

The year 2011 marked several significant developments in the history of the Employees' Provident Fund, the largest superannuation fund in Sri Lanka. The asset base of the Fund surpassed Rupees one trillion mark, while the Fund continued to provide an increasingly efficient service to its members with maximum retirement benefits while assuring the growth and safety of the Fund amidst the challenges posed by the market conditions that prevailed.

In 2011, the Fund performed well despite low level of market interest rates and decline in the equity market and declared an impressive rate of return of 11.5 per cent to its members for the year.

In the meantime, the Fund achieved a significant progress in upgrading the systems and processes in place whilst improving the management skills of the staff.

Employees' Provident Fund

Annual Report - 2011



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Our Vision

To be the most caring superannuation fund in the region enabling our members to have a contented retirement life

To provide maximum retirement benefits and an efficient service to our members through prudent and innovative management of the Fund

Our Mission



Message from the Chairman of the Monetary Board and Governor of the Central Bank of Sri Lanka



The Employees' Provident Fund (EPF) made significant progress in the operations and management of its activities during the year 2011. The Fund performed remarkably well in terms of governance, risk management, introduction of new processes and improvements in fund management and was therefore able to provide services that were of considerable benefit to the members.

The year 2011 also marked a significant point in the history of the Fund, as it passed the Rupees One Trillion mark. While growing in value, the Fund was able to achieve an impressive rate of return on its investments and to provide a distribution of 11.5 per cent to its members. The fact that these outcomes have been realized in a tough and challenging environment, in particular a low interest rate regime and an equity market which has experienced sharp declines in prices, is all the more commendable.

During the year, the EPF continued to invest its funds in government and private securities in keeping with the long term objectives of the Fund. In the management of the Fund, it has always been considered important to provide above-average returns to members, while ensuring safety and long term stability of the Fund. Being the largest superannuation fund in the country, and hence an institution of systemic importance in the financial system in the country, such a goal has been an important economic outcome as well, and accordingly the management of the EPF has given careful and serious consideration to all these factors, in its activities.

The EPF Department continued to improve its internal systems and processes, with the re-registration process of EPF members being continued in earnest, in order to convert the EPF data-base from the existing employer-centric data-base to a more effective member-centric data-base. With the objective of simplifying and thereby improving the efficiency of the process of collecting contributions, the e-Return system was also introduced, so as to enable the employers to submit monthly contributions and relevant documents through their bank accounts electronically. This process has helped to reduce a significant amount of paper work and time spent on administrative work by end 2011 by both employers and the staff of the EPF Department. Other upgrades in the Information Technology Systems have also taken place, thereby providing more effective and efficient services to members, with the greater integration of the many internal processes.

As the EPF moves forward, there will be many challenges to face, particularly those emanating from volatile markets, changing investment climate and the global economic slowdown. Another key factor that the Fund will have to consider carefully, is that its investment portfolio, at present, has a very high concentration of investments in government securities, and that the Government is seen to be moving towards a high level of fiscal consolidation over the next few years. In that scenario, the EPF will need to actively search for alternate but safe investment options in order to invest its funds in the short to medium term. In addition, as the Fund grows in value over the next few years, as a result of the fast growth of the economy, it will also be necessary for the EPF to identify new ways of diversifying its investment portfolio, and give itself a broad spectrum of investment options, while ensuring the



safety of the fund. Towards that objective, the EPF will have to weigh carefully, the risk profiles of new investments against the responsibility of delivering reasonable returns to the members, and the continuous growth of the Fund. At the same time, as the Fund expands its services and facilities to members, the EPF will also need to implement advanced systems for improved efficiency and productivity, so as to improve its service levels for the benefit of its millions of members.

Our sincere thanks are due to the officers of the Department of Labour, Department of Registration of Persons, Registrar General's Department and the Police Department, for their cooperation towards the success of the efforts of the Fund. We also wish to commend the Superintendent and staff of the EPF Department for their deep dedication and commitment towards the satisfactory achievements of the Fund during the year. We also thank the thousands of employers and millions of members of the EPF, who have supported the efforts of the EPF in its steadfast and stable journey as the premier superannuation fund in the country.

Ajith Nivard Cabraal

Governor

Chairman of the Monetary Board



Message from the Commissioner General of Labour



First of all, I wish to extend my wishes to the staff of the Employees' Provident Fund Department of the Central Bank of Sri Lanka on the occasion of releasing the Annual Report 2011.

The Employees' Provident Fund, which was established in 1958 under the Employees' Provident Fund Act No.15 of 1958, is the largest social security scheme in Sri Lanka, in terms of total assets and number of members. The primary objective of the Fund is to provide a defined contribution scheme to the employees in the private and the Semi-Government sectors who do not enjoy pension benefits in Sri Lanka.

During the year 2011, the Department of Labour, which is charged with the general administration of the Fund, has taken several measures to improve services to its members. With the increased island-wide usage of mobile phones, refund claim beneficiaries are now informed of their claims through Short Message Service (SMS), once the claim is finalized. New procedures have been introduced to obtain finger prints of members. National Identity Card number is being used as the account number of the member so that members can continue their account without false-claims being submitted by any other person. Furthermore, in order to facilitate the employers, the registration process of establishments has been decentralized in such a manner so as to enable registration within one day through all the District Labour Offices in Sri Lanka.

It is my duty to appreciate the tireless services rendered by the officers of the Department of Labour executing the statutory responsibilities while maintaining close relationship with the employers and the employees. I also would like to convey my sincere gratitude to all the officers of the Employees' Provident Fund Department of the Central Bank.

Finally, at a time when steps are taken to make Sri Lanka as a commercial hub, it is my belief that the Annual Report of the Employees' Provident Fund will be of immense benefit to all stakeholders, as the Fund is a significant player in the financial markets in Sri Lanka.

V B P K Weerasinghe

Commissioner General of Labour



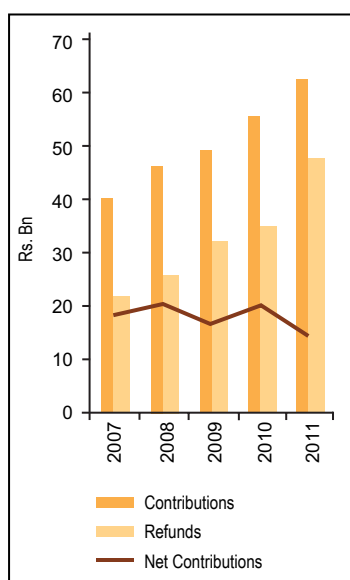
Performance Highlights

Table 1 Financial Highlights

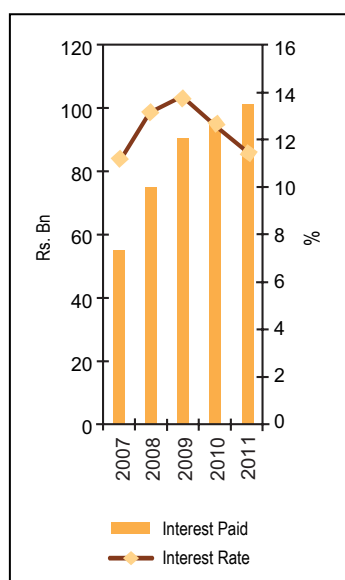
Rs. Mn

Item	2010	2011
Contributions	54,796	61,879
Refund Payments	34,896	47,311
Net Contributions	19,900	14,568
Gross Income	121,256	116,043
Interest paid on Member Account Balances	96,268	101,284
Rate of Interest paid on Member Account Balances (%)	12.5	11.5
Rate of Return on Average Portfolio (%)	15.1	12.5
Transfer to Reserves	13,000	3,500
Operational Expenditure	824	786
Operational Expenditure as a percentage of the Gross Income (%)	0.68	0.68

