

Special Audit Report on the operation of the Agrahara Insurance Trust Fund

1. Executive Summary

The Agrahara Insurance Scheme has been introduced in the year 1997 by the circular No.05/97 of the Ministry of Public Administration and Home Affairs and its main objective is to uplift the livelihood of all public and provincial public officers and their family members. Even though, this insurance scheme has been revised at various occasions, complaints were made to audit stating that the intended benefits are not appropriately received by beneficiaries and as such, this report is issued.

According to the Public Administration Circular No.5/97(vi) of 31 January 1997, the Agrahara Insurance Scheme had been initiated under a contribution of Rs.11 and subsequently the contribution had been increased to Rs.125 and it had been further widened as Agrahara 'Silver' and 'Gold' by contributing Rs.300 and Rs.600 monthly by expressing self-willingness. Furthermore, this insurance scheme had been introduced to government pensioners as well in the year 2016. The contribution of Rs.200 existed at the introduction stage had been increased to Rs.600 and the benefits had been increased up to life time.

Even though, the objective of the Fund is to get all public officers contributed to the Agrahara Insurance Scheme, it was failed to get all public officers contributed to the Fund. Even though, the magnetic cards of various types had been introduced to facilitate to provide benefits, from time to time, the Fund had failed to get the anticipated results even therefrom. Moreover, the benefits of the Agrahara Insurance Scheme need to be paid to the beneficiaries within 10 working days but there were occasions that over 5 months had been taken to inform the beneficiaries about the rejection of their applications. In certain instances, it had taken a long time from 2 to 12 months from the date of receipt of application to pay the benefits. The fund had not taken action to pay contribution for 30,742 applications from 2003 to 2013 and 87,161 after the period from 2013 which had been identified as applications with errors, can be identified as a major problem.

I recommend from this report that this Fund, becoming loss making condition gradually a present needs to be converted into a profit making Fund again and to utilize effectively by providing benefits to the beneficiaries appropriately as expected by the Fund as well as beneficiaries.

2. Nature of the report and the background

The Agrahara Insurance Scheme has been introduced by the Ministry of Public Administration and Home Affairs in the year 1997 mainly aimed at the upliftment of livelihood of all public officers and provincial public officers and their family members. Information was made available in several occasions that the beneficiaries do not appropriately get the benefit as expected from this insurance scheme which had been commenced about 2 decades ago. Based on the observations made in the examination of such information and on the powers vested in me in Section 13 of the National Audit Act No.19 of 2018, this audit report is issued, including the issues identified in further examination carried out on the performance of the Agrahara Insurance Scheme.

3. Audit Methodology

In issuing this report, the following methodologies have been followed.

3.1 Examination of books and records

- (i) Circulars issued by various institutions relate to the Agrahara Insurance, Decisions of the Board of Directors and related files.
- (ii) Budget proposals exist relating to Agrahara Insurance.
- (iii) Applications rendered by members.

3.2 Other Methodologies

- (i) Examination of Agrahara members data base (system) currently used by the Fund.
- (ii) Collection of data, having being presented a questionnaire to the public officers.
- (iii) Holding discussions with relevant officers.

4. Scope

An examination had been carried out in respect of the identification of the awareness of Agrahara Insurance Scheme, issue of cards by the Fund, method of payment and provision of facilities to use them from a sample of 743 agrahara members in 19 government institutions, selected from 3 Districts, namely Colombo, Gampaha, Kurunegala and Chillaw area.

5. Scope Limitation

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- (i) Examinations on Agrahara Insurance implemented in the semi-government institutions on the approval of the Board of Directors had not been carried out.
 - (ii) Since an appropriate and updated data system is not available, it was difficult to examine the correctness of the receipts of Agrahara members contributions.

6. The Process

6.1 Introduction and expansion of the Agrahara Insurance Scheme

6.1.1 The Agrahara Insurance Scheme had been introduced in the year 1997 by Circular No.05/97 (Annexe 01) of 31 January 1997 issued by the Ministry of Public Administration and Home Affairs. Upliftment of livelihood of all permanent and pensionable public and provincial public officers and their family members was identified as the main objective of the introduction of this insurance scheme.

