

Social Security Board of Sri Lanka - 2010

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Social Security Board of Sri Lanka had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to the paragraph 1:2 of this report, the financial statements have been prepared in accordance with the Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Social Security Board of Sri Lanka as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Sri Lanka Accounting Standards

The following observations are made.

(a) S.L.A.S. 18

The Revaluation Reserve of Rs.7,899,912 which should be shown separately in the financial statements had been added to the Accumulated Fund and shown in the financial statements.

(b) S.L.A.S. 3

The balance of 02 Bank Savings Accounts totalling Rs.14,621,648 which should be shown under the current assets had been shown under the non-current assets in the balance sheet.

1:2:2 Accounting Deficiencies

The following observations are made.

- (a) Interest amounting to Rs.136,801 received on the distress loans paid from the Pension Fund of the contributions and the interest amounting to Rs.89,441 received from depositing the money received from the Treasury for the payment of Distress loans which should be credited to the Pension Fund had been credited to the Income and Expenditure as interest income.
- (b) Even though the net receipts generated from the internal funds under the cash flows from the financial transactions in the Cash Flow Statement should be Rs.278,789,530 it had been shown as Rs.278,514,902.
- (c) A sum of Rs.965,786 credited direct to a Savings Account during the period March 2006 to 31 December 2010 had been brought to account without being identified properly.
- (d) Deposit amounting to Rs.92,711 made to a Savings Account during the period October 2005 to 31 December 2009 had not been credited to the Bank Accounts.

1:2:3 Lack of Evidence for Audit

The unidentified cash balance of Rs.8,577,618 shown under the current liabilities in the financial statements could not be satisfactorily vouched in audit due to the unavailability of evidence.

1:2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions observed during the course of audit are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Financial Regulations	
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(i) Financial Regulation 110	The Board had not maintained a Registers of Losses and Damage.
(ii) Financial Regulations 316 and 341	Counterfoil Books had not been kept in a safe place while a Register of Counterfoil Books had not been maintained.
(iii) Financial Regulation 754	The stock book had not been balanced and the balances carried forward. Instead the physical balance had been carried forward by recording the excesses and shortages.
(iv) Financial Regulations 757(2)(a) and 756	A Board of Survey had not been conducted and reports thereon furnished to the Auditor General.
(v) Financial Regulation 770(2) and (3)	The disposal procedure had not been carried out on the goods eliminated from use as at 31 December 2009.
(vi) Financial Regulations 1645(a), 1646 and 1647(e)	Log books and Register of Motor Vehicles had not been maintained. Daily Running Charts had not been furnished to the Auditor General.
(b) Public Enterprises Circular No. PED/25(3) of 30 November 2004	The approval of the Treasury had not been obtained for investments amounting to Rs.1,085,981,258.

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|---|---|
| (c) Public Finance Circular No. 424 of 26 February 2007 | Even though telephone charges for all the telephones of the office had been paid by one bill, the telephone system had not been designed in a manner to separately identify the call charges of each officer. |
| (d) Letter No. 21/July/03/96 dated 09 July 1997 of the Chairman of the Social Security Board. | The cash collection by the Post Offices and the Sub-post Offices had not been remitted to the Board within one month. |
| (e) Finance Circular No. 05 dated 08 October 2009 of the Social Security Board. | Even though the sub-impressts of Rs.68,705 granted in 10 instances had not been settled, those had not been recovered from the nearest salary of the officers who had not settled the amount. |

1:2:5 Transactions of Contentious Nature

The following observations are made.

- (a) Even though a sum of Rs.298,615 had been spent on carrying out repairs to 02 motor vehicles, the file did not reveal the approval for the repairs, quotations called for and the bills relating to the payment. Certificates from a Technical Officer for carrying out the repairs and that the repairs had been done properly had not been obtained.
- (b) All the permanent employees of the Board had been granted pensionable status with effect from 01 June 2010 on the approval under the Board Paper No. BM/168/2010/14 without the formal approval. Contributions at 50 per cent each from the salaries of officers and the Social Security Fund had been made. A sum of Rs.1,802,857 had been received by the Pension Fund for the year 2010 from the Social Security Fund.

2. Financial and Operating Review

2:1 Financial Review

2:1:1 Financial Results

According to the financial statements presented, the operating of the Funds of the Board during the year under review had resulted in a deficit of Rs.8,766,402 as compared with the corresponding deficit of Rs.2,072,300 for the preceding year, thus indicating a further deterioration of Rs.6,694,102 in the financial results. The increase in the expenditure on personal emoluments, provision of pension gratuities, uniforms, fuel, supply of stationery and other expenditure had affected the deterioration.

