

Sri Lanka Insurance Corporation Ltd - 2023

1. Financial Statements

1.1 Opinion

my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist 2023 comprising the statement of financial position as at 31 December 2023 and the statement of profit or loss The audit of the financial statements of the Sri Lanka Insurance Corporation Limited (the “Company”) and the consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards

1.2 Basis for Qualified Opinion

My opinion is qualified 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.

Emphasis of matter

Company

Divestiture of Subsidiary investments of the Company and Segregation of the Life and General Insurance business of the Company

The Note No. 46.2 and 46.3 to the financial statements describes the divestment of selected subsidiary investments and segregation of the Life and General Insurance Business of the Company as per letter dated 17 March 2023. The Ministry of Finance, Economic Stabilization and National Policies has communicated the Government’s policy pertaining to the divestiture of SLIC based on the Cabinet Decision No.23/0431/604/046 of 14 March 2023. The Board of Directors initiated the actions based on the above instructions. Hence, the Company has been instructed to transfer the shareholdings in Lanka Hospital Corporation PLC, Canwill Holdings (Private) Limited, Litro Gas Lanka Limited and Litro Gas Terminal Lanka (Private) Limited and shares held by Litro Gas Lanka Ltd in Canwill Holdings (Private)

Limited to the General Treasury with immediate effect and to fully comply with the provisions of the Regulation of Insurance Industry (Amendment) Act No. 03 of 2011, by placing its Life and General insurance business under separate legal entities. Accordingly, the model approved by Cabinet Memorandum MP/LA/022/CM/2023/305, dated 05 December 2023, and involved the transfer of SLIC's life and general insurance businesses to the two wholly-owned subsidiaries. On 22nd December 2023, a case was filed in the District Court and a court order obtained for segregation on 2 January 2024. Subsequently, SLIC petitioned the Commercial High Court of Colombo as per Section 256 of the Companies Act No. 7 of 2007 and obtained approval for the Scheme of Arrangements on 19 January 2024. The shareholders also approved the major transaction arising from segregation at an Extraordinary General Meeting convened on 16 January 2024. Consequently, the Insurance Regulatory Commission of Sri Lanka (IRCSL) granted insurance licenses effective from 1st February 2024 to Sri Lanka Insurance Corporation Life Limited and Sri Lanka Insurance Corporation General Limited, respectively, while SLIC's license was terminated accordingly. Further, by a letter from IRCSL (IRCSL/DG/LEG/2024/02/060) dated 22 February 2024, an extension was given to SLIC to remove the word "insurance" from the name of the Company ("Sri Lanka Insurance Corporation Limited") on or before 20th August 2024. As at the reporting period, the proposed share transfers of Lanka Hospitals Corporation PLC, Canwill Holdings (Private) Limited, Litro Gas Lanka (Private) Limited and Litro Terminal Lanka (Private) Limited are still under progress.

Group

Material uncertainty related to the going concern of Canwill Holdings (private) Limited and its Subsidiaries.

As per the Note No. 48.2 to the Financial Statements which describes that the directors have made an assessment of the Group's ability to continue as a going concern related to Canwill Holdings (Private) Limited and its subsidiaries of Helanco Hotels and Spa (Private) Limited and Sinolanka Hotels and Spa (Private) Limited being satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis. However, it was noted that the Board of Directors of Helanco Hotels and Spa (Private) Limited had resolved to discontinue the project in order to construct the Hotel in Hambanthota in the year 2015. Sinolanka Hotels and Spa (Private) Limited has not recommenced construction activities in Grand Hyatt Colombo project as of the reporting period even though the Cabinet of Ministers granted approval by cabinet paper 20/1042/204/050 dated 10 July 2020. However, the Board of Directors of the Company resolved to proceed with scaling down the Grand Hyatt Colombo project for period of 09 months effective from 30 May 2022 and construction activities have not recommenced even to the reporting date. Furthermore, the Cabinet of Ministers has granted approval to transfer the shares held by Sri Lanka Insurance Corporation Ltd and shares held by Litro Gas Lanka Limited in Canwill Holdings (Private) Limited to the General Treasury as per the Cabinet Decision No.MF/018/2023/055 dated 13 March 2023. The said divestiture programme has been initiated and the process of calling Expression of Interest (EOI) has already been completed.

Duly incorporation of Sri Lanka Insurance Corporation General Limited and Sri Lanka Insurance Corporation Life Limited.

As per the Note 46.1 to the financial statements, Sri Lanka Insurance Corporation General Limited and Sri Lanka Insurance Corporation Life Limited were duly incorporated under the Companies Act No. 7 of 2007 on 25 July 2014 and 11 October 2023 accordingly. According to the Cabinet Decision No. 23/0431/604/046 dated 14 March 2023, the Company was formed to segregate the long-term and general insurance businesses of Sri Lanka Insurance Corporation Limited in order to comply with the regulations of Insurance Industry (Amendment) Act No. 03 of 2011. Accordingly, the Sri Lanka Insurance Corporation General Limited and Sri Lanka Insurance Corporation Life Limited carry out the business with effect from 01 February 2024.

Transfer of employees who were seconded to Sri Lanka Insurance Corporation Limited by Management Service Rakshana (Private) Limited.

As per the Note 46.4 and 48.5 to the financial statements, the employees who were seconded to Sri Lanka Insurance Corporation Limited by Management Services Rakshana (Private) Limited have been transferred to Sri Lanka Insurance Corporation Life Limited and Sri Lanka Insurance Corporation General Limited with the implementation of the segregation of Sri Lanka Insurance Corporation Limited with effective from 01 February 2024. Although the employees have been transferred, the Company still exists, and no decision has been made to wind up the Company as of the date of signing of the financial statements. Accordingly, the financial statements have been prepared based on the principle of going concern assumption.

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 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 Company's ability to continue concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company 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 Company

1.4 Audit Scope

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 Company'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 Company'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. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company 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.