Contribution had been made by the government on government account for this Medical Insurance Scheme which is compulsory to the public officers mentioned above. Under this Agrahara Insurance Scheme, an officer can obtain a private accident insurance and a loan security insurance coverage by paying a monthly premium of Rs.11 on self- willingness of the officer. This task was operated by the public service Insurance Department of the Sri Lanka Insurance Corporation.

6.1.2 By the budget proposals of 2005, the government had decided to create an insurance scheme to get equal and more benefits to public officers. Instead of the above circular instructions, the following contributory insurance schemes had been implemented since

01 January 2005 by Public Administration Circular No.12/2005 of 18 May 2005.
(Annexe – 02)

- Medical Insurance
- Private accidents and natural death insurance cover
- Debt Security insurance cover

For the insurance coverage so introduced the members premium and the government contribution had been decided as Rs.75 and Rs.69 respectively.

6.1.3 Subsequently, in addition to the officers stated above, the contribution to the Agrahara Insurance Scheme by the officers of the public and provincial public service who are formally and temporary released to the exterior services had to be obligatory by Public Administration circular No.12/2005 (iv) of 07 January 2013 (Annexe 03) and the monthly premium of an officer had been increased to Rs.125 therefrom.

6.1.4 The Agrahara Insurance Scheme implemented under a separate unit of the Sri Lanka Insurance Corporation Ltd. at the beginning, the National Insurance Trust Fund Act No.28 of 2006 (Annexe 04) had been implemented since September 2006 with the objective of the establishment of a fund called the National Insurance Trust Fund and to provide for matters connected therewith or incidental thereto.

6.1.5 The objectives of the Board shall be,

- (a) To provide benefits and safe guard;
 - (i) to public officers, provincial public service officers and local government officers and to persons retired from the public service, the provincial public service and the local government service, and who are presently in receipt of a pension from the government the provincial council or the local government service, as the case may be
 - (ii) to Samurdhi beneficiaries and their families in terms of the Samurdhi Authority of Sri Lanka Act No.30 of 1995.
 - (iii) to farmers, fishermen and persons engaged in self- employment.

- (iv) to needy persons or group of persons identified by the Minister from time to time on the recommendation of the Board.

Against unforeseen health, risks, personal accident and damage to property through a contributory insurance scheme to be operated by the board.

Different schemes will be applicable in respect of the different categories of beneficiaries. The matters applicable in respect of the different schemes shall be prescribed.

- (b) to promote beneficiary participation in share acquisition through the acquisition of equity interests in any incorporated company whose primary objective is to build dedicated wards for provision of health facilities or where available to upgrade any wards presently providing such facilities.
- (c) to guarantee loans of persons entitled to benefits and safeguard under this Act.
- (d) to provide guarantees in respect of any property or category or class of property of the government which the Minister may from time to time identify by order published in the Gazette and
- (e) to do all such other acts or things as may be necessary for or conducive to the attainment of the objectives above.

6.1.6 In terms of Section 3 of the Act, there shall be established a Fund to be called the “National Insurance Trust Fund”, from which benefits shall be paid to persons to whom the provision of this Act shall apply. There shall be paid into the Fund such moneys as are specified in Section 18. There shall be established a body called the National Insurance Trust Fund Board, consisting of such persons as are specified in Section 6.

6.1.7 in terms of section 14 of the Act, every person who is

- (i) a public officer, provincial public service officer or a local government service officer and
- (ii) a person drawing a pension from the government a provincial council or the local government service as the case may be and a member of the samurdhi scheme, farmer’s Pension Scheme, Fishermen’s Pension Scheme or a self-employed person and who are persons entitled to benefits under the provisions

of this Act should pay to the Fund a contribution in such sum at such times as may be specified by the Minister by order published in the Gazette.

