Sri Lanka Social Security Board - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Social Security Board for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity 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 report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector 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.

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 Board 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 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 (Responsibilities of Auditors for 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 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 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 Board'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 Audit Observations on the preparation of Financial Statements

1.5.1 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.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

	Audit Issue	Management Comment	Recommendation
(a)	Although inventories should be disclosed under the particulars to be made on the face of the statement of financial position in accordance with paragraph 88 of Sri Lanka Public Sector Accounting Standards 1, they had been disclosed under other assets.	Actions will be taken to correct it from 2025.	Actions should be taken in compliance with Accounting standards.
(b)	Although the entire class of property, plant and equipment to which assets belong should be revalued in accordance with paragraph 49 of Sri Lanka Public Sector Accounting Standards No. 07, the Board had revalued only 07 motor vehicles costing Rs.17,765,000 out of the motor vehicles costing Rs.18,647,000	The remaining 14 vehicles (motorcycles) are to be revalued in 2025 and actions are taken to record the values to be included in the financial statements.	Actions should be taken in compliance with Accounting standards.

as at 01 January 2024 to Rs.28,850,000 in the year under review.

1.5.3 Accounting deficiencies

	Audit Issue	Management Comment	Recommendation
(a)	Although the bank overdraft of Rs. 4,339,821 in the bank current account should have been shown as current liabilities in the statement of financial position, due to the fact that it was shown under current assets in cash on hand and bank balance, the cash and bank balance and current liabilities had been understated by that value.	Actions will be taken to present bank overdraft for the year 2025 under current liabilities.	Actions should be taken to ensure accurate accounting.
(b)	Disclosures have not been made in the financial statements for the value of adjustments relating to the previous year of Rs. 14,729,764, and the relevant value could not be identified from the Board's information in this regard.	Steps will be taken to ensure that such transactions are not overlooked and the necessary disclosures are made in the future.	Necessary disclosures should be made in the financial statements.
(c)	A total of Rs. 3,858,800 was credited to the fund as unidentified deposits from 2004 to 31 December 2024 under adjustments relating to previous years instead of identifying the members of the pension schemes and accounting the premiums deposited in their bank accounts and that balance also had been included a balance of Rs. 624,877 relating to the year 2024.	Arrangements have been made to transfer unidentified deposits to the Social Security Fund account, subject to the approval of the Board of Directors.	The premiums deposited by members in bank accounts should be identified and credited to those individual accounts.

1.6 Non-compliance with laws, rules, regulations and management decisions, etc.

	Reference to laws, rules, regulations, etc.	Non-compliance	Management Comment	Recommendation
(**a**)	Financial Regulations 177 of the Democratic Socialist Republic of Sri Lanka, Budget Circular No.	A cash request of Rs. 15.7 million had been made instead of requesting Rs.	The cash requests of Rs. 15.7 million in November 2023, were made for salaries and wages	Arrangements should be made to send all remaining funds to the Treasury as per the

	05/2023 dated 29 December 2023 and Director General of Treasury Operations' letter No. TO/CFM/01/06/02(i) dated 15 July 2024.	8.727 million based on the actual expenditure in November 2023 for salaries and wages for the month of December 2023. Accordingly, even though the remaining amount of Rs. 1.87 million as on 31 December 2023 should have been credited to the Treasury, only Rs. 1.38 million had been credited to the Treasury Operations Department on 20 September 2024.	for the month of December, Rs. 9.84 million and for expenses of Rs. 4.0 million that were not paid last year and the remaining amount of Rs. 1.38 million has been sent to the treasury.	Financial Regulation Circulars and relevant letters.
(**b**)	Public Finance Circular No.PED/08/2019 dated 17 December 2019.	Although the Board was required to adopt the e-procurement process from the year 2020, it had not taken steps to register in the National e-Government Procurement System until the end of the year under review.	Although attempts were made to register in the National E-Government Procurement System last year, it was not possible to do so online and registration will be done with the assistance of the relevant institution in 2025.	Action should be taken as per the circular.

(c)	Section 22 of the Social Security Board (Amendment) Act, No. 33 of 1999.	Although all the moneys in the fund of the Board which are not immediately required by the Board should be invested in such securities as may be authorized by the Minister with the concurrence of the Minister in charge of Finance, the Board had not agreed to invest the total value of Rs.3,165,578,331.	The money is invested in accordance with the Ministry of Finance and Economic Affairs' Public Enterprises Circular 02/2018 and since there is a delay in obtaining the consent of the Minister in charge of the subject and the Minister of Finance when the investments mature, the money has to be kept inactive in the accounts without making the investments. Therefore, the institution could lose a large amount of investment interest and although it is stated in the act, it is not practical to obtain the consent of the Minister in charge of the subject and the Minister of Finance.	Action should be taken to act as per the Act

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs. 12,802, 525 and the corresponding surplus in the preceding year amounted to Rs. 4,575,183.Therefore, a deterioration amounting to Rs. 8,227,342 of the financial result was observed. The reasons for the deterioration are mainly due to the increase in employee salaries and maintenance expenses.

