Teachers' Widows' and Orphans' Pension Fund - 2025

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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 2025 comprising the balance sheet as at 31 December 2025 and the income and expenditure account for the year then ended, and notes to the financial statements, including martial 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 the provisions of the National Audit Act,No.19 of 2018 and Section 6(1) of the regulations made under Sections 5 and 9 of the School Teachers' Pension Ordinance, No.44 of 1953. 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 2025, 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 stability 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.

Audit scope 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
(a)	As contribution amounts totaling Rs.9,967,730 for the months of May and June 2025 pertaining to the Colombo Education Zone and a contribution of Rs.281,320 for the month of July from a government-approved private school were not recognized as revenue for the year under review and therefore total contribution amount for the year was understated by Rs.10,249,050.	The funds have been received and accounted under codes 20.04.02.00 and 20.04.01.00 of the Department of Pensions for the year 2025. Cash accruing to this fund are ultimately credited to the Consolidated Fund.	All contributions pertaining to the year under review in accrual basis should be recognized as income and accounted in the financial statements.
(b)	The contributions receivable of Rs.11,125 from a school in the Colombo Education Zone was not included in the contributions receivable balance as of 01 January 2025 and a contribution of Rs.122,104 due from the Kalutara Zonal Education Office for December 2024 had been recorded twice. Consequently, the balance of contributions receivable as of 01 January 2025 was overstated by Rs.110,979.	The contribution of Rs.11,124.96 pertaining to receipts for December 2024 was received via cheque no. 087765 dated 26.12.2024 and as it has been recorded as a 2024 receipt, it has not been included in the balance of contributions receivable.	Contribution receivable balances should be accurately identified, and their accuracy should be verified by reconciling account balances on an annual basis.
(c)	A contribution of Rs.229,689 receivable from a school in the Kandy zone for December 2022 was not received during the year under review and although this amount should have been included in the receivable balance as of 31 December 2025, it was not included in that balance.	That the letters and reminders have also been sent to collection of those contributions.	Contribution receivables should be accurately identified and recorded in the accounts, and action should be taken to reconcile these balances annually.

(d)	A contribution of Rs.219,860 for August 2024 from a school in the Colombo Education Zone was not recognized as a receivable as at 01 January 2025 and after its receipt in April 2025, it was recorded as contribution income for the year 2025. Consequently, revenue pertaining to the year 2024 was recognized as revenue for year 2025 and contribution income for year 2025 had been overstated by Rs.219,860.	The cheque for the contribution of Rs.219,860.40 for August 2024 was received but returned due to errors and, therefore adjustments have not been made regarding the contributions receivable as of 01 January 2025.	Contributions should be identified with the correct financial year and accounted for on an accrual basis.
(e)	Although a contribution of Rs.235,686 pertaining to August 2025 was received in September 2025 from a school within the Kandy Education Zone, a sum of Rs.236,838 was also recorded as the contribution receivable for that month in the accounts. Consequently, contribution income for the year under review had been overstated by Rs.236,838.	The contribution for August 2025 has not been received, and it has therefore been adjusted against the contribution receivable amount.	Contributions received and contributions receivable should be accurately identified and recorded in the accounts.
(f)	A pension contribution of Rs.97,353 received from a school within the Colombo Education Zone for June 2025 was erroneously identified and recorded as a contribution to the Teachers' Widows' and Orphans' Pension Fund. Consequently, the contribution income for the year under review had been overstated by Rs.97,353.	The pension contribution of Rs.97,353.24 for the month of June has been rectified via Journal 80 under the correction of erroneous credits.	Contribution receipts should be accurately identified and recorded, and any erroneous entries should be promptly rectified.
(g)	Although Rs.2,051,711 was deducted from contribution receipts as corrections of errors when calculating the contributions for the year, the value of the corrections verified during the audit was only Rs.1,914,168. Consequently, due to an additional adjustment of Rs.137,543 being made, the	The aggregate of all corrections relating to the year is indicated under Accounting Number 04.	Corrections of errors should be accounted only on the basis of sufficient substantiation.

contribution income for the year under review had been understated by that amount.

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

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	School Teachers' Pensions Act No.44 of 1953			
	(i) Order No.04	Although a fund should be established using teachers' widows contributions and pension payments for teachers' widows' and orphans' should be made from that fund, Instead of maintaining a separate bank account for the fund to collect contributions and make payments, contributions were collected into the Director General of Pensions' bank account, and payments had been made under the Department of Pensions' expenditure vote.	The objectives of establishing the Teachers' Widows' and Orphans' Pension Fund are being fulfilled, as the payment of pensions to the widows' and orphans' of teachers' serving in Piriven and private schools is effected through Vote No.253 of the Consolidated Fund, allocated under the annual Appropriation Act.	Necessary actions should be taken to properly maintain the fund in accordance with the provisions of the Act.
	(ii) Order No.9(a)	A register containing information on members who were eligible to pay contributions and those who actually paid them was not maintained.	Only the amounts credited by the provinces are remitted to us via credit advices and details regarding the collection of these contributions are not provided. However, under the Teachers' Widows' and Orphans' Pension Scheme, a separate Widows' and Orphans' Pension file containing the details of teachers serving in Piriven and government-assisted private schools is	An up-to-date and systematic register containing the details of all members who are eligible to pay contributions and who are paying contributions should be maintained.

			maintained in the name of the respective school.	
(b)	Paragraph 3 of Public Administration Circular No.2024(3) dated 10 January 2024	As schools within the Colombo Education Zone submitted confirmations only for the total contribution amount collected at the school level when forwarding details to the fund, it was not possible to verify during the audit that the prescribed 8% contribution had been deducted from each teacher's salary and remitted to the fund.	Payments to these teachers will be made only after calculating the outstanding Widows' and Orphans' (W&O) contributions and recovering those arrears.	A proper system of records and controls should be maintained to verify that the prescribed 8% contribution has been collected in accordance with the provisions of the circular.

2. Financial Review

2.1 Financial Result

The operating result for the year under review was a surplus of Rs.717,372,356, compared to a surplus of Rs.550,673,061 in the preceding year. Accordingly, an increase of Rs.166,699,325 in the financial result was observed. This growth was mainly due to an increase of Rs.182,526,143 in contribution receipts during the year under review.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
Due to the absence of a formal data system containing members' names, schools, and other basic information, it was not possible to identify and monitor accurate data regarding contributions receivable and received, outstanding contributions, the total number of members, and the number of new members joining or leaving the fund during the year under review.	The cooperation of Piriven and assisted schools is also essential for the task of creating and developing a data system containing basic information. However, regarding the payment of pensions to these teachers, payments are made only after calculating outstanding widows' and orphans' contributions and recovering those arrears.	An up-to-date and complete data system regarding the Fund's members should be maintained.