6.1.8 For the submission of the decision of the Cabinet of Ministers, bearing No.15/1806/706/027 of 09 December 2015 for the revision of agrahara benefits provided to the public officers and their families by the National Insurance Trust Fund, to the cabinet it was decided to appoint a committee, consisting of 5 officers. Accordingly, a report containing its recommendations had been given by that committee. (Annexe 5) It was stated in the decision of the Board of Directors on 07 April 2016 (Annexe 6) that approval had been given to this report on 30 March 2016, including the following decisions.

- Approval is granted to implement the recommendations stated in that report without expecting additional funds from the Treasury.
- Issuing instructions to the Secretary to the Ministry of Public Administration and Management, requesting to take steps to issue circular instructions for this purpose being inquired from the Secretary to the Ministry of National Policy and Economic Affairs.

6.1.9 Accordingly, the Agrahara Insurance Scheme commenced with a contribution of Rs.11 had been further broadened in terms of Public Administration Circular No.12/2005 (vi) of 29 April 2016 (Annexe 7) as ‘Gold’ and ‘Silver’ by a monthly contribution of Rs.600 and Rs.300 respectively on self- willingness, that is to retain with the monthly premium of Rs.125 as stated in paragraph 6.1.3 above or they can get more benefits by paying monthly premium of Rs.300 and Rs.600 on self- willingness.

6.1.10 Part III of the benefits package, revised the Agrahara Insurance Scheme, as per the report stated in paragraph 6.1.8 above (Annexe 6) covers all the loans stated in chapter xxiv of the Establishments Code which requires a surety, except property loans. When a debtor fails to settle the government loan, such loans are paid to the government by the Insurance Company. The maximum loan guaranteed under this insurance scheme amounts to Rs.600,000 and the following 4 benefits had been included therein.

Benefits

- i. If the debtor becomes completely or partly physically handicapped due to a disease or loss of life of the debtor, the Insurance Corporation needs to pay the outstanding loan balance to the government.
- ii. Since the maximum loan Security is limited to Rs.600,000 the loan right of the officer should be decided on his salary.
- iii. The insured amount should be the outstanding loan balance.
- iv. The loan repayment period should not be exceeded 55 years of age and if a service extension is given, it should not be more than 60 years of age.

6.1.11 Furthermore, from the revision made to the circular stated in paragraph 6.1.2 above by circular No.12/2005 (vi) of 29 April 2016, an insurance scheme had been introduced under the compulsory monthly contribution of Rs.200 for the retired government officers and the receipt of its benefits had been limited to the age of 70 years. Thereafter, by the public Administration circular No.12/2005 (vii) dated 30 October 2017 (Annexe 8) the Rs.200 contribution had been increased to Rs.600 and the benefit right had been extended to lifetime. In addition, according to that committee report it was stated that benefit applications, having being certified by the Grama Niladhari about the truthfulness, needs to be referred through the Director General of Pensions.

6.1.12. Under the approval of the Board of Directors bearing No.135-03 dated 20 March 2017, (Annexe 9) gold and silver agrahara insurance schemes had been introduced to the semi government officers on a monthly premium of Rs.1,000 and Rs.600 respectively and the similar benefits given to public servants are given to them as well.

6.2 Payment and accounting the benefits of Agrahara Insurance

6.2.1 In terms of provisions in the National Insurance Trust Fund Act No.28 of 2006, (Annexe 4) the following officers are entitled for the agrahara insurance scheme and accordingly it is mandatory to the public officers.

- i. Public officers

- ii. Persons retired from government service who are in receipt of pension from the government.
- iii. Officers of the Provincial Public Service.
- iv. Persons retired from the provincial public service who are in receipt of a pension from the respective provincial council.
- v. Members of the local government service.
- vi. Persons retired from the local government service who are in receipt of a pension from the local government service.