2:2 Operating Review

2:2:1 Performance

The following observations are made.

(a) Enrollment of Contributors

Forty two District Co-ordinating Officers had been appointed to 22 Districts and paid a sum of Rs.10,992,223 as annual salaries with a view to enrolling 100,000 contributors for the year 2010. Nevertheless the progress of enrolling contributions had not been on a satisfactory level. Out of the overall targets, the achievement had been even less than 41 per cent. Details appear below.

District	Number of Officers	Annual Salary	Contributors Enrolled		Percentage of Achievement
			Target	Actual	
		Rs.			
1. Colombo	3	768,660	6,000	363	06
2. Gampaha	2	528,780	6,000	2,200	37
3. Kalutara	2	510,720	6,000	1,143	19
4. Galle	2	528,780	5,000	440	09
5. Matara	2	515,880	7,000	4,502	64
6. Hambantota	2	557,040	3,000	2,352	78

7.	Ratnapura	2	500,400	3,500	508	15
8.	Kegalle	2	554,460	5,000	2,306	46
9.	Kandy	2	547,140	7,000	2,373	34
10.	Matale	2	526,200	4,000	901	23
11.	Nuwara Eliya	1	265,176	3,000	4,003	133
12.	Kurunegala	2	468,360	8,000	7,611	95
13.	Puttalam	2	563,520	4,000	3,614	90
14.	Badulla	2	526,200	4,000	2,904	73
15.	Moneragala	3	847,920	3,000	243	08
16.	Anuradhapura	3	779,919	5,000	2,870	57
17.	Polonnaruwa	1	250,200	3,000	37	01
18.	Ampara	1	250,200	2,000	178	09
19.	Trincomalee	}	671,240	1,500	50	03
20.	Batticaloa			2,000	29	01
21.	Vavuniya	1	212,967	2,000	-	-
22.	Jaffna	3	618,461	5,000	1,094	22
	Direct	-	-	5,000	1,039	21

* The contributors enrolled in the preceding year had been 62,759 while that amounted to 40,760 in the year under review. The number of contributors enrolled as compared with the preceding year indicated a decrease of 21,999.

(b) Conduct of Mobile Programmes and Awareness Programmes

The following observations are made.

- (i) Even though plans had been made for the conduct of 45 Mobile Services in the Colombo District, only 04, Mobile Services had been conducted. Even though the conduct of the maximum of one major Mobile Services in each of the other districts had been planned, no Mobile Programmes whatsoever had been conducted in the Polonnaruwa, Trincomalee, Batticaloa and Mannar District.
- (ii) Even though the conduct of progress review meetings presided by the District Secretaries, national and regional level awareness programmes for officers and the community training workshops on self employment, etc. had been planned, the Board had failed to conduct such programme.

2:2:2 Operating Inefficiencies

The following observations are made.

- (a) The issue and control of serially numbered receipts books had not been at a satisfactory level, the control system for the rectification of cash collections and accounting had not been properly implemented. The non-receipt of copies of receipts issued for collection from the general public/institutions by the Board can be cited as an example.

- (b) Deficiencies such as delays in the recording of contribution in the cash book and the accounts of the contributions, contributions received by the Banks not being recorded in accounts of the contributions due to lack of adequate information, such money kept for long periods as unidentified receipts, etc. existed due to the weaknesses prevailing in the internal control systems in place for the collection of contributions through Banks and Grama Seva Officers.
The following problematic situation caused due to the above weaknesses prevailing in relating to the collection and accounting for installments collected were observed.
 - (i) Inability to be satisfied with regard to the accuracy of balances in the accounts of each contributor.

 - (ii) Even though the contributions are paid the failure to update such money could damage the contributors trust in the Board leading to possible stoppage of payment of contributors. There is no special attention paid to the enrollment of new members as well as the retention of the existing contributors.

 - (iii) The weaknesses in the payment of contributions by the contributors as well as the laxity in updating the information by the Board had been the reasons for the contributors to become inactive.

- (iv) The ways and means of implementing the conditions laid down in paragraphs 10(1), 10(2), 11 and 13 of the Notification published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka dated 25 September 2006.

2:2:3 Audit and Management Committees

According to Section 7.4.1 of the Public Enterprises Circular No. PED/12 of 02 June 2006, the Audit and Management Committee should hold at least 04 meetings each year. Nevertheless, the Committees of the Board had met once only.

3. Systems and Controls

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

- (a) Enrollment and Registration of Contributors to the Social Security Benefit Schemes
- (b) Stock Books
- (c) Advances