The scope of the audit 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 Company, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company 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 the preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
<p>According to the judgement delivered by Supreme Court of Sri Lanka on 04 June 2009, the legal ownership of the majority of shares of the Company was vested with the Secretary to the Treasury to be held on behalf of the Government of Sri Lanka. Further, according to the said judgement, the Secretary to the Treasury was directed to cause profits of the Company during the period Distilleries Company of Sri Lanka PLC was the parent of the Company, be computed and the profits attributable to the previous owner be settled. However, the President's Counsel of the Sri Lanka Insurance Corporation Limited (SLIC) is of the opinion as stated in their legal representation letter dated 09 March 2022 that as per District Court of Colombo case No. DMR/02394/19, no relief is claimable from the Company by the plaintiffs of the District Court case to discharge obligation of the proceedings in the above stated Supreme Court applications (SC FR No 117/2007 and SC/FR No. 158/2007). Further as per the discussion had with the Ministry of Finance on 18 January 2023, the ministry was of the view that SLIC is not a party to the above case on the face of the record. Hence, the Company is in the process of obtaining a legal confirmation from the Attorney</p>	<p>The Supreme Court directed Secretary to the Treasury to compute and pay the profits attributable to the previous parent be settled. Hence the Company does not have any direct involvement to compute the profit.</p>	<p>It is recommended to adhere to the Supreme Court Decision.</p>

General to support the said position. However, a judgement by the District Court of Colombo in the above case No. DMR/02394/19 has not been pronounced as at the reporting period and I was also unable to obtain appropriate audit evidence related to the settlement of liability from the above mentioned cases from the discussion had with the Ministry of Finance. Further, the said confirmation from the Attorney General related to the SLIC's position was also pending as at the reporting period. Hence, considering the initial decision made by the Supreme Court and the subsequent discussion and current developments, the Company has not made any adjustment in the Financial Statements pending determination of the aforesaid attributable profits.

1.5.2 Documentary Evidences not made available for Audit

Item	Amount (Rs.)	Evidence not available	Management Comment	Recommendation
Amounts receivables from Distilleries Company of Sri Lanka PLC	Rs.140,324,510	Confirmation of balances	This balance includes receivable balance from Distilleries Group of Companies. This amount will be adjusted upon the finalization of the court decision given on 04 June 2009.	It is recommended to take necessary action to recover the balances.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
It was observed that there were long outstanding balances in the debtor's prepayments and other debtors accounts aggregated to Rs. 7,753,427 which are outstanding for seven years period. Furthermore, there were long outstanding payable balances included in debtor's account amounting to Rs. 9,812,801. .	<u>Receivable balance Rs 7,753,427</u> These are long outstanding balances from subsidiary companies and necessary actions will be taken next year.	It is recommended to take necessary actions to clear the long outstanding balances.
	<u>Negative balance Rs. 9,812,801</u> The above balances relate to	It is required to provide relevant documentary evidences in order to ensure the accuracy and existence of the receivable balances in the financial statements. Also

the payable for group recommend to re-classify the companies of previous owner. minus balances included in We will take appropriate other receivable accounts into actions after consultation with the correct category. lawyers.

1.6.2 Payables

Audit Issue					Management Comment	Recommendation
It was observed that certain reinsurance payable balances had exceeded 730 days (two years) without any action taken by the Company to repay or write off such balances. The age analyses of reinsurance payable balances which exceeded 2 years are given below.					The reinsurance outstanding balance payments are being monitored on weekly basis and validity of the outstanding balances have already been assessed. Outstanding more than 4 years is LKR 3.5 million, but the major portion is from 2–4-year category, which was the Covid effected period and following that, there were several VAT/TAX adjustments which caused the Tax Invoices needed to be changed and some expired specially with NITF. We have already had a meeting with NITF to get an option to set-off with the receivables and currently awaiting their approval /counter proposal.	Recommend to assess the validity of outstanding and regularly monitor the payments to prevent accumulation of long outstanding balances.
2-3 Years	3-4 Years	4-5 Years	More than 5 Years			
24,350,469	12,542,331	863,655	2,797,901			

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
a	Public Enterprises Circular No PED 01/2021 (iii)	<p>The Company should maintain manuals when the Company has its own system, processes and protocols which need to be clearly defined in manuals covering all major operations. Further, the circular requires such policy manuals to be approved by the Director General, Department of Public Enterprises.</p> <p>However, the Company has not maintained the investment manual in a structured manner with a clear structure and with an index. Also, the manual was not periodically reviewed and updated properly and any approval has not been obtained by the Director General, Department of Public Enterprises as well.</p>	Draft Manual has been prepared and submitted for BOD perusal. It will be implemented prior to 31st December 2024.	<p>It is recommend to prepare required procedure manuals and train the staff to the extent necessary to understand and apply them.</p> <p>The Company's manual should be reviewed and updated on a periodic basis to ensure that the policies are up to date in the rapidly emerging financial markets and opportunities.</p> <p>The manual should be approved by the Director General, Department of Public Enterprises to comply with the PED requirements.</p>
b	Corporate Governance Guideline- CA Sri Lanka	<p>Under Section A.5.5 of the Guidelines on Corporate Governance of CA Sri Lanka, "The board must annually determine the independence of each non-executive director, based on criteria and available information." However, it was observed that the Company has not disclosed information pertaining to the independence of directors.</p>	<p>Being a state-owned enterprise (SOE), the company adheres to the disclosure requirements outlined in Section 2.4 of the SOE Guidelines. It discloses the directorship status, whether Executive, Non-Executive, or Independent Director (ID), for its board members. However, comment has been noted.</p>	<p>The voluntary compliance with the Corporate Governance Guideline of CA Sri Lanka is recommended in order to improve the governance of the Company.</p>