(The Act states that this fund is relevant to the other parties who do not belong to the public sector)

6.2.2 According to the information of the Department of Management Services of the Treasury, (Annexe 10) the total number of officers in the Public Service amounted to 1,381,024 and except the 3 forces, the total number of public officers amounted to 1,128,052 by 30 June 2019. After being eliminated the share of 248,625 belongs to banks and semi-government service therefrom, the number of public officers entitled for agrahara insurance amounts to 879,427. According, to the information made available to audit by the Fund as at 30 June 2019, the total number of public officers, registered under the agrahara insurance scheme could be identified as 743,973.

	Total	Normal	Gold	Silver
- Number of Public Officers registered in the Fund (As per the information of the National Insurance Trust Fund)	743,973	334,073	331,518	78,382
- Number of Public Officers qualified for Agrahara (As per the information of the Department of Management Services)	879,427			
- Number of public officers not registered	----- 129,454 =====			

6.2.3 Further, the paragraph 7.2 of the circular (Annexe 2), issued for the establishment a new insurance scheme (Agrahara) for public officers, proposed by the 2005 budget from circular No.12/2005 of 18 May 2005, states that action should be taken to pay the insurance benefits within 10 working days of the week.

6.2.4 In terms of Section 13 (e) of the National Insurance Trust Fund Act No.28 of 2006 dated 29 August 2006, a general account in respect of the Fund and separate individual accounts in respect of each member should be maintained.

6.2.5 However, the amounts of contributions remitted to the Fund annually by the government from 2013 to 2018 appear in the Table No.01 below.

Table 01 – Contributions remitted to the Fund by the Government from 2013-2018

<u>Year</u>	<u>Amount of contribution remitted</u> Rs. (Mn)
2013	410
2014	400
2015	400
2016	550
2017	500
2018	750

In rendering information for the government budget in each year, the number of members are determined on the basis of information available with the Fund as at that time, and that figure is multiplied by Rs.69 as stated in paragraph 6.1.2 above and the resulting value is taken as the government contribution.

6.3 Awareness of the rejected applications and the payment of benefits.

6.3.1 Applications were rejected since the agrahara insurance compensations could not be paid due to various reasons. An analysis of instances where it had taken more than 5 months to inform the beneficiaries about the rejection of their applications appears in table No. 2 as given below.

Table 2- Time spent for informing rejected applications

NIC	Appdate	Respond	Time Duration	Amount as per the System	Action Taken By
597924720V	11/21/2013	12/31/2015	2 Year	0	FAULTS INFORMED
621273965V	4/25/2011	6/15/2012	1 Year and 2 Month	300,000	FAULTS INFORMED
697331581V	8/15/2012	2/28/2013	6 Month	3,500	FAULTS INFORMED
652621759V	9/10/2012	2/27/2013	5 Month	0	FAULTY
807031104V	9/20/2012	3/8/2013	6 Month	0	FAULTS INFORMED
607920052X	10/3/2012	2/19/2013	4 ½ Month	3,500	FAULTS INFORMED
582291055V	10/23/2012	5/20/2013	7 Month	0	FAULTS INFORMED
665960919V	10/23/2012	5/20/2013	7 Month	3,500	FAULTS INFORMED
643373262V	10/31/2012	5/8/2013	7 Month	19,030	FAULTS INFORMED
731080275V	11/5/2012	4/11/2013	5 Month	0	FAULTY
835824195V	11/29/2012	5/27/2013	6 Month	25,888	FAULTS INFORMED
652073875V	12/11/2012	5/20/2013	5 Month	3,500	FAULTS INFORMED
602810780V	1/21/2013	7/15/2013	6 Month	8,250	FAULTS INFORMED
761950410V	3/6/2013	10/4/2013	7 Month	0	FAULTS INFORMED
660582070V	5/28/2013	12/2/2013	7 Month	3,500	FAULTS INFORMED
673093167V	10/24/2013	4/10/2014	6 Month	0	FAULTY
635651156V	12/11/2013	6/28/2014	6 Month	300,000	FAULTS INFORMED
738420160V	1/22/2019	6/14/2019	5 Month	0	REJECT INFORMED
805914084V	1/25/2019	10/21/2019	9 Month	0	REJECT INFORMED
611622988V	3/29/2019	8/22/2019	5 Month	0	REJECTED

6.3.2 According to the information made available to audit on 13 December 2019 in respect of the payment of agrahara benefits in the years 2018 and 2019 the time spent for the payment of benefits, after the receipt of claim applications appears in the Table 3 below.