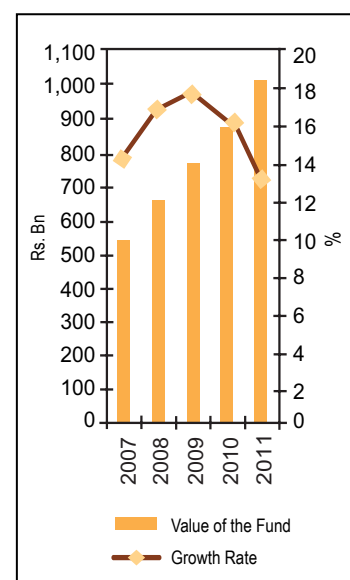
Graph 1 Contributions, Refunds and Net contribution



Graph 2 Interest Paid



Graph 3 Growth of the Fund





Operational Highlights - 2011

- 1 Total number of member accounts increased to 14 mn while total number of contributing member accounts increased by 0.06 mn to 2.21 mn.
- 2 Distributed retirement benefits of Rs. 47,311 mn among 120,301 members.
- 3 Issued certificates of guarantee to 20,041 members against their EPF account balances to obtain housing loans from participating lending institutions.
- 4 Conducted 12 mobile services and 2 public awareness programmes to strengthen and to educate the stakeholders and 14 awareness campaigns and workshops for employers on E-collection system.
- 5 The live operations of new ledger system (AS400) were commenced from January 2011.
- 6 Collectiong member details of 1.1 mn members by registering member accounts detail as per the National Identity Card details.
- 7 Appointed Licensed Commercial Banks as Collecting Agents for online payments of EPF member contributions through the bank web services.



Regulatory Framework

The Employees' Provident Fund (EPF/Fund) is the largest superannuation fund in Sri Lanka. It was established under the Employees' Provident Fund Act No.15 of 1958 to provide retirement benefits for the private and semi government sector employees. In terms of the provisions of the Act, the Commissioner of Labour acts as the general administrator of the Fund while the Monetary Board of the Central Bank of Sri Lanka is entrusted with the powers, duties and responsibilities to act as the custodian of the Fund. The Monetary Board has delegated its powers, duties and functions entrusted by the Act to the Employees' Provident Fund Department of the Central Bank.

The EPF is a mandatory defined contribution retirement benefit scheme. The mandatory minimum contribution rate to the Fund is 20 per cent of the gross monthly earnings of the EPF member. The employer and the employee are required to contribute 12 per cent and 8 per cent of the member's gross earnings, respectively, to EPF.

Employers are liable to send contributions and relevant details of their employees to the Fund periodically. Employers who employ less than 150 employees (C category) send contributions and relevant details (Form C) on a monthly basis and employers who employ more than 150 employees (C3 category) send contributions monthly and relevant member details (Form C3) semi-annually.

The EPF members are eligible to claim their retirement benefits once they reach the retirement age (50 years for females and 55 years for males). In addition, members are also entitled to withdraw their member account balances for reasons such as migration, permanent disability, leaving the employment due to marriage (only for female members) and joining a pensionable employment. Legal heirs of a deceased member are eligible to receive the benefits in the case of a deceased member. In addition to the retirement benefits, EPF facilitates members to obtain loans from six approved lending institutions for housing purposes by pledging the balances lying to the credit of their accounts.

Functions of the Commissioner of Labour

Registration of employers and employees to the Fund.

Carrying out inspections to ensure compliance with the EPF Act and taking legal actions against non-payment of member contributions.

Recovery of surcharges on late contribution payments from employers.

Acceptance of applications for refund of benefits and issuance of Letters of Determination on such applications advising the Central Bank to pay benefits.

Authorization of the amalgamation of previous member accounts of a member.

Approval of housing loans enabling members to obtain housing loans from approved lending institutions by pledging their member balances.



Functions of the Monetary Board

Receipt of member contributions, surcharges and income.

Maintenance of member accounts.

Investment of excess funds to provide maximum return to the members while ensuring the safety of the Fund.

Crediting annual interest to member accounts at a rate approved by the Monetary Board with the concurrence of the Minister of Labour and Labour Relations and the Minister of Finance.

Preparation of annual accounts and issue of annual statements of accounts to the members.

Effecting refund of benefits in accordance with Letters of Determination issued by the Commissioner of Labour.

Issuing of certificates of credit balances to relevant lending institutions facilitating grant of housing loans.

Submission of information such as financial statements and statement of investments to the Hon. Minister of Labour and Labour Relations and Hon. Minister of Finance within 3 months from the end of each year.



Senior Management Team as at 31.12.2011

Department of Labour (EPF Division)

Name	Designation	Division
Mr. D.P.K.R. Weerakoon	Commissioner of Labour	
Mr. R.P.A.S. Kumarasinghe	Deputy Commissioner of Labour	Administration
Mrs. K.H.W. Karunarathne	Deputy Commissioner of Labour	
Mrs. S.D. Chitra	Deputy Commissioner of Labour	
Mr. U.P.R. Sirinaga	Assistant Commissioner of Labour	Recovery
Mr. P.J.R.A.W.C. Ranasinghe	Deputy Commissioner of Labour	
Mrs. G.W.N. Wiraji	Assistant Commissioner of Labour	Payments
Mrs. N.M.Y. Thushari	Assistant Commissioner of Labour	
Mrs. D.R. Perera	Assistant Commissioner of Labour	
Mrs. N.Wasanthika Dias	Assistant Commissioner of Labour	
Mr. T. Yogaraja	Assistant Commissioner of Labour	
Mr. B. Wasanthan	Assistant Commissioner of Labour	IT
Mr. N. Chandrahasan	Assistant Commissioner of Labour	Central File Section

EPF Department of the Central Bank

Name	Designation	Division
Mrs. R Dheerasinghe	Superintendent	
Mrs. K Gunatilake	Additional Superintendent	
Mrs. C M D N K Seneviratne	Additional Superintendent	
Mr. L D D Y Perera	Additional Superintendent	
Mr. A G U Thilakarathna	Deputy Superintendent	
Mr. S A L Muthukumara	Deputy Superintendent	
Mr. S S P De Silva	Assistant Superintendent	Corporate Services and Administration
Mr. H G L Wickramasinghe	Assistant Superintendent	
Mrs. G R M V S Rathnapriya	Personal Secretary	S/EPF Office
Mr. H M Jayasinghe Banda	Senior Assistant Superintendent	Collection, Public Relations and Inquires Division
Mrs. T D S Pathberiya	Senior Assistant Superintendent	Re-Registration Project
Mr. V S Chandrasoma	Assistant Superintendent	
Mrs. V K Dampahalage	Senior Assistant Superintendent	Re-Registration Amendment



Mrs. D M G Piyathilake	Senior Assistant Superintendent	E - Media Project
Mr. Sunil Koswattage	Assistant Superintendent	Current Contribution Division
Mrs. W M S Abeykoon	Assistant Superintendent	
Ms. G B N A Samaranayaka	Assistant Superintendent	
Mr. K G Tilakasiri	Assistant Superintendent	
Ms. P D N Gunathilaka	Assistant Superintendent	Statemented Contribution Division
Mr. J D S J Nanayakkara	Senior Assistant Superintendent	Fund Management Division
Mrs. N L M Abeysekara	Senior Assistant Superintendent	
Mr. T Udayaseelan	Assistant Superintendent	
Mrs. B M W S Balasooriya	Assistant Superintendent	
Mr. W G R Harshapriya	Assistant Superintendent	
Ms. D P Udugamakorala	Assistant Superintendent	
Mr. S Pathumanapan	Assistant Superintendent	
Mr. G A C N Ganepola	Assistant Superintendent	
Mr. K L A C N Anuradha	Assistant Superintendent	Accounts and Settlement Division
Mrs. W G N P Kumari	Senior Assistant Superintendent	
Ms. G B M P Dissanayake	Assistant Superintendent	
Mr. M M Sunil Shantha	Assistant Superintendent	Record Management Division
Ms. D Y S Mahagederawatte	Assistant Superintendent	
Mrs. Y C M Wijetilaka	Assistant Superintendent	Record Amendment Division
Mrs. P H D A Attanayake	Assistant Superintendent	
Mrs. K S S Amarasinghe	Assistant Superintendent	
Mrs. H A S Kulasinghe	Assistant Superintendent	Housing Loan Division
Mr. W A Nandasena	Senior Assistant Superintendent	Refund Control Division
Mr. M Wickramarathne	Assistant Superintendent	
Mr. G Premadasa	Senior Assistant Superintendent	Refund Payment Division
Mr. P P Jayasinghe	Assistant Superintendent	
Mrs. K K C S Kannangara	Assistant Superintendent	
Mrs. K G N Wijerathne	Assistant Superintendent	Special Project