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| c | Corporate Governance Guideline- CA Sri Lanka | Under Section D.5.2 of the Guidelines on Corporate Governance of CA Sri Lanka, "The board should establish a RPT review committee, consisting of three independent non-executive directors, with a chairman being appointed by the board, meeting quarterly". However, it was observed that the Company does not have a related party transaction committee. | It has been noted that a comment/recommendation to establish a Related Party Transactions (RPT) Committee. At present the Audit and Compliance Committee reviews the effectiveness of the methodology used to identify related party transactions, as well as the reliability of the associated disclosures. The committee also oversees the procedure to obtain an annual statement of related party interests from each such party. Additionally, it ensures compliance with the disclosure requirements stipulated by the SOE Corporate Governance Guidelines for the entity's annual reporting. | The voluntary compliance with the Corporate Governance Guideline of CA Sri Lanka is recommended in order to improve the governance of the Company. |
| d | Corporate Governance Guideline - CA Sri Lanka | Under Section A.5 of the Guidelines on Corporate Governance of CA Sri Lanka, it is preferable for the Board to have a balance of Executive and Non-Executive Directors as such that no individual or a small group of individuals can dominate the Board's decision taking. However, it was observed that the Company does not have a board balance which consisting only from the non-executive directors. | Comment has been noted. GOSL owns 99.98% of the shares of SLIC. Accordingly, the Board of Directors (BOD) of the SLIC are appointed by the Secretary to the Treasury, who is the Officer duly authorized to exercise the shareholder rights that accrue to the GOSL by virtue of its shareholdings. Appointments to the BOD are made and communicated by the Secretary to the Treasury with copies to the | It is recommend to appoint the executive directors to the board and enrich board expertise with insurance professionals to enhance strategic decision making, risk management, compliance and competitive positioning in the insurance industry. |
| | | Additionally, it was observed that the current directors lacked of expertise in insurance industry. | | |

relevant parties, including the Secretaries to the President and Prime Minister and the Auditor General.

The appointment and functioning of the BOD within the parameters of the above structure. These appointments are evaluated and confirmed by IRCSL, particularly against the fit and proper criteria.

1.8 Cash Management

Audit Issue

There are unidentified balances appeared in the Bank reconciliations as unidentified credits and those are appearing in the Bank reconciliation for more than 4 years without clearing. Details are given below.

General Insurance

Location	Unidentified Debits	Unidentified Credits	Other Unidentified
Head Office	4,723,813	100,967,823	808,814
Branch	795,987	87,314	-

Life Insurance

Location	Unidentified Debits	Unidentified Credits	Other Unidentified
Head Office	52,348	29,077,041	173,941
Branch	496,716	3,354	-

Management Comment

Agree with the Auditor's comment. However, we have identified the following reasons which caused to create these unidentified balances in the bank reconciliation statements.

Unidentified Credits

Mainly these balances are created due to the non-availability of policy numbers of credit

Transactions. It is required to properly identify the policy numbers which are credited with the lapse of proper descriptions with the assistance of all relevant internal departments and banks.

We have initiated system developments with the support of ICT departments and banks to validate transactions before crediting the SLIC

Recommendation

Since the items included in unidentified credits contain bank slip payments made by policyholders without mentioning their policy numbers. it is recommend to implement a proper identification system by integrating with the Bank, and seeking their support.

bank accounts.

In connection, we have completed the developments with Peoples bank, DFCC and NSB.

At present we are discussing the relevant issues with the internal departments and banks to minimize the existing.

Unidentified Debits

These balances contain the reversal entries made by banks for failed transactions related to customer deposits and reversed payments. Reversal of customer deposits will be rectified by cancelling the policies. Unidentified payments will be rectified once we make the payment for returned transactions. Until such time, amounts will be appeared as unidentified debits.

Other Unidentified Amounts (SLIP Reversal)

This mainly includes online SLIP payments which were recorded in SLIC cash book and pending to be executed from the Bank. This is a temporary timing difference of fund transfer arising on the last date of the month and will be cleared on the next working day.

Current Status and
progress Achieved

Significant progress has been achieved in our banking reconciliation processes over the past few months:

The successful development and implementation of the General and Life Bank Reconciliation project represent a milestone achievement for our organization. We have streamlined our daily bank reconciliation procedures, resulting in heightened efficiency and accuracy.

Our attention now turns to further refining our banking operations through the development of an Application Programming Interface (API). This API will serve as a crucial tool in validating references and retrieving MT940 files, ensuring seamless daily banking procedures and further SLIC could map with the Policy Numbers all the direct bank transfers through this API.

As a result of the above project which will be completed in full, very shortly such issues of unidentified debits and credits or long outstanding balances will be significantly minimized.

1.9 IT General Controls

Audit Issue	Management Comment	Recommendation
<p>a The Logical Access Control Policy of the Company, released on 28 June 2023, referred to the "User Access Management Procedure" under Section "11.5 of Access to the core system applications." However, upon review, no such procedure was available.</p>	<p>The discussed findings are mentioned in ISO 27001: Logical Access Control Policy under Section 11.0. User Access Management.</p> <p>We shall update the wordings of the Section 11.5 of the Logical access control policy.</p>	<p>It is recommended to develop and document a comprehensive User Access Management Procedure to address the gap identified in the Logical Access Control Policy. This procedure should outline the processes and controls for granting, modifying and revoking user access to core system applications. It should also define roles and responsibilities, access request workflows, approval mechanisms, user provisioning and de-provisioning processes, periodic access reviews and measures for enforcing least privilege principles.</p>
<p>b During the review, it was noted that the client had defined "11.3 User Account Management" in the Sri Lanka Insurance Cooperation – Logical Access Control Policy, as per Quote. "11.3.9 IT Department must ensure the user accounts that have not been accessed for 90 days are automatically disabled." However, upon reviewing all-user reports in the Core Insurance System, it was observed that there were 40 non-utilized active user accounts.</p>	<p>SLIC agreed to conduct biannual user access review.</p>	<p>It is advisable to implement automated account management processes within the Core Insurance System to enforce the automatic disabling of user accounts that have not been accessed for 90 days, in accordance with the User Account Management policy. This automation will ensure consistent enforcement of access control measures and mitigate the risk of unauthorized access.</p>

c During the review, it was noted that the Company had defined “4.8. Steps to be followed in submitting a change request (Business user/ customer)” in the Sri Lanka Insurance Cooperation - Change Management Procedure, as per Quote

“4.8.3. The Request for change form (Refer Annexure-B) can be communicated either as a hard copy or via email by attaching the request for change form to the body of the email.”

However, when reviewing the forms, it was observed that some forms had not been completed by the user department and IT, and no approvals were provided.

SLIC planning implemented workflow-based change approval process.