Table 03 – Period spent for the payment of entitlements

Period	Number of Claims Paid
Months 2-4	16,552
Months 4-6	2,249
Months 6-8	445
Months 8-10	127
Months 10-12	19

6.3.3 Moreover, faulty applications of agrahara claims relating to the years from 2003 to 2013 but not made the payment up to the date of this report can be identified as follows.

Table 04 – Application with faults identified 2003 – 2013

Year	Number of Faulty applications
-----	-----
2003	6
2005	1
2006	2,484
2007	1,073
2008	257
2009	1,841
2010	4,564
2011	5,716
2012	6,746
2013	7,931
2006-2013	123

	30,742
	=====

6.3.4 Number of rejected applications relating to the years 2013 to 2019 up to the date of this report appears in table 05 as below

Table 5 – Rejected Agrahara claims applications

Year	Number of applications rejected
-----	-----
2013	276
2014	13,227
2015	11,668
2016	11,693
2017	14,351
2018	16,586
2019	19,360

	87,161
	=====

6.4 Introduction and Purchase of E- Cards for Agrahara Beneficiaries

6.4.1 The National Insurance Trust Fund had planned to introduce E-card system for the Agrahara beneficiaries since the year 2011 with the objective of providing facilities for hospitalization without paying money (without paying deposit money) under the agrahara medical insurance scheme for public servants.

6.4.2 In the websites states that there are 25 hospitals joined with the Agrahara insurance scheme and the benefits receive by the Agrahara E-card holders from those hospitals are as follows.

- Special Surgery Package
 - Surgery package can be obtained by the agrahara beneficiaries at a special rate
- Discount to be obtained by the in house patients
 - When the patient is admitted, a hospital charge is not recovered from agrahara beneficiaries.
 - For hospital rooms.
 - Laboratory tests
 - Radiant tests
- Discounts for out patients
 - Laboratory tests
 - Radiant tests

6.4.3 According to the information made available to audit, Agrahara E-cards had been issued to 960,684 members by 06 January 2020.

Table – 6 Number of E-cards issued

	Total	Normal	Gold	Silver
Agrahara E-cards issued	960,684	540,684	348,000	72,000

6.4.4 Orders had been placed on 04 November 2011 for the purchase of 650,000 E-cards and 20 E-cards reading machines, the total cost of which amounted to Rs.21,820,000 from the E Care Solutions (Pvt) Ltd. and an advance of Rs.4,364,000 or 20 per cent of the total value had been paid by the Fund therefore. Sums of Rs. 2,444,000 and Rs. 3,585,000 had been paid on 21 March 2012 for 100,000 cards and on 24 July 2012 for

150,000 cards respectively. Only 221,630 cards had been supplied on 10 October 2014 relating to the cards on which such payments had been made.

6.4.5 Furthermore, 100,000 normal agrahara cards valued at Rs. 1,992,500 had been purchased on 07 June 2018 from the Ceylon Business Appliances (Pvt) Ltd and 150,000 gold agrahara cards valued at Rs.2,204,033 had been purchased by the Fund.

6.5 Financial Analysis of Agrahara Insurance

The financial analysis of the Agrahara Division included in the financial statements appears in Table 7 below.