1. Review of Operations

1.1 Macro-economic Environment 2011

The Sri Lankan economy grew by an impressive 8.3 per cent in 2011, which is the highest growth recorded in Sri Lanka's post-independence history, sustaining a growth momentum of over 8 per cent for the first time in two consecutive years. Improved investor confidence, increased capacity utilization, expansion

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of infrastructure facilities and renewed economic activities in the Northern and Eastern Provinces arising from the peace dividend reinforced this growth.

The Industry and Services sectors were the drivers of the high growth momentum in 2011. The Agriculture sector rebounded from the output loss recorded due to adverse weather conditions during the beginning of the year. The agriculture sector that contributed 11.2 per cent to GDP grew by 1.5 per cent. The industry sector grew by 10.3 per cent contributing to 29.3 per cent of the GDP while the services sector grew by 8.6 per cent with a contribution of 59.5 per cent to GDP.

Inflation remained at single digit level for the third consecutive year...

Improved performance in all key sectors of the economy helped to generate a higher level of employment in 2011. Accordingly, the unemployment

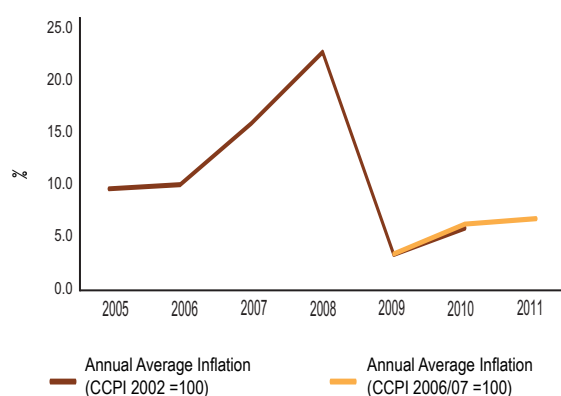
rate declined to its lowest recorded level of 4.2 per cent in 2011 from 4.9 per cent in 2010.

Inflation remained at single digit level for the third consecutive year reflecting the substantial increase in domestic food supply in the country including supply from the Northern and Eastern provinces. Annual average inflation

was 6.7 per cent while year-on-year inflation was 4.9 per cent in December 2011. The Central Bank managed its monetary policy cautiously to prevent buildup of inflationary pressures. Downward revision of tariffs on some consumer goods also contributed to maintain inflation at single digit levels.

Graph 4

Consumer Price Inflation



Source: Central Bank of Sri Lanka

The external sector, which strengthened in the first half of 2011, came under pressure during the latter part of the year due to adverse global developments and rapid growth in imports. Earnings from exports increased by 22.4 per cent while the expenditure on imports increased at a faster pace of 50.7 per cent in 2011, compared to the corresponding period of 2010. Although improved foreign inflows through private remittances and other inflows to the services account, including earnings from tourism, helped to cover a substantial part of the trade deficit, the current account deficit as a percentage of GDP, increased to 7.8 per cent in 2011 from 2.2 per cent in 2010. Meanwhile, inflows of private long term investments including Foreign Direct Investments (FDIs) and inflows to the government remained at healthy levels. However, as these inflows were not sufficient to offset the deficit in the current account, the Balance of Payments (BOP) that recorded a surplus by August 2011 turned to a deficit of US dollars 1.1 billion by end 2011.

Gross official reserves, which stood at US dollars 8.2 billion by mid-August 2011, declined



to US dollars 6 billion by end 2011. The decrease was due to the increase in demand for foreign exchange in the domestic foreign exchange market which was reflected through the high trade deficit. Amidst these developments, the Central Bank intervened to reduce the pressure on the foreign exchange market.

The fiscal policy strategy announced in the budget for 2011 was formulated with the objective of encouraging investment to support a higher economic growth. The overall fiscal deficit in 2011 was 6.9 per cent of GDP, marginally above the deficit envisaged in the original budget.

The financial system remained stable and resilient supported by strong domestic economic growth amidst increased risks emanating from the global macro financial environment. Domestic

The financial system remained stable and resilient supported by strong domestic economic growth amidst increased risks emanating from the global macro financial environment.

macroeconomic conditions remained favorable with expanding economic activity, and accelerated demand for credit in 2011, while liquidity pressures began to surface in the domestic money market towards the latter part of the

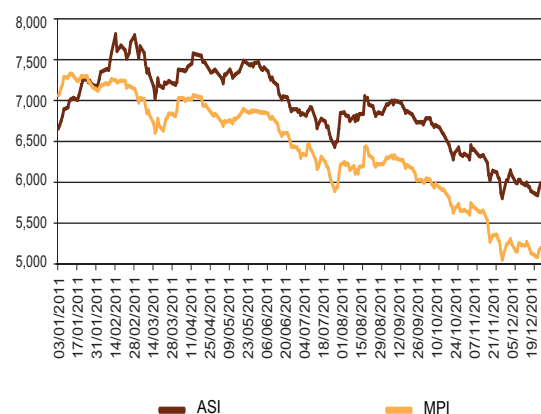
year. The performance of financial institutions improved significantly, and prudential indicators were maintained with adequate capital, liquidity and profitability buffers.

1.2 Capital Market

The Treasury bond yield rates that remained flat during the first nine months of the year shifted upward during the latter part of the year in line with the movement in the short term interest rates in the market. During the year, large volume of longer tenor Treasury bond were issued with the objective of increasing weighted average maturity period and to extend the benchmark yield curve. Meanwhile corporate bond market was inactive in 2011. During the year only one listed debenture was issued and also four debentures were issued in the market by way of introduction with the assurance of subsequent listing on the Colombo Stock Exchange.

Graph 5

Stock Market Indices



Source: Central Bank of Sri Lanka

The price indices of the Colombo Stock Exchange (CSE) declined after the upsurge in the previous two years, while funds rose by way of Initial Public Offerings (IPOs) and Rights Issues (RIs) increased significantly in 2011. Measures such as restrictions on credit extended by the brokers, continued net foreign outflows, liquidity drain on account of several IPOs, RIs and private placements and the impact of the developments in global financial markets negatively affected the performance of the share market.

1.3 Money Market

With excess liquidity in the money market declining to low levels towards the end 2011, the Central Bank took measures to manage market liquidity in order to smooth out sharp fluctuations in market interest rates. In addition to the decline in excess liquidity due to high credit expansion, the increase of the Statutory Reserve Ratio by one percentage point and the supply of foreign exchange by the Central Bank, particularly to facilitate the settlement of petroleum import bills, led to a further reduction in rupee liquidity in the domestic money market. Excess rupee liquidity in the market, which was over Rs. 110 billion at the beginning of the year, declined steadily during 2011, turning marginally negative on few occasions in December. In anticipation of this, the Central Bank recommenced the conduct of daily auctions under OMO from September onwards to provide better guidance for market interest rates.