It is recommended to implement a comprehensive review and approval process for change request forms, ensuring the completion by user departments and IT personnel and obtaining necessary approvals before proceeding with change implementation, in alignment with the Company’s Change Management Procedure.

d It was observed that there is no proper system in the reinsurance department for information transmitted from business analysis unit/(BAU) to the reinsurance department and group business department. Therefore, there is a lack of internal control over ensuring the completeness and accuracy of provided data.

life reinsurance division

, we would like to point out that there is no difference in the balance confirmation provided by the Reinsurer (Munich Re) for reinsurance accounts statements for the period ending 31/12/2023. Further, we use the data verified by the underwriting & claims departments for the reinsurance calculation. Therefore, we cannot agree with the implication mentioned for Life segment.

It is recommend to check the accuracy and completeness of data and to change the risk profile maintaining system from manually to an ERP system by which the operations of the reinsurance department would be more effective.

In addition to this it was observed that the Company is preparing risk profiles manually by using previous year details. The reinsurance department gathers information from several departments, and they do not check the accuracy and completeness of the source data. The reinsurance department is relying on the data provided by other departments.

However, we agree to implement an ERP system and incorporate Life Reinsurance program, enabling dynamic reporting and other benefits.

Reinsurance Division

i. The annual risk profiles are generated based on 09 months data for treaty renewal and it needs to be developed for 12 months for next renewal based on previous year’s data.

ii. The profiles that are created at reinsurance department are the financed for accuracy with the data of individual departments and quarterly accounts generated by finance department.

iii. Further trend analysis is carried out with the assistance of the actuarial team against the past ten year's data available. These are subsequently checked by the data available with the respective treaty reinsurance broker and finally with the treaty reinsurer. There for a margin for an error is very remote.

In conclusion please note the following:

i) We have been working on the reinsurance system development for past 05 years; however implementation date cannot be committed as the developer has not yet shared the time schedule with us.

ii) We accept that the current profile/data generation is manual, however, it is initially triangulated, and trend checked with the actuarial team.

The data that we submit to the reinsurers is further evaluated by the reinsurance broker as well as the reinsurers with the archived data for a minimum of past 10 years.

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| <p>e It was observed that the Company has maintained its bordereaux database and facultative register manually in Excel, due to unavailability of a dedicated system. Consequently, there was no systematic process for generating listings or transferring data to the accounting system. Due to this manual approach risks, errors, inefficiencies and lack of proper controls may be arisen which affect to the data integrity.</p> | <p>This was advised to the ITC department and had several meetings with “Belvantage” the earlier developer regarding the requirement. The developer made a presentation on the outline of development which the team suggested amendments. The data that we obtain manually are triangulated with the quarterly treaty statistics that we submit to the treaty reinsurers and with the data that we submit separately with the regulator quarterly. Hence the chance for an error is very remote. The manual system has been in operation since the inception of the company and has provided accurate data for almost 62 years. We trust an integrated system will be less time consuming and perform with greater accuracy, however, the development process currently in place will take time for implementation.</p> | <p>Implement a dedicated reinsurance management system to streamline data handling, improve accuracy and enhance the controls. Ensure integration with the accounting system for seamless data transfer.</p> |
| <p>f Under Section G.2 of the Guidelines on Corporate Governance of CA Sri Lanka 2023, the Board should appoint a CISO to implement a robust cybersecurity risk management policy, including incident response, vendor management, disaster recovery, governance structure, ICT audit scope and cybersecurity insurance. However, a Cyber Security Policy for the Company was not available.</p> | <p>Comment has been noted. The requirement mentioned aligns with the updated best practice code issued in November 2023. Appropriate measures will be implemented to ensure compliance with this new requirement.</p> | <p>Prioritize the cyber security and establish comprehensive policies and procedures to mitigate these risks effectively.</p> |

2. Financial Review

2.1 Financial Result

Company

The operating result of the year under review amounted to a profit of Rs.7, 779 million and the corresponding profit in the preceding year amounted to Rs. 10, 546 million. Therefore, a decrease amounting to Rs. 2,767 million or -26.24 per cent of the financial result was observed. The reasons for the decrease are increase of negative change in contract liabilities – Life Fund and increase of Income tax expenses.

Group

The operating result of the year under review amounted to a profit of Rs.13, 755 million and the corresponding profit in the preceding year amounted to Rs. 12, 584 million. Therefore, an improvement amounting to Rs. 1, 171 million of the financial result was observed. The reasons for the improvement are increase of Company investment income.

2.2 Trend Analysis of major Income and Expenditure item.

Line Item	2023 Rs. Million	2022 Rs. Million	2021 Rs. Million	2020 Rs. Million	2019 Rs. Million
Company					
Revenue	64,194	63,685	64,062	52,614	48,608
Variance	509	(377)	11,447	4,005	4,228
Increase/(Decrease)	0.8%	-0.59%	21.76%	8.24%	9.53%
Gross Written Premium	44,225	41,272	43,231	39,421	33,794
Variance	2,953	(1,959)	3,809	5,626	2,056
Increase/(Decrease)	7.16%	-4.53%	9.66%	16.65%	6.48%
Net Earned Premium	36,862	37,024	38,396	34,206	29,772
Variance	(162)	(1,372)	4,190	4,434	1,767
Increase/(Decrease)	-0.44%	-3.58%	12.25%	14.89%	6.31%
Investment income	28,444	13,794	23,392	16,511	17,671
Variance	14,649	(9,599)	6,881	(1,160)	4,612
Increase/(Decrease)	106.21%	-41.03%	41.68%	-6.57%	35.32%
Net realized (loss)/gains	(2,588)	11,857	1,012	359	(56)
Variance	(14,444)	10,845	653,231	416,	(2,032)
Increase/(Decrease)	-121.82%	1,071.64%	181.57%	-737.24%	-102.86%
Other income	1,418	943	1,183	1,469	1,132
Variance	475	(240)	(285)	336	(154)
Increase/(Decrease)	50.42%	-20.35%	-19.44%	29.76%	-12.02%
Total Income	64,194	63,685	52,614	48,609	51,224
Variance	509	11,448	4,005	4,229	6,844
Increase/(Decrease)	1%	21.76%	8.24%	9.53%	15.42%
Net benefits and claims	(21,778)	(22,131)	(20,185)	(15,772)	(16,623)

