

Insurance 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 Insurance Board of Sri Lanka had maintained proper accounting records for the year ended 31 December 2010 and the financial statements have been prepared in accordance with Sri Lanka Accounting Standards give a true and fair view of the state of affairs of the Insurance Board of Sri Lanka as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.2 Emphasis of Matters

Without qualifying my opinion I draw attention to Note No. 7 to the financial statements. The operations of the Board for the year under review had resulted in a deficit of Rs.29,177,024 and for normalizing this situation a sum of Rs. 30,472,838 from the Insurance Policy Holders Protection Fund had been transferred to the Profit.

1.3 Comments on Financial Statements

1.3.1 Non – compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with the following 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) Chapter 6 and 8 of the National Procurement Agency Circular of 25 January 2006	

(i) 6:2:2	Instead of minimum time period limit of 21 days, 08 days only had been allowed for bid submission for obtaining internal audit services.
(ii) 8:9	An agreement entered into between the Board and the private audit firm which provides internal audit services had not been furnished to audit.
(b) Financial Regulation 134 (3)	The copies of Internal Audit Reports on financial operations were not submitted to the Auditor General.
(c) Public Finance Circular No. PF/PE3 of 19 January 1999 and Financial Regulation 134 (2)	The Auditor General had not been consulted in the preparation of Internal Audit Programmes.

1.3.2 Irregular Transactions

The following payments had been made by the Board without the approval of the Treasury.

- (a) Payment of more than one increment to officers in one year.
- (b) Payment of Rs.50,000 as the Festival Advances.
- (c) Reimbursement of outdoor medical bills up to Rs.40,000

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

The operations of the Board for the year under review had resulted in a net deficit of Rs.29,177,024 as compared with the corresponding net deficit of Rs.16,493,217 for the preceding year thus indicating a deterioration of Rs.12,683,808 or 76 per cent in the financial result.

A sum of Rs. 30,472,838 from the Policy Holders Protection Fund had been transferred to the profit for normalizing this situation. Nevertheless, a sum of Rs. 17,126,937 only from the Policy Holders Protection Fund had been transferred in the preceding year.

2.1.2 Analytical Review

The total income of the Board, as compared with the preceding year, had decreased by 14 per cent while the total expenditure had increased by 8.4 per cent. A summary of the financial results is given below.

	Year ended 31 December	
	2010	2009
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	Rs.	Rs.
Total Income	42,306,073	49,404,521
Total Expenditure	(71,483,097)	(65,897,738)
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Net Deficit before Tax	(29,177,024)	(16,493,217)

Transfers from Policy Holders Protection Fund	30,472,838	17,126,937
Income Tax	(1,295,814)	(633,720)
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Net Surplus/(Deficit) after Tax	--	--
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2.2 Uneconomic Transactions

Head Office of the Board has been established in the 11th floor of the World Trade Centre and a sum of Rs.18,245,106 had been paid in the year 2008 as rent for it. An agreement for the payment of a rent of Rs.38,842,095 for the period 01 October 2010 to 30 September 2012 had been entered into.

The relevant payments had been made for its rent for a floor area of 8,741 square feet for a staff of about 22 officers and for services and parking fees.

The directive of the Committee on Public Enterprises made at the meeting held on 17 November 2008 to reduce the floor area allocated for the office had not been complied with.

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) Procurements
- (b) Internal Audit
- (c) Preparation of the Corporate Plan and the Action Plan