1.4 Interest Rate Policy

Policy interest rates of the Central Bank that were adjusted downwards in January 2011 remained unchanged thereafter during the year. In order to facilitate investments further and to

Market interest rates remained broadly stable during the first three quarters of 2011. However, an upward movement in market interest rates was observed during the fourth quarter of 2011.

support continued economic expansion, the Repurchase and Reverse Repurchase rates were reduced by 25 basis points and 50 basis points, respectively, in January 2011 and stood at 7.00 per cent and 8.50 per cent, respectively, thereafter. Market

interest rates including yields on government securities remained broadly stable during the first three quarters of 2011. However, with the declining excess liquidity in the domestic money market, an upward movement in market interest rates and yields on government securities was observed during the fourth quarter of 2011.

2. EPF and Other Superannuation Funds in Sri Lanka

The superannuation funds sector of Sri Lanka comprises of 3 publicly managed funds, namely the Employees' Provident Fund (EPF), Employees' Trust Fund (ETF) and Public Service Provident Fund (PSPF). In addition to the above three funds, there are 171 privately managed approved provident and pension funds.

Being the largest among the superannuation fund sector in Sri Lanka, EPF held 78.1 per cent (Rs.1, 020 billion) of the total assets of the industry...

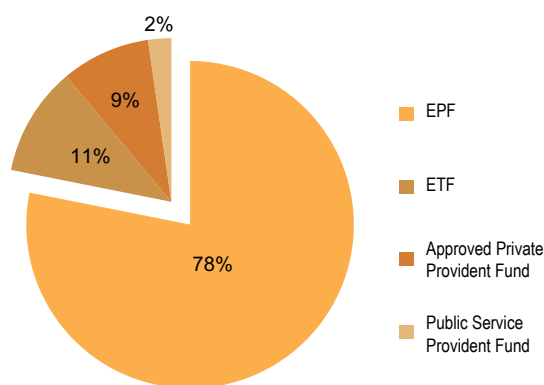
At the end of 2011, total assets of the superannuation funds in Sri Lanka, was Rs. 1,305.7 billion, which accounted for 16.9 per cent of the total assets of the

financial institutions. The EPF, being the largest superannuation fund in the country, held 78.1 per cent (Rs.1, 020 billion) of the total assets of

the superannuation industry, representing 13.2 per cent of the total assets of the major financial institutions in Sri Lanka.

Graph 6

Composition of the Assets of the Superannuation Industry



Source: Central Bank of Sri Lanka

3. Review of the Performance of EPF

As at the end 2011, the value of the Fund surpassed Rs.1 trillion marked and stood at Rs. 1,020 billion recording a considerable increase

As at the end 2011, the value of the Fund surpassed Rs. 1 trillion marked and stood at Rs.1, 020 billion recording a considerable increase of 13.4 per cent from Rs. 899.7 billion at the end 2010.

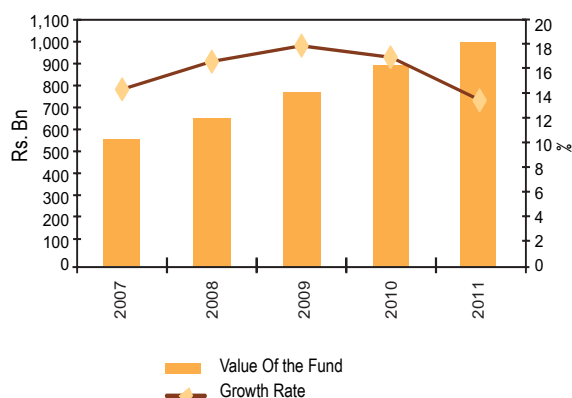
of 13.4 per cent from Rs. 899.7 billion at the end 2010. The income generated through the prudent management of the Fund and net contributions were the reasons for this increase in the Fund during 2011.

However, due to the low level of market interest rates that prevailed in 2011 coupled with sharp increase in the refund payment moderated the high growth momentum of the Fund.

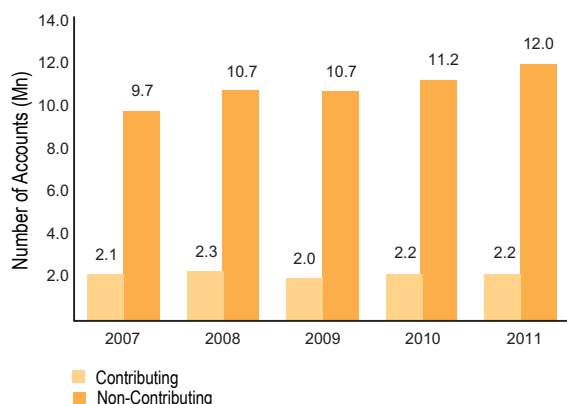
The total number of member accounts of the Fund increased by 4.5 per cent to 14.0 million by the end of 2011 compared to 13.4 million recorded at the end of 2010. The number of contributing member accounts increased by 0.05 million to 2.2 million by the end of 2011 from 2.16 million in 2010 whilst non-contributing member accounts increased to 12.0 million by the end of 2011, compared to 11.2 million in



2010. The total number of member accounts was higher than the number of members of the Fund due to holding of multiple accounts by some members, as they had not amalgamated their member accounts when they changed their employment. Meanwhile, the number of contributing employers increased to 64,562 at the end of 2011 from 62,295 by the end of 2010.

Graph 7**Growth of the Fund**

Source: EPF Department, Central Bank of Sri Lanka

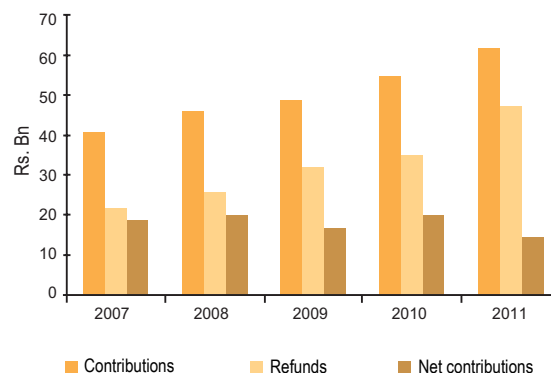
Graph 8**EPF Member Accounts**

Source: EPF Department, Central Bank of Sri Lanka

3.1 Member Contributions and Payment of Retirement Benefits

The total member contribution received by the Fund was Rs. 61.9 billion in year 2011. This was a 12.9 per cent increase compared to Rs. 54.8 billion member contributions received in the previous year. The total amount paid as refund benefits to the members and their legal heirs in

2011 was Rs. 47.3 billion, which was an increase of 35.5 per cent over that of Rs. 34.9 billion paid in 2010. The resulted net contributions (gross contributions less refunds of benefits) for 2011 were Rs. 14.6 billion compared to Rs. 19.9 billion in the previous year, which was a 26.6 per cent reduction.

Graph 9**Contributions, Refunds and Net Contributions**

Source: EPF Department, Central Bank of Sri Lanka

Table 2**EPF Refund Payments - 2011**

Reason for EPF Refund	As a Percentage (%)	
	Number of Refund Applications	Total Amount Refund Benefits
Reaching of Retirement Age	62.5	73.0
Retirement due to Marriage	25.0	10.6
Migration	1.4	3.5
Medical Reasons	0.9	1.0
Death of Member	4.3	4.1
Joining a Pensionable Job	4.7	2.0
Other	1.2	5.8
Total	100.0	100.0

Source: EPF Department, Central Bank of Sri Lanka

Contribution receipts and refund payments made by EPF continued to show an increasing trend over the years. Majority of the EPF benefit claims was received from the members who have reached their retirement age. Further, a considerable portion of refunds claims were made by female members, who have resigned from their jobs due to marriage.



3.2 Investment Activities of the Fund

Under the EPF Act, the Monetary Board of the Central Bank functions as the custodian of the Fund and invests excess money in such securities the Board may consider fit.