Variance	353	(1,946)	(4,413)	851	1,131
Increase/(Decrease)	-1.60%	9.64%	27.98%	-5.12%	-6.37%
Underwriting and net acquisition costs (including reinsurance)	(3,502)	(3,301)	(3,220)	(2,996)	(2,986)
Variance	(199)	(81)	(223)	(10)	(488)
Increase/(Decrease)	6.05%	2.53%	7.46%	0.36%	19.55%
Change in contract liabilities - life fund	(18,290)	(11,018)	(18,849)	(16,118)	(11,659)
Variance	(7,272)	(7,831)	(2,730)	(4,458)	(3,505)
Increase/(Decrease)	66%	-41.55%	16.94%	38.24%	42.99%
Other operating and administrative expenses	(9,920)	(14,757)	(10,081)	(9,754)	(9,133)
Variance	4,837	(4,675)	(327)	(621)	(311)
Increase/(Decrease)	-32.77%	46.37%	3.35%	6.80%	3.53%
Income tax expense	(2,925)	(1,930)	(1,684)	(2,183)	(1,176)
Variance	994	246	498	(1,007)	729
Increase/(Decrease)	51.54%	14.61%	-22.85%	85.64%	-38.29%
Net Profit for the year	7,779	10,546	10,041	5,788	7,028
Variance	(2,767)	505	4,252	(1,240)	1,784
Increase/(Decrease)	-26.24%	5.03%	73.47%	-17.65%	34.02%
Group					
Revenue from other group operations	103,215	90,621	62,143	46,505	50,685
Variance	12,595	28,478	15,637	(4,179)	4,627
Increase/(Decrease)	14%	45.83%	33.62%	-8.25%	10.05%
Investment income	14,119	15,370	24,044	17,754	16,954
Variance	14,119	(8,674)	6,289	800	2,582
Increase/(Decrease)	91.86%	-36.08%	35.43%	4.72%	17.97%
Other income	2,893	3,563	3,233	1,540	1,835
Variance	-679	330	1,693	(294)	(192)
Increase/(Decrease)	-19%	10.20%	109.89%	-16.06%	-9.50%
Total Income	170,785	156,605	99,932	98,779	99,265
Variance	14,180	56,673	1,153	(486)	7,162
Increase/(Decrease)	9.05%	28.09%	1.17%	7.25%	7.78%
Other operating and administrative expenses	20,450	(26,867)	(16,692)	(15,417)	(20,154)
Variance	6,417	(10,175)	(1,274)	(4,736)	(5,570)
Increase/(Decrease)	24%	60.95%	8.27%	-23.50%	38.19%
Cost of services of subsidiaries	(86,807)	(77,123)	(63,422)	(40,053)	(38,992)
Variance	(9,683)	(13,701)	(23,368)	(1,061)	(301)
Increase/(Decrease)	12.56%	21.60%	58.34%	2.72%	0.78%
Income tax expense	(6,203)	(3,579)	942	(2,560)	(3,848)

Variance	(2,624)	(4,521)	3,503	1,288	(1,030)
Increase/(Decrease)	73.32%	-479.67%	-136.82%	-33.48%	36.55%
Net Profit for the year	13,755	12,584	6,580	6,930	4,513
Variance	1,171	6,003	(349)	2,416	(3,089)
Increase/(Decrease)	9.31%	91.22%	-5.04%	53.54%	-40.63%

2.3 Ratio Analysis

Company	2023	2022	2021	2020	2019
Specific Ratios					
Retention Ratio	83%	90%	89%	87%	88%
Claim Ratio - Long Term	58	57%	46%	42%	51%
Claim Ratio - Non Life	61%	63%	60%	51%	61%
Total Claim Ratio	59%	60%	53%	46%	56%
Expense Ratio	86%	78%	34%	84%	80%
Combined Ratio	145%	138%	136%	130%	136%
Profitability Ratio	17%	20%	18%	15%	17%
ROA	3%	5%	4%	3%	4%
ROE	12%	16%	16%	13%	13%
Investment Yield	10%	6%	11%	8%	9%
Liquidity Ratio	1.16	1.10	1.10	1.08	1.11
Financial Assets to Total Assets	86%	84%	84%	84%	82%
Capital to Technical Reserves Ratio	5.03	4.23	4.06	3.71	4.14
Technical Reserve Ratio	2.02	2.05	2.07	2.01	1.98
Market Ratios					
Market Share (Total)	15.7%	16%	19%	19%	17%
Market Share (Long Term)	13.8%	15%	18%	19%	17%
Market Share (Non-Life)	16.4%	18%	21%	20%	19%

		Industry					Company				
Industry Comparison		2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
Growth Rate (Total) *		-1%	10.5%	12%	6%	8%	9.2%	-1%	22%	8%	10%
Growth Rate (Long Term)*		12%	9%	21%	16%	11%	0.7%	-5%	14%	30%	12%
Growth Rate (Non-Life)*		5%	13%	3%	-1%	5%	13.8%	-4%	5%	6%	2%

* Source -Insurance industry 4th Quarter -2023 statistics issued by IRCSL

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>a During the audit, it was noted that SLIC-Life Insurance has solely relied on “Munich Re” as its reinsurer, with premiums ceded amounting to Rs. 673,867,050 in 2023 and Rs. 562,828,854 in 2022. While reinsurance is a common practice in the insurance industry to spread risk, concentrating with a single reinsurer poses several inherent risks to the Company such as concentration risk and counterparty risk. Concentration- risk emerges due to the Company's heavy dependency on a single entity and counterparty risks associated with the financial losses and reputational damage that could be occurred for SLIC due to Munich Re's inability to fulfill its obligations in the event of insolvency or operational issues. . Further, the lack of diversification in reinsurance partners potentially amplifying the impact of any negative events.</p>	<p>As per the S&P Global ratings, Munich Re was one of the top 40 reinsurers in the market as of 2023. However, we are in process of finding another Reinsurer. Note that there will be a risk of an increase in the reinsurance ceding premium, if a new reinsurer is introduced. However, at the same time, I would like to assure that aspects such as completeness and accuracy were not hampered due to current arrangement in place with a single reinsurer.</p>	<p>Recommended to diversify reinsurance partnerships to mitigate concentration and counter party risks. Conduct thorough risk assessments regularly and develop contingency plans. Enhance transparency in financial reporting regarding reinsurance arrangements to accurately reflect the Company's risk exposure.</p>

b It was noted that actuarial manager is responsible for data entry and preparation of quarter statements in life reinsurance, while another manager checking them. However, there was no proper documentation regarding the preparer, reviewer and approved person in the checked sample given below. Absence of documented roles raises doubts regarding the segregation of duties.

