulars should be followed.

overpaid the special allowance along with the service salary.

(g)	Public Administration Circular No.14/2022 dated 22 June 2022,14/2022(i) and Pension Circular No.06/2022 dated 20 September 2022	47,246,326	Due to the non-registration of the officers who took foreign leave formally, although the contributions of widows'/widowers' and orphans' were sent to the Pension Department as per the Pension Circular since the officer could not be identified, the contributions had been transferred monthly (from November 2022 to February 2023) to the general deposit account as unrecognized receipts. .	This cash balance created due to the crediting of money through methods not properly registered in the IT system as per the circular and not by standing order and without reference to identification and this money is accounted in a general deposit account until identified.	Circulars should be followed.
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2.6 Deposit Balances

Audit Observation

It was observed that the cash deposits of Rs.5,237,605 over 02 years has been retained in the general deposit account without being utilized or taken into the public revenue as per financial regulation 571(3).

Comments of the Accounting Officer Recommendation

That the arrears building rent from Milko Pvt Ltd have been retained in the general deposit account until recovered and the money donated by private organizations for the National Retirement Day celebrations has been retained in the general deposit account to be used for future retirement celebrations.

Financial Regulations should be followed.

2.7 Operation of Bank Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The 125 cheques with an unidentified receipt value of Rs.13,669,514 according to the bank reconciliation statement prepared on 31 December 2023 related to two bank accounts had not been settled by 16 May 2024.	Identification is underway.	Unidentified receipts should be immediately identified and settled.
(b) The bank accounts related to the Local Government Services Widows' and Orphans' Pension Fund and the Local Government Services Widowers' and Orphans' Pension Fund was as inactive accounts since the past many years and they have not been closed or action taken in this regard.	A special committee appointed by the General Treasury in accordance with an accepted procedure in Parliament by the budget proposals No.425 and 426 pursuant to Public Finance Circular No.07/2006 have recommended that these funds should be closed. Since these funds have been established by an Act of Parliament, there has not been legal authority to close the bank accounts until a policy decision is taken regarding the closure of the funds.	Necessary action should be taken on inactive accounts.

3. Operating Review

3.1 Losses and Damage

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) As per the financial statements, the value of overpaid pensions to be further recovered at the end of the year under review was Rs.936.1 million. This value consisted of Rs.1.5 million for more than 10 years, Rs.48.9 million for 05 to 10 years and Rs.885.7 million for less than 05 years.	That the amount to be further recovered as on 31/12/2023 is Rs.885.7 million.	Actions should be taken to collect overpayments immediately.

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| (b) | Rs.872,000 had been overpaid as interim allowance to 06 pensioners of Yatinuwara Divisional Secretariat without complying with salary revisions and circulars. | That the Divisional Secretary has mentioned that the pension will be corrected by charging over payments. | Overpayments should be charged immediately. |
| (c) | Although the disability pension related for 04 pensioners of Kegalle Divisional Secretariat was adjusted according to 9/2008 (amendment) dated 17 July 2018, the amount of Rs.536,008 which was overpaid to those pensioners had not been recovered until November 2023. | That the overpayments are being charged in installments. | Overpayments should be calculated accurately and charged promptly. |
| (d) | During the inspection of military disability pension payments, due to the payment of cost of living allowances along with military service salary, the cost of living allowances paid with pensions had been correctly suspended in accordance with the circulars, It was revealed that the amount of Rs.1,715,550 that was overpaid for 23 pensioners had not been collected even by November 2023. | That the data will be entered into the system to charge overpayments in installments. | Overpayments should be charged promptly. |
| (e) | Rs.342,900 of subsistence allowance to a pensioner of Bamunakottowa Divisional Secretariat from March 2013 to September 2023 had overpaid. | That the overpayments have started to be charged in installments. | Overpayments should be charged promptly. |
| (f) | On the basis that a pensioner cannot take cost of living allowance received by a government employee beyond Rs.7,800 per month as per Pension Circular No.1/2014 dated 10 January 2014, audit observed that the payment of cost of living allowance for both pension arising from the same fact and allowance is a matter of controversy. Accordingly, the audit observed that Rs.5,938,755 had been overpaid for 16 pensioners in Bamunakotua, Weerambugedara, Hanwella, Ibbagamuwa Divisional Secretariat due to the fact that the pension | As per Pension Circular 1/2014, there has been no overpayment as it was not exceeded Rs.7,800. | It should be consider regarding the payment of cost of living allowance in both cases as an additional allowance to the pension which arose on the basis of the same fact and subsistence allowance. |

and subsistence allowances had been paid on both occasions.