As a long term retirement benefit scheme, the investment policy of the Fund is focused on providing a long term positive real rate of return to the members while safeguarding the value of the Fund and maintaining sufficient liquidity. Hence, a major portion of funds is placed with Government securities while

As a long term retirement benefit scheme, the investment policy of the Fund is focused on providing a long term positive real rate of return to the members while safeguarding the value of the Fund and maintaining sufficient liquidity.

the balance is invested in listed and unlisted equities with long term prospects to reap the benefit of investment diversification and high credit worthy corporate debt instruments. A smaller percentage of EPF funds are

invested in high liquid securities such as reverse repurchase agreements (Reverse Repos) to maintain an optimal liquidity position.

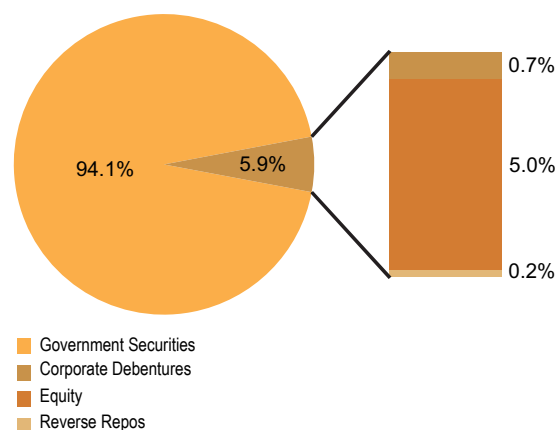
3.2.1 Investment Portfolio

As at the end 2011, the total investment portfolio (Book Value) of the Fund stood at Rs. 988 billion,

recording a 13.9 per cent growth compared to the investment portfolio of Rs. 867.1 billion in 2010. The growth in the investment portfolio was mainly driven by the return on investment and the growth in member contributions.

Graph 10

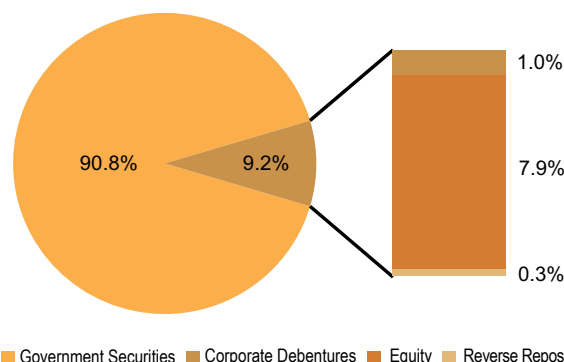
Composition of the Portfolio as at the end of 2010



Source: EPF Department, Central Bank of Sri Lanka

Graph 11

Composition of the Portfolio as at the end of 2011



Source: EPF Department, Central Bank of Sri Lanka

Table 3

Investment Portfolio

Types of Investments	2010		2011	
	Rs. Bn	Share %	Rs. Bn	Share %
Treasury Bonds & Bills	774.8	89.4	874.6	88.5
Rupees Loans	40.9	4.7	23.1	2.3
Corporate Debentures	6.3	0.7	9.2	1.0
Equity	43.7	5.0	78.3	7.9
Reverse Repos	1.4	0.2	2.8	0.3
Total	867.1	100.0	988.0	100.0

Source: EPF Department, Central Bank of Sri Lanka



As at end 2011, the Fund invested 90.8 per cent of total investments in government securities while 7.9 per cent was invested in equity and 1.0 per cent was placed in corporate debentures.

As at end 2011, the Fund invested 90.8 per cent of total investments in government securities while 7.9 per cent was invested in equity and 1.0 per cent was placed in corporate debentures.

The balance 0.3 per cent was invested in high liquid assets such as reverse-repos on government securities to maintain liquidity requirement of the Fund. In the preceding year, investments in

government securities and other public/private sector securities were 94.1 per cent and 5.9 per cent, respectively.

3.2.1.1 Government Securities Portfolio

The government securities portfolio of EPF consists of Treasury bonds, Rupee loans and Treasury bills and accounted for 90.8 per cent of the total portfolio of the Fund. The government securities portfolio grew by Rs. 82 billion from Rs. 815.7 billion in 2010 to Rs. 897.7 billion in 2011. As at end 2011, the Treasury bond portfolio stood at 88.5 per cent of the total portfolio while the share of Rupee loan decreased from 4.7

The government securities portfolio represents 97 per cent of the total gross income of the Fund.

per cent to 2.3 per cent due to maturity of the instruments during 2011.

During the year 2011, Rs. 112 billion was earned (interest income, amortisation gain and capital gain) from the government securities portfolio

and this represents 97 per cent of the total gross income of the Fund. In 2011, the realized rate of return over the average government securities portfolio was 13 per cent and as at the end 2011 the weighted average yield of the government securities portfolio was 11.6 per cent. Out of the total government securities portfolio, 66 per cent will mature within next 4 year period.

3.2.1.2 Equity Portfolio

The Equity portfolio of the Fund consists of both listed and unlisted equity. The equity portfolio of the Fund grew by Rs. 34.6 billion from Rs. 43.7 billion in 2010 to Rs. 78.3 billion as at end 2011. The equity portfolio of the Fund was approximately 8 per cent of the total portfolio as at the end of 2011. This consisted of an

The equity portfolio realised an income of Rs. 2.5 billion in the year 2011 compared to the income of Rs. 1.8 billion earned in 2010.

investment portfolio of Rs 77.6 billion and a trading portfolio of Rs. 0.7 billion. The investment in the equity portfolio was increased as a measure of diversifying the investment portfolio and capitalizing the opportunity that

arose due to the expansion of the economy of the country. During the year 2011, the Fund continued to invest in fundamentally sound companies, especially in the sectors of banking and finance, diversified holdings, hotels and travels, manufacturing and construction and engineering sectors listed in CSE. The equity portfolio realised an income of Rs. 2.5 billion in the year 2011 through dividends, capital gain and marking to market gain/ (loss) when compared with that of Rs. 1.8 billion in 2010

Table 4

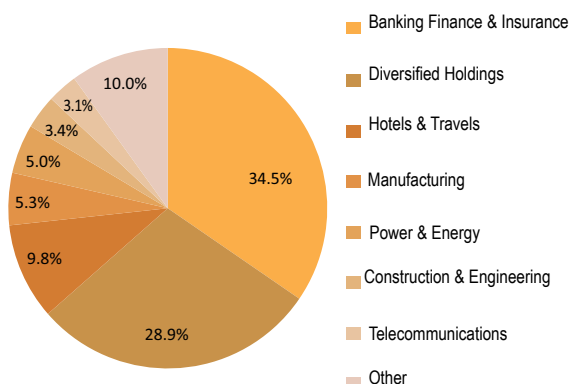
Maturity Profile of the Government Securities Portfolio as at end 2011

Maturity	Face Value Rs. Mn	Share %	Weighted Average Yield %
Less than 1 year	177,064	18.6	15.96
1-2 years	202,673	21.3	12.92
2-4 years	247,582	26.1	10.01
More than 4 years	323,154	34	9.30
Total	950,473	100.0	11.56

Source: EPF Department, Central Bank of Sri Lanka



Graph 12

Sectorial Composition of the Equity Portfolio as at end 2011


Source: EPF Department, Central Bank of Sri Lanka

3.2.1.3 Corporate Debt Portfolio

The Fund has been investing in high credit worthy investment grade instruments such as corporate debentures, trust certificates and mortgage backed securities. During 2011, the Fund earned interest income of Rs. 797 million from corporate debt portfolio and the rate of return on average portfolio was 10.3 per cent per annum.

3.2.1.4 Reverse Repurchase and Treasury bond Lending

In order to manage the liquidity requirement, the Fund has invested the daily excess cash in the Repo market. During the year, the Fund earned an interest income of Rs. 256 million

from reverse repo transactions. Meanwhile, the Fund lent Treasury bonds to the Central Bank to facilitate open market operation during the year 2011, and earned Rs. 105 million as bond lending fees.

