

1. Financial Statements

1.1 Opinion

The audit of financial statements of the Social Security Board for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for the Opinion

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 opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Audit Scope (Responsibility of Auditor regarding the Audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism 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 Board'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 Institute'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 Board 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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

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

Reference to the Laws, Rules and Regulations etc.	Non-compliance	Management Comment	Recommendation
Section 15 (2) of the Social Security Board Act No. 17 of 1996	Although the Board should have informed to the member that he has been deprived of the benefits it had not been informed the dormant members that they have been deprived of the benefits of Rs. 717,928 by the date of 31 December in the year under review due to that it had not been able to get reports through the database of members that information included.	A project has prepared for issuance of inactive notices.	In terms of the provisions of the Act. the members who are disabled and have lost their benefits should be informed and action should be made to prevent the loss of retirement benefits.

2. Financial Review

2.1 Financial Result

The operating results of the year under review amounted to a surplus of Rs. 4,575,183 and corresponding deficit as against in the preceding year amounted to Rs. 419,422. Accordingly, an improvement amounting to Rs.4,994,605 in the financial result was observed. The decrease in expenditure of personal emoluments had been mainly attributed to this improvement.

3. Operational Review
3.1 Operational Inefficiencies

Audit observation	Management Comments	Recommendation
<p>(a) When examining as per the financial statements of the Social Security Pension Scheme in the past 05 years the income, expenditure and surplus and improvement and deterioration corresponding to preceding years, the income of the fund was consist of contribution money of the members and the investment income and due to increasing in fixed deposit interest in a high rate increasing in interest income and increasing in the income of the fund had been occurred. However it could not be expected in long term and due to increasing the main income of the contribution money of the members was being a low level with compared to the expenditure, this situation had been inversely affected to the members and operational activities of the Board.</p>	<p>The initial installment amount charge for recruiting members from 2019 to the year under review had been increased continuously and preparing and implementing plans to improve recovering the arrears installments.</p>	<p>Action should be taken as per the objectives of the pension fund.</p>
<p>(b) As per the procurement plan in the year 2017 the provision of Rs. 12,511,000 had been taken from the treasury for the installation of new software system for the</p>	<p>Since the additional amount of Rs. 12 million had been requested both parties were agreed to terminate the agreement and a paper advertisement was published for selecting a new supplier.</p>	<p>A software system should be installing to properly maintain the operational activities of the Social Security Pension Schemes.</p>

social security pension scheme following the planning of such software system and had been entered in to an agreement with the relevant institute on 06 December 2018 after that payment of Rs. 1,009,250 had been made on 14 February 2019 relating to the supply of first lot.

By investing in that money in the fixed deposits that has become Rs.17 million and to that action is being taken to purchase modern computer system using that money.

- (c) 07 pension and benefit schemes as Thlina, Isura, Sarana, DhanaLakshmee, Surekuma and Arassawa had been commenced by the Board. Only the two pension schemes of Surekuma and Arassawa had been in operation by the 31 December in the year under review. 355,504 of members had been enrolled for Thlina, Isura, Sarana Dana Lakshmee schemes 81 percent out of that 289,356 of membership has been inactive and out of the members 646,289 recruited for Surekuma , Arassawa and Isura 66 percent that is 428,572 the membership of the members had been dormant .
- Activation of dormant members in those same schemes was also suspended based on the Management decision. To that this decision was taken to minimize the issues had to face to the members, institution and the government by implementing those schemes continuously due to non-receiving government contribution.
- When planning pension schemes attention should be paid regarding the continuity of those.

- (d) A provision amounting to Rs. 4.6 million had been allocated for the activation projects of the dormant members and through that it is expected to activate 8000 dormant members and although it was expected to collecting installments to be collected on activation up to 80 million and incurring of Rs.586,000 only informing for 2724 members by letters regarding non- payment of installments and reactivating 489 members out of 23745 members of the “Arassawa” pension scheme had been done by the year under review. Accordingly the project of activating the dormant members has been impossible to succeed as expected.
- It was able to collect an amount of Rs.7,433,284.81 million to the finance section activating 725 contributors only incurring cost of Rs,500,856.68 and to that action has been taken to send awareness letters for 3267 of contributors.
- Action should be taken promptly and effectively to activate inactive contributors utilizing also the remaining provisions
- (e) An amount of Rs. 94 million had been given by the Ministry of Cultural Affairs for pension scheme for artists who had been inaugurated in the year 2017 by Board. Investing those money in the bank fixed deposits and had been get increased the balance of the fund up to Rs. 167 million as at the date of 31 December year under review. However recruiting 509 members the period from 2017-2022 and 335 out of them had been dormant and 51
- To discuss to prepare further to reduce the premium to be paid to artists since the Artists were disliked to obtain a pension under a contribution and they were expected a pension under the government free of charge.
- Activities of recruitment of artists for the pension scheme should be made to provide benefits of the pension scheme to all the artists.

members were dormant
recruiting 361 members.
Accordingly it was
impossible to properly
utilize to the relevant
function the money
received for Artists.