Table 07 - Financial Analysis of the Agrahara Insurance 2014-2018

Year -----	2014 ----- Rs.	2015 ----- Rs.	2016 ----- Rs.	2017 ----- Rs.	2018 ----- Rs.
Insurance premium income	1,494,899,976	1,636,567,419	2,004,436,602	2,746,522,599	4,037,420,904
- Members					
Contribution	1,904,899,976	1,236,567,415	1,454,436,602	2,226,522,599	3,267,420,904
- Government					
Contribution	400,000,000	400,000,000	550,000,000	500,000,000	750,000,000
Payments of Rights	1,228,123,716	1,561,625,099	1,950,168,496	2,873,715,118	4,301,595,402
Pre-tax profit (Agrahara Division)	266,776,260	74,942,320	54,268,106	(127,192,519)	(264,174,498)

Accordingly, even though the Fund had earned profits due to government contributions, pre- tax losses of Rs. 127 million and Rs. 264 million had been reported in the years 2017 and 2018 respectively.

6.6 Information obtained from questionnaires

6.6.1 Since the gold, silver and normal agrahara insurance scheme covers all Sri Lankan Public Servants, a questionnaire through the selected significant criteria in respect of agrahara insurance scheme as to cover 743 public servants from 19 public institutions

selected on sample basis had been presented and those selected 9 institutions appear below.

Institution	District represented the institute	Number of Agrahara members represented
-----	-----	-----
Department of Management Services	} Colombo	46
Department of National Budget		41
Department of Fiscal Policy		30
Department of Information Technology Management		12
Department of Foreign Resources		27
Department of Public Finance		33
Department of State Accounts		28
Department of Public Enterprises		28
Department of Trade and Investment Policy		30
Department of Treasury Operations		21
Ministry of National Policy and Economic Affairs		77
District Secretariat - Gampaha	} Gampaha	40
Municipal Council Gampaha		43
Pradeshiya Sabhawa Gampaha		39
Municipal Council Kaduwela		46
Provincial Office of Health Wayamba	} Kurunegala	50
District Secretariat, Kurunegala		78
Provincial Department of Irrigation, Wayamba		19
Municipal Council Chillow	Chillow	55
	Total	----- 743 =====

6.6.2 Information received from issuing the questionnaire to those institutions can be summarized as follows.

Table 08 - Results of the survey conducted on agrahara insurance scheme

Criteria -----	Number of Officers		Percentage	
	Yes -----	No ---	Yes -----	No ---
(i) Whether you are sufficiently aware of the Agrahara insurance coverage	363	259	49%	35%
(ii) Receipt of the entire amount of Agrahara benefits claimed	219	180	29%	24%
(iii) Receipt of E- cards	312	350	42%	47%
(iv) Whether you are aware of benefits receive from E-cards?	66	549	9%	74%
(v) Whether you are aware of private hospitals provide benefits from E-cards?	66	404	9%	54%
(vi) Whether being aware of discounts and other benefits provide by such hospitals to gold and silver card holders?	79	343	11%	46%
(vii) Whether there are hospitals near the area which provides agrahara health facilities?	116	162	16%	22%
(viii) Are you aware of other insurance schemes except Agrahara Insurance cover?	160	480	22%	65%
(ix) Whether you are satisfied with the existing ability to contact with the Agrahara institution easily? (through telephone, web site etc.)	317	223	43%	30%

6.6.3 According to the information stated in the following Table out of 743 agrahara members, 622 members had replied stating their awareness of the agrahara insurance coverage and it represented 84 per cent of the selected sample. Accordingly, 363 members or 49 per cent are sufficiently aware of the agrahara insurance scheme whereas 35 per cent of them are sufficiently unaware of the scheme.

Table 9 - Information obtained from the questionnaire on awareness

	Total Questionnaire	Are you sufficiently aware		
		Yes	No	Blank
- Department of Management Services	46	28	17	1
- Department of National Budget	41	21	14	6
- Ministry of National Policy and Economic Affairs	77	45	28	4
- Department of Fiscal Policy	30	17	7	6
- Department of Information Technology Management	12	10	2	0
- Department of Foreign Resources	27	14	6	7
- Department of Public Finance	33	13	18	2
- District Secretariat Kurunegala	78	42	23	13
- Wayamba Provincial Department of Health	50	27	14	9
- Urban Council Chillow	55	22	20	13
- District Secretariat - Gampaha	40	20	8	12
- Wayamba Provincial Dept. of Irrigation	19	11	6	2
- Pradeshiya Sabha, Gampaha	39	10	21	8
- Municipal Council - Gampaha	43	24	8	11
- Municipal Council - Gampaha	46	16	24	6
- Department of Public Accounts	28	11	13	4
- Department of Public Enterprises	28	9	13	6
- Department of Trade and Investment Policy	30	15	11	4
- Department of Treasury Operations	21	8	6	7
- Total	743	363	259	121
-				
		622		
		49%	35%	6%
		84%		