For the Accounts preparations, the IT and Life departments are providing the relevant information (ie data) that is verified by the life department. Judgment of the accuracy and reliability of the accounts are done not only by SLIC but Munich Re also. So far, no discrepancies have been detected or identified by the either side.

It is recommended to establish a verification unit promptly to ensure a thorough examination of documents and calculations before submission. Or else, establish the internal audit involvement as an internal control over the reinsurance process.

- Individual Life Reinsurance - Quarterly statement of Accounts (1st Quarter and 3rd Quarter)
- Group Life Reinsurance - Quarterly statement of Accounts (1st Quarter and 3rd Quarter)
- Medical Expenses (Health rider) Quota Share Reinsurance - Quarterly statement of Accounts (1st Quarter and 3rd Quarter)

c While the Actuary deployed by SLIC has undertaken a high-level review of the sustainability of current level of bonus, it is important to have a policy on bonus and signed off at the appropriate levels of authority and confirmed by the management that the bonus declaration is in line with the policy.

The bonus rates are approved by the board at each year-end. However, a formal bonus policy is currently being developed.

The company should prioritize the development and implementation of a comprehensive policy for governing bonus declaration, outlining clear criteria and processes for determining bonus levels.

This policy should undergo a thorough review and get approved at appropriate levels within the Company, by ensuring alignment with strategic objectives and regulatory requirements.

Management should provide transparent communication and confirmation regarding the alignment of bonus declarations with established policies or, in their absence,

justification for the sustainability and appropriateness of current bonus levels for different policyholder cohorts.

Regular monitoring and review mechanisms should be established to assess the effectiveness and fairness of bonus declaration practices and to address any emerging issues or concerns proactively.

In the absence of a policy and compliance to the policy, confirmation is needed that the Management is in agreement with the conclusion that the current level of bonus is sustainable and is appropriate for different cohorts of policyholders.

- | | | |
|---|---|--|
| <p>d Under Section 4.3 of the Guidelines on Corporate Governance for Stated Owned Enterprises, "Risk Committee (RC) should comprise at least three non-executive directors and should meet at least quarterly." However, it was observed that there were only two RC meetings held during 2023 and the Risk Committee does not meet quarterly.</p> | <p>The committee convened for meetings on three occasions 07.03.2023, 11. 12.2023 and 21.12.2023.</p> | <p>The organization can ensure that the Risk Committee operates effectively, maintains a proactive approach to risk management, and contributes to the achievement of its objectives while minimizing potential risks.</p> |
| <p>e Section 2.2.2 (b) (9) of the Guidelines on Corporate Governance for State Owned Enterprises, required that the key processes and procedures including the operational, administrative, and financial processes, are properly documented and updated periodically." However, Company does not have manual for the Inventory, HR and Cash processes while</p> | <p>1.Draft Investment Manual has been prepared and submitted for BOD perusal. It will be implemented prior to 31st December 2024.
2. As a state-owned enterprise SLIC's Procurement Operation is governed by the National Procurement Guidelines (NPG).</p> | <p>Prioritize manual development, by incorporating clear operational, administrative and financial guidelines for improve the efficiency, compliance and transparency of the Company's operations.</p> |

having an outdated manual for investments.

However, considering the competitive nature of the external environment that Sri Lanka Insurance operates, they key management has approved to develop and implement a 'Procurement Policy' improving the transparency of the procurement process and obtained the goods, services and works in an expeditious manner, the policy scope includes 'Inventory Management'.

The draft procurement policy has been presented to 'EXCO' by the Head procurement department in recent times. The same is due to be proceed further upon approval of the Board of Directors and the Line Ministry.

3. Operation manuals of the finance department have the board approved operation manuals for each function.

f The Company lacks a formally documented Business Continuity Plan (BCP). The absence of a BCP raises significant concerns regarding the organization's preparedness to address potential disruptions and ensure the continuity of critical business operations in the event of unforeseen incidents. A BCP is essential for identifying and mitigating risks, defining roles and responsibilities and establishing procedures to minimize downtime.

The ICT department at SLIC already has an IT system-related Disaster Recovery Plan/Business Continuity Plan in place. The ICT department conducts annual Disaster Recovery drills on the core systems.

However, the scope of IT BCP / DR is limited for IT operations / landscape. For the company-wide Business Continuity Plan, recommend to discuss with Enterprise risk management department and obtain the necessary information enterprise level risks management plan.

It is recommended to develop and implement a comprehensive BCP that outlines strategies for maintaining business operations during disruptions and includes clear guidelines for recovery. The BCP should identify critical business processes, roles and responsibilities, as well as establish procedures to minimize downtime and data loss. Regularly review and update the BCP to ensure not it remains relevant and effective in addressing

emerging threats and unforeseen incidents. This will enhance the organization's resilience and ability to continue essential operations in the face of disruptions.

g There is no formal control in operation o for a periodic review of model used for the insurance liability valuation. Controls need to be enhanced for ensuring correctness of models and resultant calculations periodically.

The model review was conducted by the Appointed Actuary during 2016 and 2019. However, no further development of the models occurred thereafter. Whenever the models are amended, the company will obtain necessary services from a qualified actuary. The model output has been critically analyzed by the Appointed Actuary at each year-end to ensure that there have been no material differences in the results.

The organization should priorities enhancing controls surrounding the correctness of models and resultant calculations by implementing robust validation processes.