3.2.2 Income of the Fund

In 2011 the fund earned the, gross income of Rs. 116 billion compared to Rs. 121.3 billion in 2010. In view of the decline in interest rates, the total income from investment in 2011 was Rs. 115.8 billion compared to that of

The rate of return on total portfolio was 12 per cent in 2011

Rs. 120.9 billion in 2010. Other income of the Fund amounted to Rs. 222 million in 2011 compared to Rs. 386 million in the

previous year. Overall, the rate of return on total portfolio decreased to 12 per cent in 2011 from 15 per cent in 2010 mainly due to decline in the yield rates of government securities.

As in the past, EPF's funds were mainly invested in fixed income securities. Hence, the interest income including amortization gain was the major source of income (97.7 per cent) of the Fund. Income from these two sources declined by Rs. 4.8 billion to Rs. 113.4 billion in 2011. The capital gains and dividends realised from the equity portfolio increased by 60.9 per cent to Rs. 2,678 million in the year 2011 mainly due to the declaration of higher dividends by companies in 2011.

Table 5

Gross Income of the Fund

Source of Income	2010		2011	
	Rs. Mn	Share %	Rs. Mn	Share %
Interest income	89,165	73.5	84,673	73
Amortized gain	29,061	24.0	28,727	24.7
Capital gain from Government securities	874	0.7	10	0.0
Capital gain from Equity	1,054	0.9	715	0.6
Marked to Market Gain/(Loss)	106	0.1	(267)	(0.2)
Dividends	610	0.5	1,963	1.7
Other	386	0.3	222	0.2
Total	121,256	100.0	116,043	100.0

Source: EPF Department, Central Bank of Sri Lanka



3.3 Operational Expenditure

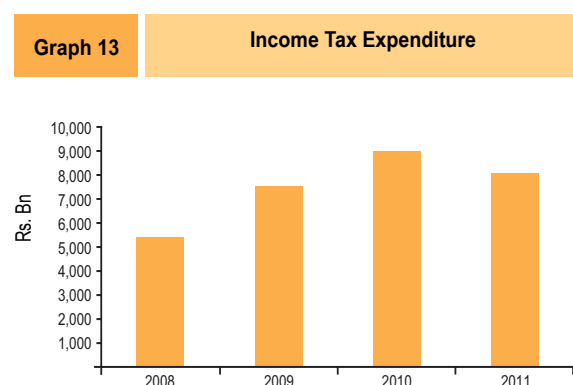
The total operational expenditure of the Fund declined by 4.6 per cent to Rs. 785.7 million in 2011 from Rs. 824.0 million in 2010. As in the past, personnel expenditure has been the main cost driver during 2011. However, the Fund managed to maintain its total operational expenditure at 0.68 per cent of its total gross income in 2011 as well. Maintaining operational expenditure well-below 1 per cent of the gross income has been a key feature of the Fund over the years. This is considerably low compared to 5.2 per cent of operating expenditure as a percentage total gross income represented by Employees' Trust Fund in Sri Lanka and Employees' Provident Fund of Malaysia in 2011.

Table 6 Operational Expenditure		
Item	2010 Rs. Mn	2011 Rs. Mn
Personnel Expenses	414.3	417.0
Administrative Expenses	368.1	334.7
Other Expenses	41.6	34.0
Total	824.0	785.7
Total Expenses as a % of Gross Revenue	0.68	0.68

Source: EPF Department, Central Bank of Sri Lanka

3.4 Tax Expenditure

The income tax expenditure of the Fund in 2011 amounted to Rs. 8,055 million in comparison to Rs. 8,987 million in 2010 reflecting a 10 per cent decrease.



Source: EPF Department, Central Bank of Sri Lanka

3.5 Members' Account Balances and Interest Paid

In 2011, after transferring Rs. 3,500 million to the reserves, a sum of Rs. 101.2 billion was distributed to members as interest, enhancing the members' wealth by 13.4 per cent to Rs. 986 billion. Despite the declining interest rate environment, the Fund was able to declare an interest rate of 11.5 per cent for the year ending 31 December 2011.

Graph 14

Members' Balance and Interest Paid



Source: EPF Department, Central Bank of Sri Lanka

3.6 Risk Management

EPF is a systematically important entity in the financial sector as it represents nearly 13.2 per cent of the assets of the total financial system as at 31st December 2011. Therefore, management of risks associated with the Fund is critically important for the members and the entire financial system of the country. The key risks faced by the Fund are credit risk, interest rate risk, liquidity risk and operational risk.

6.6.1 Credit Risk

The credit risk of the Fund is very minimal as 91 per cent of the investment was in government securities. Further, the Fund invests in highly creditworthy corporate debt instruments after a thorough analysis by taking the risk and return in to consideration. In addition, all Reverse Repo investments of the Fund have been collateralised by adequate government securities. Overall, the Fund maintained its credit risk at a very low level.



3.6.2 Market Risk

The possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets is the market risk. The market risk faced by the Fund is in two types, interest rate risk and equity price risk. When the market interest rates increase the value of the Treasury bond trading portfolio deteriorates. This is the interest rate risk faced by the Fund. However, this has been mitigated to some extent by the proactive measures taken by the Fund by selecting Treasury bonds of different maturity yields and by limiting the size of the trading portfolio.

The equity price risk is the reduction in the value of the equity portfolio due to the decline in the share prices. This has been minimized by investing in fundamentally sound stocks in thriving sectors. Further, the listed equity portfolio has been diversified to 16 sectors including banking, finance and insurance, diversified holdings, hotels and travels, construction and engineering, manufacturing and telecommunication. The limit on the equity trading portfolio investment also minimised the equity price risk of the Fund. Further market risk on equity portfolio is relatively low since exposure of equity market is only 7.9 per cent from the total portfolio of the Fund.

3.6.3 Liquidity Risk

On average, monthly contribution receipts exceed the payment of refund benefits and this generates a net cash inflow to the Fund. Further, interest and maturity proceeds also provide additional cash flow to the Fund. EPF actively participates in the overnight Repo market enabling the Fund to maintain adequate funds to meet daily liquidity requirements. In addition, in case of urgent requirement of liquidity, EPF is in a position to raise cash from market immediately, by selling the tradable securities such as Treasury bonds and Treasury bills which are highly liquid assets. Accordingly, the liquidity risk of the Fund is considered to be very low.

3.6.4 Operational Risk

Operational risk is the broad discipline focusing on the risks arising from the people, systems

and processes through which a company operates. The Fund has taken several steps to improve the systems and procedures during 2011. The members' accounts of the Fund are maintained in the AS 400 system, which has been upgraded to a new ledger system in January 2011. This new system records all transactions centrally,

while facilitating greater integration of the processes in the EPF system at the CBSL, leading to significant improvement in operational efficiency and greater accuracy of data, with minimum manual interventions. Operational risk of the Fund has been further minimized by maintaining an online real time backup system which enables the Fund to carry out its functions without any disruptions. In addition, the Business Continuity Plan (BCP) and the Disaster Recovery Sites (DRS) are being tested every year to ensure the smooth functioning of the operations in the event of any unforeseen event.

3.7 Housing Loan Facility

The Housing Loan Scheme which was introduced in 1998 with the objective of facilitating the members to obtain housing loans from the participating lending institutions continued in 2011 as well. EPF continued to issue certificates of guarantees to members as against their EPF balances under this scheme.

During the year, 19,709 member balance certificates were issued to participating lending institutions for the approval of housing loans amounting to Rs. 6,253 million.

During the year, 19,709 member balance certificates were issued to participating lending institutions for the approval of housing loans amounting to Rs. 6,253 million. Further, in 2011, Rs. 1,896 million was deducted from relevant member accounts and remitted to the participating lending institutions in settling the loan arrears for 2010.