3. Operational Review

3.1 Management inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	The Department had been unable to achieve the objectives that were expected to be achieved by transferring an officer, including professional development of the officer, promotion of skills, gaining experience and increasing the efficiency and productivity of the institution due to the fact that officers did not request transfers for a long time, management did not take steps to transfer, internal transfers within the board and officers who could transfer their duties, and officers performing one duty for a long time.	It has not been possible to implement the requests of officers who have completed 04 years of service in some cases due to the shortage of officers. The reluctance of officers to serve at the head office and the fact that officers who have been serving at the head office for a long time will be transferred internally under internal transfers in the future.	According to the transfer policy, officers should be transferred at least once every 05 years.
(b)	The Board consisted of an approved cadre strength of 198 and actual cadre strength of 151 with 47 vacancies in 09 posts. 09 officers had been given acting appointments for 03 posts.	Recruitment has not been made due to the suspension of new recruitments for positions in public institutions as per the government policy.	Actions should be taken to manage the vacancies.

3.2 Operational inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	As per the procurement plan, a provision of Rs. 12,511,000 had been obtained from the Treasury for the installation of a new software system for the Social Security Pension Scheme and an agreement had been entered into with the relevant supplier for the same. Although a payment of Rs.1,009,250 had been made as a 10 per cent payment for the first supply set on 14 February 2019, 08 years had passed as of 31 December of the year under review; the computer system had	A software provider has been selected to develop the Social Security Pension Management Information System and the contract with that provider has been terminated after paying Rs. 1,009,250 for its first supply set. Even though a new procurement process had been initiated, it	Actions should be taken to install a new software system and achieve the desired objectives with the provisions.

	failed to be installed. This treasury provision is being invested in fixed deposits and as of 31 December 2024, the deposit amount had grown to Rs. 19,187,308 and although an investment interest income of Rs.2,010,525 had been obtained for it, the expected objectives had not been achieved from the provisions.	was rejected by the Board of Directors due to violation of procurement guidelines.	
(b)	The Ministry of Cultural Affairs had provided Rs.94 million for the pension scheme for artists that the Board had initiated in the year 2017. The said money had been invested in bank fixed deposits and the balance of the fund had increased to Rs.186.64 million as at 31 December of the year under review. Accordingly, the management had failed to properly utilize the money received for the artists for the relevant purpose.	The Department of Cultural Affairs has agreed to a Memorandum of Understanding with the Social Security Board in 2017 to provide a pension scheme for artists. Accordingly, as per Section 2 of the Memorandum of Understanding, it is the responsibility of both parties to work towards fulfilling the objectives and expectations of the Artist Pension Scheme. In terms of the Section 2 (a) of the Memorandum artists should be get member ship, should be selected and forwarded by the Department of Cultural Affairs.	Actions should be taken to act as per the agreement.
(c)	The recruitment of members during the year under review was at a low level compared to the previous years and the main statutory objective of the Social Security Board Act No. 17 of 1996 as amended by Act No. 33 of 1999 and Regulation No. 04 published in the Extraordinary Gazette No. 1464/05 dated 25 September 2006 is to implement social security and pension benefit		

	schemes for all employees who are not entitled to pension or do not hold a pensionable position. Accordingly, the performance was below the expected level as stated below due to the failure to achieve the desired objectives of providing for self-employed persons.		
(i)	The total first premium collected on the enrolment of new contributors to the pension scheme was Rs. 163.29 million as at the last day of the year under review and the annual collections were Rs. 261.77 million. The income of the Fund during the year under review amounted to Rs. 769.55 million, consisting of members' contributions and investment interest income and from the members' contributions, which are the main income, Rs. 22.12 million was refunded during the year under review due to the withdrawal of 539 members before and after the date of pension entitlement.	Payments are being made in accordance with the Act.	Actions should be taken to act as per the Act.
(ii)	According to the performance report, although 55,964 contributors had been enrolled in the pension scheme until 31 December 2024, only 25,510 contributors had been issued certificates, that is, only 46 per cent.	Actions have been taken to issue the deeds within 4 months by the year 2025 and plans have been made to expedite the issuance of deeds in the future by utilizing information technology.	The remaining 30,454 deeds that need to be issued should be issued expeditiously.
(iii)	Although it was expected to spend Rs. 200,000 on 400 students in vocational training institutions and youth groups to conduct self-employment/entrepreneurship skills development programs,	All 4 planned programs have been successfully completed. 298 students participated in the programs, which is 74.5 per cent of the target	The expected number of programs should be held.

	the programs had been conducted for only 298 students.	number of students. A sum of Rs. 72,514 has been spent for this, which is 36.25 per cent of the allocated amount (Rs. 200,000).	
	(iv) Although the project to reactivate inactive members aimed to improve the living conditions of self-employed persons by activating 2000 members under 05 activities and collecting Rs. 10 million, only 316 members had been activated and the amount collected was Rs. 5.47 million.	Agreed	The expected activities should be carried out according to the action plan.
	(v) Although it was planned to establish a new pension information management computer system by spending Rs. 17.03 million in capital allocation in the previous year, only the selection of a supplier and the expectation of obtaining the approval of the Board of Directors for the same had been done.	Agreed with the observations.	The expected activities should be carried out according to the action plan.
(d)	The balance of Rs. 88,999 under Distress Loan II included in the employee loan balance had been in existence since the year 2008 and it had been continuously shown in the financial statements without taking any steps to recover or write off even though 16 years had passed. Any installment amount had not been recovered in the year 2024 out of the loan given to an officer in the year 2022 of Rs. 130,561 and Rs. 14,623 as interest.	The loan amount provided in the year 2008 under Distress Loan II has been recovered in 15 instalments of Rs.1625.00 each from February 2024 to May 2025 and it is scheduled to be recovered further until the end of the payments.	Actions should be taken to recover or write off long-term outstanding loan balances.