Establish formal procedures for conducting regular reviews of models to verify the accuracy and effectiveness.

Develop and implement compensating controls to mitigate risks associated with model inaccuracies in instances where formal reviews are not feasible.

Ensure transparency and accountability by documenting all model validation activities and management confirmations, providing clear evidence of compliance with internal controls and regulatory requirements.

In the absence of a model review, confirmation from management is needed that there are compensating controls for ensuring correctness of results.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>a During the audit review, it was observed that the asset register, as of 12 July 2023, was incomplete, with the serial numbers for printers, portable hard drives (HD's) and CPU's left blank.</p>	<p>SLIC's IT department conducts annual asset verification on SLIC's IT devices together with Finance Asset management team.</p>	<p>It is recommended to update the asset register to ensure that all printers, portable HD's and CPU's are accurately recorded with their respective serial numbers. This may involve conducting a physical inventory of assets to verify serial numbers and reconcile any discrepancies. Implement procedures to regularly update the asset register whenever new assets are acquired or changes occurred, ensuring that all relevant information is captured promptly.</p>
<p>b Even though the company has followed the procurement guidelines related to valuer selection, it was observed that the consistent involvement of a single valuer across various valuation aspects within the Company such as land, building and motor vehicle valuations. There may be a doubt regarding transparency and potential conflicts of interest within the valuation process. Such concentrated involvement of a one valuer across diverse asset classes could lead to a lack of independent oversight and impartiality in determining the fair market value of SLIC's assets. This scenario not only compromises the integrity of the valuation process but also heightens the risk of bias or undue influence in favor of certain stakeholders.</p>	<p>We have diligently followed the National Procurement Guidelines in selecting a qualified valuer for Fixed Asset Valuation. Furthermore, all insurance companies are mandated to comply with IRCSL Circular 30 regarding the qualifications of a valuer when selecting for a Fixed Asset valuation and the company has duly adhered to these guidelines.</p>	<p>It is recommend to diversify valuation responsibilities among multiple qualified valuers to ensure an independent oversight and mitigate the risk of bias. Calling quotations from qualified valuers will enable the other qualified professionals to participate in the bidding process. Clear policies and procedures governing the valuation process should be established, outlining roles, standards and conflict management protocols. Additionally, instituting review mechanisms, such as audits or peer reviews, can evaluate valuation quality</p>

and compliance. Enhancing transparency through disclosure of valuer qualifications, methodologies and potential conflicts of interest fosters stakeholder trust.

- c** It was observed that the Reinsurance - Life department's verification unit is not included by third party authorities, and their documents and calculations are not being audited within the internal audit division. This lack of proper documentation scrutiny raises concerns regarding compliance, oversight within the department and accuracy in financial reporting.
- We agree to establish a verification unit or involve internal audit.
- It is recommended to establish a verification unit promptly to ensure thorough examination of documents and calculations before submission. Or else, establish the internal audit involvement as an internal control over the reinsurance process.
- d** Under Section 5.3 of the Guidelines on Operational Manual for State Owned Enterprises”, it is expected that at least thirty (30) percent of the profit after tax is distributed to the consolidated fund/shareholders, having satisfied the solvency test as stipulated in the Companies Act, No. 07 of 2007". However, it was observed that the Company does not currently have a dividend policy in place.
- Draft dividend policy has been referred to the Finance Ministry after taking the board approval for the board paper on 25th April 2019 for their feedback as directed by Board of Directors and has not been received any response from the Ministry regarding the same. However, we will revisit the content of the Dividend policy, make necessary revisions, and seek approval from the present Board of Directors.
- The Company should establish a clear and consistent framework for dividend payments that enhances the shareholder value, supports investor confidence and contributes to long-term financial sustainability
- e** Under Section 6.7 of the Guidelines on Operational Manual for State Owned Enterprises’, Annual asset verification must be carried out towards the fixed assets and stores". However, it was observed that the company has not conducted annual asset verification for 2023.
- Physical asset verification has been completed and currently at the stage of reconciliation. It is planning to present the final outcome of the asset verification to the next Audit and Compliance committee meeting which is planned to hold during the April 2024.
- The Company should ensure the accuracy and integrity of its asset records, strengthen internal controls, and mitigate risks associated with asset mismanagement or inaccuracies in financial reporting.

- f Based on the audit procedures performed for financial investments, it was observed that the Rs. 4,377,848 worth of fixed deposit balance confirmed by the Commercial Bank had not been included in the Company's financial statements. .
- The initial recognition of this investment was within the Welfare Fund. However, upon its next maturity, we intend to take the necessary steps to record it as a separate investment within the SAP treasury module.
- It is recommended to take actions to reconcile the bank confirmation balance with the Company's financial statements and ensure its completeness.

3.3 Human Resources Management

Audit Issue	Management Comment	Recommendation																		
It was observed and confirmed some vacant positions especially in senior management category in the organizational structure existing from 07 July 2023. Most of the vacant positions have not been filled as of the date of audit and details are given below.	Life DGM Life – Selected a candidate and pending Board Approval	It is recommended for the Company to priorities filling the vacant senior managerial positions through recruitment, internal promotions or other suitable strategies.																		
<table border="0"> <thead> <tr> <th>General</th> <th>Life</th> </tr> </thead> <tbody> <tr> <td>CFO</td> <td>DGM Life</td> </tr> <tr> <td>CO – Strategic Business Unit</td> <td>AGM Life</td> </tr> <tr> <td>Senior Manager Reinsurance</td> <td>AGM ICT</td> </tr> <tr> <td>AGM</td> <td>Senior Manager PHS</td> </tr> <tr> <td>AGM Claim</td> <td>Senior Manager Reinsurance</td> </tr> <tr> <td>Senior Manager Claim</td> <td>Manager (Borella Branch)</td> </tr> <tr> <td>Senior Manager Fire & Underwriting</td> <td></td> </tr> <tr> <td>Senior Manager Administration</td> <td></td> </tr> </tbody> </table>	General	Life	CFO	DGM Life	CO – Strategic Business Unit	AGM Life	Senior Manager Reinsurance	AGM ICT	AGM	Senior Manager PHS	AGM Claim	Senior Manager Reinsurance	Senior Manager Claim	Manager (Borella Branch)	Senior Manager Fire & Underwriting		Senior Manager Administration		AGM Life – Management has not decided to fill the position yet. AGM ICT - Management has not decided to fill the position yet. Senior Manager PHS - Management has not decided to fill the position yet. Senior Manager Reinsurance - - Management has not decided to fill the position yet. Manager (Borella Branch) – Selected a candidate & joining in the month of April. General CFO – Interview scheduled on 01st week April CO – Strategic Business Unit – Management has not decided to fill the position yet. Senior Manager Reinsurance – Management has not decided to fill the position yet. AGM - Management has not decided to fill the position yet.	
General	Life																			
CFO	DGM Life																			
CO – Strategic Business Unit	AGM Life																			
Senior Manager Reinsurance	AGM ICT																			
AGM	Senior Manager PHS																			
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Senior Manager Fire & Underwriting - Management has not decided to fill the position yet.