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| (g) | As per the document on recovery of overpaid pension submitted to the bank in the year 2023 from the balances that overpaid for the pensioners identified as deceased foreign pensioners (2023 and earlier years) by the Foreign Pension Division and to be returned from the bank, It was observed that an amount of Rs.29,539,809 should be recovered further as on 31 December 2023. It was also observed that the overpaid pension amount for the deceased pensioners in the years prior to 2023 is Rs. 15,506,715 in this balance. | That the banks have been informed through letters and phone calls to recover the balance to be recovered. | It should be act as to avoid overpayments and overpayments should be recovered immediately. |
| (h) | Although the date of death of 05 pensioners in Maharagama, Kesbewa and Kaduwela Divisional Secretariats was identified, the overpaid pensions of Rs.1,936,086 had not been collected until November 2023. | Divisional Secretaries have informed that further actions will be taken to recover overpayments. | Dates of death should be immediately identified and pension payments should be suspended and overpayments should be recovered immediately to avoid overpayments. |
| (i) | The sum of Rs.323,763 of overpaid disability salary to two pensioners of the Dambulla Divisional Secretariat had not been recovered. | That the Divisional Secretary has stated that the data will be entered into the system to recover the overpaid disability salary. | Overpayments should be recovered immediately. |

3.2 Failure to reply Audit Queries

Descriptions about the Audit Query

Comments of the Accounting Officer Recommendation

Out of 42 audit queries issued as on 31 December 2023, answers were not given for 10 audit queries by 31 March 2024.

Since the answers sent by the Divisional Secretariats are with deficiencies, they should be

Financial Regulation 155 should be followed.

checked and those offices should be informed and the deficiencies should be rectified and the final answer should be prepared after getting the answers again, there will be a time delay for that.

3.3 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) In respect of a pensioner of the Divisional Secretariat of Yatinuwara, it was observed that the overpaid amount was Rs.355,743 due to the fact that the pension was activated on the basis of the marriage certificate without checking the divorce certificate of the widow.	Jaffna District Court has stated that there is no record of the case related to the case 1430 or any documents related to it in the archives and that it was mentioned as the divorced man from Navaman Manniya Singham according to the marriage certificate (second) and the case No.1430 has been stated.	The widow had submitted an affidavit stating that she had been divorced under Case No. 1430 and married under Marriage Certificate No. 7870 and the evidence should be confirmed for that.
(b) The pension No.15-14578 was permanently suspended from April 2022 and any action had not been taken to recover Rs.1,405,750 until November 2023 out of the over payment amount of Rs.1,419,750 from 01 January 2008 to 10 March 2022.	According to the recommendations of the F.R.104 report, the salary conversion will be prepared and if there is any arrears to be paid, they will be recovered from that amount.	Actions should be taken to collect overpayments immediately.
(c) The Dambulla Divisional Secretariat had underpaid Rs.500,491 due to non-entitlement of total cost of living allowances and interim allowances with total salary which should to be received by remain orphan after the completion of 26 years of age of a pensionable orphan.	That the payment is due after verification of correctness.	It should be checked and pay immediately.

4. Achievement of Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendation
The Department of Pensions had identified only one goal under the Sustainable Development Goals aimed to be achieved by the year 2030. Clear targets have not been set for that goal and baseline data and indicators for measuring progress have not been systematically established. Stakeholders involved in the organization's mission to implement the Sustainable Development Goals had also not be identified.	Although achieving this goal cannot be done only by the Pension Department, that the basic concept and proposals related to setting up a comprehensive pension coverage system covering all layers of the society regarding the benefits that can be provided after retirement have been presented in the year 2020 by the "Samata Vishrama" proposal.	Sustainable Development Goals should be achieved.

5. Good Governance

5.1 Rendering Services to Public

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) After the minors reach 18 years of age, although actions should be taken to transfer the relevant bank passbook to the minors, action had not been taken to entitlement of 04 bank passbooks and 01 fixed deposit certificates with the total value of Rs.613,636 in Kurunegala Divisional Secretariat because of the minors have non-resident in the respective addresses.	That the release has become problematic as they have not resident at the respective addresses.	After the completion of 18 years of age, arrangements should be made to transfer the relevant bank pass book to the minors.
(b) The pension could not be granted to a doctor who completed aged 60 on 27 February 2012 and retired even though 11 years had passed by January 2024 due to the delay in the submission of information by the Polonnaruwa Health Services Directorate.	For the purpose of preparing the pension, the file was received by the Pension Department on 02.04.2014 at the first time and after checking the file, even though its deficiencies were brought out several times, since the documents requested further	Information should be completed and payments should be commenced immediately.

by the Pension Department (in the letter dated 05.07.2023) is not contained in the personal file of doctor, that the letters have been sent to several other organizations requesting that information and that the relevant deficiencies will be filled immediately.