Although the housing loan scheme is an additional facility offered by EPF, some members do not utilise the facility wisely as

**Table 7****Housing Loan Facility**

Year	Certificates Issued (No)	Credit Approved (Rs.Mn)	Amount Remitted to Lending institutions (Rs.Mn)
2000	12,938	1,648	262
2001	16,066	2,091	381
2002	19,502	2,673	541
2003	18,689	2,792	670
2004	14,307	2,452	735
2005	14,600	2,766	900
2006	15,136	3,049	1,078
2007	12,969	2,872	1,240
2008	12,519	3,008	1,192
2009	10,383	2,680	1,552
2010	13,848	4,512	2,093
2011	19,709	6,253	1,896
Total	180,666	36,796	12,540

Source: EPF Department, Central Bank of Sri Lanka

they default the repayment of loans. As a result EPF has to deduct the arrears of instalments and the interest at penal rate charged by the lending institutions from the relevant member accounts and remit such funds to the relevant lending institution in accordance with the contractual agreement between EPF and lending institutions. This would drastically reduce the EPF balance of such members resulting in lower than expected benefits at their retirement. In 2011, the lending institutions charged a penal interest rate of around 2 to 3 per cent per month, which amounted to an effective annual penal rate of around 36 per cent. Therefore, to gain the maximum benefits from this facility the members who obtain housing loans under this scheme should be aware of the consequences of defaulting housing loan repayments.

3.8 Enforcement of Law

In accordance with the EPF Act, the Department of Labour is responsible for general administration of the Fund and enforcement of the EPF Act. Accordingly, during the year 2011, the district labour offices and sub offices registered 8,124

employers and 42,672 employees covering all provinces including the Northern and the Eastern provinces. More than 42 per cent of the employers registered during the year 2011, were from the Western province while the Northern and the Eastern provinces accounted for 12 per cent of the total employer registrations.

As per the provisions of the Act, the Department of Labour is empowered to take legal actions against the employers who are not paying member contributions. Accordingly, district labour offices and sub labour offices have sent 11,589 1st notices and 6,156 red notices claiming Rs. 2,920 million and Rs. 1,723 million, respectively. Further, Rs. 814 million has been recovered by the Department of Labour by filing legal cases against 2,332 institutions that failed to settle the arrears within 28 days after receiving the red notice.

3.9 Re-registration of EPF Members

Re-registration of EPF members is one of the key projects launched jointly by the EPF Department and the Department of Labour to re-register EPF members according to their NICs and assign NIC numbers as the Unique Identification (UID) number which enables both institutions

Re-registration of EPF members is one of the key projects launched jointly by the EPF Department and the Department of Labour to re-register EPF members according to their NICs.

to use a common database for maintenance of the member accounts. Accordingly, EPF database would be transformed into a Member Centric Database from the present Employer Centric Database.

This Project is being implemented in three phases.

3.9.1 First phase:

By end 2011, the information of approximately 1.1 million active (Contributing) members have been collected under the project. Of which, approximately 67 per cent of members were assigned UIDs, while the balance is being



processed after further verification from their employers, as there were some discrepancies with data that were provided.

3.9.2 Second phase:

Registering of new EPF members on real time basis under NIC information commenced in November 2010 and was continued during 2011. Accordingly, 30,000 new EPF members were registered and updated to the New Member Registry (NMR) during the year under review. This activity will be continued with a monthly monitoring system to capture NIC information of all new members to whom member contributions are received by the EPF for the first time in each month.

3.9.3 Third phase:

Linking of multiple member accounts to UIDs commenced in November 2011. This facility provides a value addition for members to access and view their EPF balances of multiple accounts only by providing their NIC numbers through Internet and Short Message Service (SMS).

3.10 E-Collection System for EPF Contributions

In 2011, EPF introduced a system to submit member details electronically (e-returns) and make the payment of EPF contributions through direct debit, replacing manual C & C3 Forms and cheques. EPF has also issued a Guideline

In order to promote e-returns and e-collection of contributions, EPF conducted fourteen awareness campaigns and workshops.

on submission of member details and contributions electronically. In order to promote e-returns and e-collection of contributions, EPF conducted

fourteen awareness campaigns and workshops. As a result, employers registered with this system had grown by 24 per cent compared to previous year. As a part of this model, EPF has already obtained the services of a Licensed Commercial Bank (LCB) as a collecting agent. Other LCBs have also expressed interest in

acting as collecting agents of EPF and in the future, EPF anticipates obtaining the services of other LCBs as well. Fifty-one employers sent their contributions through this collecting agent during 2011. This method of collection of contributions and member details significantly reduced the problems faced by EPF Department, Labour Department, employers and employees and helped enhance the efficiency of the collection system of the Fund.

3.11 Creating a e-database (The Image Scanning Project)

EPF expects to move to a Near-paperless Operation System in the medium term, to convert the functions of EPF towards a banking model. One of the functions to achieve this objective is to convert the paper-based documents to electronic documents, since EPF has recognized the value of electronic storage of documents. In this process, the first step is to scan the paper-based documents and convert them to e-documents. The main functions are scanning of Forms "C", "C3", "D" and Re-registration forms, real time scanning of documents at the time of collection, and establishing of electronic database replacing current paper-based archives. This process will enhance the operational efficiency and improve member satisfaction. The required ground work is underway to ascertain the feasibility of the Project.

3.12 Public Awareness

Creating public awareness through networking is one of the efficient ways of reaching members and educating them on EPF. Twelve mobile services were conducted in 2011 with the objective of improving awareness of EPF members on EPF operations.

Twelve mobile services were conducted in 2011 with the intention of improving awareness of EPF members on EPF operations with the participation of other relevant organizations...

The mobile services were organized with the participation of other relevant organizations such as the Department of Labour, Department of Registration of Persons,



Registrar General's Department and Police Department. Accordingly, the following services were delivered through the mobile services.

- Issuing of EPF balance statements to members,
- Name and NIC amendments of members,
- Obtaining of applications from EPF members to issue National Identity Cards by officers of Department of Registration of Persons,
- Obtaining applications from EPF members to issue Birth Certificates/ Presumptive Age Certificates by officers of Registrar General's Department,
- Promoting of member registration for SMS and Internet facilities and
- Counselling of members.

In addition, two awareness programmes were conducted for HR officials of plantation companies. One programme was held at the Ministry of Plantation Industries and the other programme was conducted for the staff of Watawala Plantations Ltd. The department distributed the hand-outs on the operations of EPF to educate the general public free of charge.

3.13 Services to Members under One Roof

With the objective of providing services to members under one roof Employees' Provident Fund Department of Central Bank shifted to a new premises "Lloyd's Building", at No 13,

Sir Baron Jayathilake Mawatha, and Colombo 01 on the 19th October 2011. This has facilitated members to obtain their EPF member related services such as name amendments, housing loan services, refund applications, payment of EPF contributions, etc. under one roof without any delay or entry barriers.

Inauguration Ceremony



Lloyd's Building





RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2011

(Rs.)

	2011				2010
	Notes	Monetary Board	Labour Dept.	Total	Total
Cash balance at the beginning of the year		1,310,405,686	162,528,275	1,472,933,961	1,313,248,552
Add: Total receipts	1	150,735,929,233	699,457,870	151,435,387,103	145,111,050,296
Less: Total Payments	2	150,020,702,442	814,390,928	150,835,093,370	144,951,364,887
Cash balance at the end of the year		2,025,632,477	47,595,217	2,073,227,694	1,472,933,961

On Behalf of the Monetary Board

Certified By

C M D N K Seneviratne
Actg. Superintendent
Employees' Provident Fund

Date : 17/02/2012

Prepared By

G B M P Dissanayake
Assistant Superintendent
Employees' Provident Fund



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2011

(Rs.)