6.6.4 Nevertheless, it was revealed according to the information made available by the office and branch offices that 293 and 372 awareness programmes had been conducted in the years 2018 and 2019 respectively, being covered all provinces in the Island.

7. Observations

- 7.1** According to the paragraph 6.2.1 above the Agrahara insurance scheme is a compulsory insurance coverage being covered by all public officers. But, it was observed as per information stated in paragraph 6.2.2 above that the Fund had failed to get 129,454 Public officers contributed to the Agrahara Insurance Scheme even by 30 June 2019.
- 7.2** Even though, as stated in paragraph 6.1.2 above, the government contribution to this insurance scheme is Rs.69/= at the time of making the officers contribution at Rs.125/= whose contribution to the insurance scheme had become compulsory by the Circular stated in paragraph 6.1.3 above and at the time of increasing the officers contribution up to Rs.300 and Rs.600 on their self-willingness as mentioned in paragraph 6.1.9 above, the government contribution had not been specified. However, it was observed that the Fund continuously brings the money from the Treasury for all members at Rs.69/= per member.
- 7.3** Even though it is stated in paragraphs 6.1.1 to 6.1.7 above that only public officers retired, public servants and semi-government servants are contributed to this agrahara insurance scheme, income and expenditure of a health insurance coverage commenced for Parliamentarians had also been accounted under the agrahara insurance scheme in the Sectorial financial statement of the Fund and as such the operational position, relates to the Agrahara Insurance was not correctly disclosed in the financial statements.
- 7.4** As, stated in paragraph 6.2.4 above, separate accounts for individual member had not been maintained up to date and the government had remitted the contribution money only once a year as stated in paragraph 6.2.5 above. Furthermore, agrahara normal, gold and silver premiums had been recognized as one item of income and expenditure in the financial statements relating to the retired and semi-government public officers. Since, there was no updated database, it was not observed whether such income is correct or a basis for the recognition of receivable income under this insurance scheme.
- 7.5** Even though the new Agrahara Insurance Scheme has been commenced in the year 2016 the Fund had not taken action to conduct a formal analysis and to implement it as a compulsory insurance scheme before being commenced. As stated in paragraph

6.1.11 that pensioners had been given Agrahara Insurance coverage but action had not been taken to give such benefits to all pensioners in terms of budget proposal No.259 in the 2018 budget speech. In addition, as stated in paragraph 6.1.12 it was decided to enroll the semi-government officers to Agrahara Insurance Scheme only by a Board paper dated 22 February 2017 but an approval for the enrollment was not made available to audit.

7.6 Even though an Agrahara Insurance benefit needs to be paid to beneficiaries within 10 working days, as stated in paragraph 6.2.3 above, the information stated in Table 5 above observed that there were instances where more than 5 months had been taken to inform the relevant beneficiaries about the rejection of their applications. As a result, it was observed that the intended objectives from this Fund had not been achieved. It was further observed as per information in table 3 above that it had been taken a long period from 2 to 12 months to pay the benefits. As shown in the table 3 above, action had not been taken by the Fund to pay the contributions for 30,742 applications, identified as faulty and submitted from 2003 to 2013 and for 87,161 faulty applications rendered subsequent to the year 2013 as shown in Table 4 above.

7.7 According to the matters mentioned in paragraph 6.4.3 above, it is observed that 216,711 Agrahara cards had been issued in excess of the registered members and as such the internal control system in issuing those cards is at a weak level.