Senior Manager Administration - Management has not decided to fill the position yet.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Issue	Management Comment	Recommendation
<p>a It was observed that many heads of the internal audit division has been appointed during the last 8 years and nobody was there for a long time. Most of the time, an acting internal auditor has held the position. Currently, the newly appointed IA is also on medical leave and a manager is acting as the acting IA.</p>	<p>In response to the above observation, we have thoroughly reviewed the concerns regarding the frequent changes in the Head of Internal Audit position. However, given the complexity of our organization and its operations, the Management has consistently strived to select the most competent professionals, either from within the company or externally, to fill this crucial position. Accordingly, now the Head of Internal Audit position has been filled.</p>	<p>Recommend implementing retention strategies, robust succession planning, health and well-being support, and performance metrics to enhance internal auditor stability and effectiveness.</p>
<p>b The reasons behind the frequent changes in the Head of Internal Auditor position was not transparent and there were no concerns about governance and controls. This can lead for a reputational damages for the Company.</p>	<p>We have thoroughly reviewed the concerns regarding the frequent changes in the head of Internal Audit position. We wish to emphasize that there have been no ulterior motives behind these changes. However, given the complexity of our organization and its operations, the management has consistently strived to select the most competition professionals, either from within the company or externally, to fill this crucial position. Our primary goals always been ensure the effectiveness and integrity of our internal</p>	<p>Recommend implementing retention strategies, robust succession planning, health and well-being support, and performance metrics to enhance internal auditor stability and effectiveness.</p>

audit functions and we remain committed to maintaining the highest standards in this regards.

- b It was observed that the internal audit department lacks of qualified personnel for IT system audits, and no presence of a third-party service provider offering such services. There is a gap in IT audit capabilities within the organisation and it is emphasized the need for skilled resources or external support to address this crucial aspect of internal controls and risk management.
- The Company has taken numerous efforts to find a suitable candidate for the System Audit and the following are the steps taken by the Company.
- i. The initial advertisement was published in 4th July 2018.
 - ii. Advertised on 11th March 2021 - One candidate was selected and the offer was rejected by him.
 - iii. Again advertised on 30th Dec 2022 - There was no any CV for this advertisement.
 - iv. Contacted a headhunter March 2023 - There was no caliber members and some members requested senior managerial positions.

Recommended investing in qualified IT personnel or engaging third-party audit services to implement robust oversight over IT operations.

v. Assistant manager position was internally published on 28th August 2023

As per the ACC decision on April 24, 2023, representatives from the Auditor General's Department, ACC, further recommended obtaining the services of ISACA Sri Lanka Chapter for systems audit. The CIO also requested facilitation of the same.

Additionally, during the ACC meeting on August 28, 2023, discussions on the aforementioned matter revealed that several interviews had taken place, and finding suitable candidates proved challenging. HODs were requested to release staff members who could handle the system audit.

The same matter was revisited in the ACC meeting on November 21, 2023. The minutes and decision recorded were as follows: "The position of Assistant Manager was internally advertised, and only one ICT executive applied for the position. The committee inquired whether this application was in line with the company's SOR and indicated that interviews should commence upon the arrival

of the Head of Internal Audit. Management is fully aware of importance of this matter and action is being taken to speedily resolve this issue.

4.2 Audit Committee

Audit Issue	Management Comment	Recommendation
<p>Under Section D.3.1 of the Guidelines on Corporate Governance of CA Sri Lanka, “The Board should establish an audit committee exclusively of non-executive directors with a minimum of three non-executive directors of whom at least two should be independent. “However, it was observed that the audit committee does not consist from two independent directors.</p>	<p>The Members of the BOD, as appointed by the Secretary to the Treasury, are non-executive Directors. It is from these appointees that the BOD constituted the ACC, Accordingly, ACC comprises a Chartered Accountant with operational, financial and regulatory experience (Mr. Thotawatta is the only person who has the requisite professional credentials in accounting and auditing and is a member of the BOD, an Attorney at Law, and the ex officio Treasury representative who currently holds the position of Director General – Department of Information Technology Management of the Ministry of Finance, at the point of constituting the ACC, that the members, including the Chair of the ACC, satisfied the requirements stipulated in No. D.3.1. of the Code.</p>	<p>Recommended to appoint the stipulated number of independent directors to the audit committee.</p>
	<p>Canwill Holdings Pvt Ltd. is a subsidiary of SLIC. Appointments to the BOD of the subsidiaries of SLIC are also made by the Secretary to the Treasury, considering the recommendations/observations of the SLIC where relevant. Mr. Dushmantha Thotawatta was appointed as a member of the BOD of Canwill Holdings in place of Mr. M P Anil Kumara, by a letter dated 16th November 2022 issued under the hand of the Secretary to the Treasury.</p> <p>However, to maintain transparency and independence, the Board at the meeting held on 24.02.2024 decided that Mr. Thotawatta would not participate in decision-making related to Canwill Holdings while serving on SLIC's Audit Committee. Additionally, Mr. Ravindra Pathmapriya has been appointed as the Chairman of the Audit and Compliance Committee, with Mr. Thotawatta continuing as a member with effect from 24.02.2024.</p>	