7.8 Moreover, in using Agrahara cards, it was explained to audit that discounts from 5 per cent to 15 per cent are received under the relevant hospitals and such percentages would be changed in each year but the Fund had failed to make available to audit in respect of the specific information on such discounts and special rates.

7.9 Even though the Agrahara Insurance is a compulsory insurance system, a sample test carried out in audit observed that about 35 per cent of the Public Officers are unaware about this insurance scheme. Of the officers who replied about 47 per cent had not got their E-cards even by 19 September 2019.

Furthermore, about 74 per cent of the selected sample was not aware on benefits get from this E-card. Even though 665 awareness programs had been conducted in the years 2018 and 2019 on the Agrahara Insurance Scheme, according to the information

received at the sample test it was observed that the expected results from those programs could not be obtained.

7.10 As stated in paragraph 6.4.4 above, even though payments had been made for 250,000 E-cards in the year 2012, the contract entity had failed to supply 28,370 cards. Further, the overpaid amount of Rs.865,285 made for cards had not been recovered even up to the date of audit and that entity had become inoperative as at the date of this report as well. Since all the cards so received in the year 2014 had become dormant, the total amount of Rs.7,683,790 paid for these cards and machines had become uneconomic as observed in audit.

7.11 Sixty five per cent or 65,504 normal cards purchased in June 2018 and 37 per cent of the gold cards purchased in February 2019 had remained in the institute even by 10 October 2019. Action had not been taken to input data into 13,750 cards of them as well. It was also observed that those cards had been stacked near the exit door of the building without any protection.



Picture No. 1- Agrahara cards were kept unprotective manner.

7.12 The Fund had not taken action to implement the loan insurance scheme introduced by Circular No.12/2005.

7.13 Even though the Fund could be able to earn a profit of Rs.267 million in the year 2014 since then, the profits earned had declined gradually. As per the information stated in Table 07 above, it was observed that the Fund had become a loss making position being incurred losses amounting to Rs.127 million by the year 2017 and Rs.264 million by the year 2018.

8. Recommendations

8.1 Action needs to be taken to get public servants contributed to the Agrahara Insurance Scheme who had not contributed up to now, expeditiously, since it is a compulsory insurance scheme.

(Ref: 7.1)

8.2 Take steps to introduce a proper methodology being opened accounts in the name of each member who had contributed to the Agrahara Insurance Scheme and maintains it being up dated.

(Ref:7.3)

8.3 Being taken steps to revise the circulars already been issued for the agrahra insurance scheme and in operation now, having being included the new proposals introduced by the committee appointed on the decision of the Cabinet of Ministers to provide more benefits to the beneficiaries.

(Ref 7:11)

8.4 Expedite the issue of Agrahara cards of various types to the relevant beneficiaries purchased with a high cost and take steps to formulate an effective methodology for the awareness of benefits received therefrom. (Ref:7.8 7.10)

8.5 Take action to conduct a formal inquiry on the responsible parties who had purchased cards and machines uneconomically in the year 2012 (Ref: 7.9)

8.6 Take necessary action to provide facilities to beneficiaries being taken expedite steps in respect of Agrahara applications and the rejected applications for which payments had not been paid up to the date of this report. (Ref: 7.5)

- 8.7 Take necessary action in respect of storing varied types of cards properly which had been purchased by incurring a high cost by the Fund, to follow an appropriate method in issuing cards to beneficiaries and take action, being inquired the instances where more than one card was issued to one member (Ref: 7.10)
- 8.8 Having being examined the reason why the Fund incurs losses since the year 2017 and to take steps to make the Fund as a profitable entity, being given solutions for problems. (Ref: 7.12)
- 8.9 Settle the legality in respect of the contribution of Rs. 69/= made to the Fund by the Treasury to the Agrahara Insurance Scheme (Ref: 7.12)

Sgd./W.P.C. Wickramaratne
Auditor General

W.P.C. Wickramaratne
Auditor General

10 March 2021