	2011	2010
Cash flow from operating activities:		
Interest received from Investments - (Investment Interest)	86,070,971,262	87,371,269,035
Capital Gains on sale of T/Bill, Bonds & Shares	724,640,967	1,927,829,151
Dividends received from Shares	1,851,639,102	521,225,906
Surcharges	113,160,172	258,051,071
Other Income	144,367,937	63,964,884
Recoveries from Debtors	(2,429)	468,737
Re-imbursement of Expenses	(27,241,554)	(24,181,672)
Advances	25,136,334	(16,057,900)
Operating Expenses	(623,094,532)	(595,234,505)
Settlement of Creditors	(1,973,696,812)	(1,912,925,563)
Cash generated from operations	86,305,880,447	87,594,409,143
Payment of Tax	(13,571,791,103)	(6,943,714,351)
Net cash from operating activities	72,734,089,343	80,650,694,791
Cash flow from investment activities:		
Investments	(467,249,516,811)	(403,539,565,620)
Maturities of Investments	380,942,026,911	303,275,398,792
Cash generated from investments	(86,307,489,900)	(100,264,166,828)
Acquisition of Fixed Assets	(224,968,474)	(90,580,169)
Net cash used in investing activities	(86,532,458,374)	(100,354,746,998)
Cash flow from financing activities:		
Contributions	61,878,995,006	54,795,566,382
General Deposit	(7,001,939)	(35,952,439)
Refunds	(47,310,802,028)	(34,895,876,327)
Net cash from financing activities	14,561,191,039	19,863,737,616
Net (decrease)/increase in cash and cash equivalents	762,822,008	159,685,409
Cash & cash equivalents at the beginning of the year	1,310,405,686	1,313,248,552
Cash & cash equivalents at the end of the year-Before Adjustments	2,073,227,694	1,472,933,961
Adjustments:Cash balance at the end of the year -Labour Dept.	(47,595,217)	(162,528,275)
Cash & cash equivalents at the end of the year	2,025,632,477	1,310,405,686

On Behalf of the Monetary Board

Certified By

C M D N K Seneviratne
Actg. Superintendent
Employees' Provident Fund

Date : 17/02/2012

Prepared By

G B M P Dissanayake
Assistant Superintendent
Employees' Provident Fund



INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2011

(Rs.)

	2011			Total	
	Note	Monetary Board	Labour Dept.	2011	2010
Investment Income	3	115,820,784,433	-	115,820,784,433	120,870,088,116
Other Income	4	218,649,231	3,677,836	222,327,067	386,247,050
Total Gross Income		116,039,433,664	3,677,836	116,043,111,500	121,256,335,165
Less: Income Tax		(8,055,297,870)	-	(8,055,297,870)	(8,987,285,936)
Net Income after Tax		107,984,135,794	3,677,836	107,987,813,630	112,269,049,229
Operating Expenditure	5	(424,802,181)	(360,944,950)	(785,747,131)	(824,037,482)
Net Income after expenses		107,559,333,613	(357,267,114)	107,202,066,499	111,445,011,747
Add - Retained Profits of the Previous Year (After Adjustments)	6	293,931,074	-	293,931,074	17,721,433
Net Income Available for Distribution		107,853,264,687	(357,267,114)	107,495,997,573	111,462,733,181
Less - Interest Paid on refunds-Current Year		(2,343,039,090)	-	(2,343,039,090)	(1,901,083,537)
Profit Equalisation Reserve Fund		(3,500,000,000)	-	(3,500,000,000)	(13,000,000,000)
Interest on Member Balances as at 31st December @11.50% (2010 - 12.50%)		(101,284,166,436)	-	(101,284,166,436)	(96,267,718,569)
Carried Forward balance for the next year		726,059,161	(357,267,114)	368,792,047	293,931,074

On Behalf of the Monetary Board

Certified By

C M D N K Seneviratne
Actg. Superintendent
Employees' Provident Fund

Date : 17/02/2012

Prepared By

G B M P Dissanayake
Assistant Superintendent
Employees' Provident Fund



STATEMENT OF ASSETS AND LIABILITIES AS AT 31ST DECEMBER 2011

(Rs.)

	Note	2011	2010
Propety, plant & equipment (NBV)	7	494,764,779	214,022,022
Long Term Investments	8	981,336,571,481	854,848,352,465
		981,831,336,260	855,062,374,487
Current Assets			
Inventory		8,172,913	9,362,613
Interest Receivables		25,570,393,546	28,024,941,778
Contributions Receivable		5,430,068,285	4,540,823,513
Other Current Assets/Receivables	9	1,205,657,547	1,330,390,824
Short Term Investments	10	6,629,272,086	12,212,886,152
Cash and Cash Equivalents	11	2,025,632,477	1,310,405,686
		40,869,196,855	47,428,810,566
Less: Current Liabilities			
Tax		50,698,449	570,723,870
Creditors		7,987,850	2,094,146,943
Accrued Expenses		91,185,624	89,916,665
Other Current Liabilities	12	2,478,910,453	86,046,562
		(2,628,782,376)	(2,840,834,040)
Net Current Assets		38,240,414,479	44,587,976,526
Total Net Assets		1,020,071,750,739	899,650,351,013
Represented By			
Member Balances	13	878,970,342,110	768,235,696,492
Interest payable on member balances		107,075,451,582	100,963,558,447
		986,045,793,692	869,199,254,939
Reserves	14	33,657,000,000	30,157,000,000
Retained Profit		368,792,047	293,931,074
		34,025,792,047	30,450,931,074
Total Net Worth of the Fund		1,020,071,585,739	899,650,186,013
Non Current Liabilities			
Provision for Gratuity		165,000	165,000
Networth of the Fund & Noncurrent Liabilities		1,020,071,750,739	899,650,351,013

On Behalf of the Monetary Board

Certified By

C M D N K Seneviratne
Actg. Superintendent
Employees' Provident Fund

Date : 17/02/2012

Prepared By

G B M P Dissanayake
Assistant Superintendent
Employees' Provident Fund

**STATEMENT OF INVESTMENTS
AS AT 31ST DECEMBER 2011**

(Rs.)

2011						2010					
Face value	Cost	Amortized Value	Market Value	Book Value	Note	Class of Investments	Face value	Cost	Amortized Value	Market Value	Book Value
23,100,000,000	23,100,000,000	23,100,000,000	23,100,000,000	23,100,000,000	15	Rupee Loan	40,921,000,000	40,921,000,000	40,921,000,000	40,921,000,000	40,921,000,000
927,373,717,000	823,140,421,731	874,368,823,883	877,973,114,218	874,572,559,685	16	Treasury Bonds	814,451,264,000	718,304,004,030	768,387,815,622	824,705,423,137	768,900,946,449
-	-	-	-	-		Treasury Bills	5,969,000,000	5,569,659,745	5,936,349,431	5,941,779,880	5,936,349,431
2,802,100,000	2,802,100,000	2,802,100,000	2,802,100,000	2,802,100,000	17	Reverse Repo	1,357,000,000	1,357,000,000	1,357,000,000	1,357,000,000	1,357,000,000
6,152,500,000	6,152,500,000	6,152,500,000	6,152,500,000	6,152,500,000	18	Corporate Debentures	5,365,000,000	5,365,000,000	5,365,000,000	5,365,000,000	5,365,000,000
500,000,000	500,000,000	500,000,000	500,000,000	500,000,000	18	Mortgage Backed Securities	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
2,834,902,632	2,462,048,888	2,585,246,504	2,585,246,504	2,585,246,504	18	Trust Certificates	494,228,081	409,924,098	420,997,690	420,997,690	420,997,690
-	73,948,947,927	73,948,947,927	71,404,351,040	73,773,328,408	19	Listed Equity	-	39,133,587,926	39,133,587,926	57,025,139,417	39,179,836,078
-	4,480,625,000	4,480,625,000	4,480,625,000	4,480,625,000	19	Unlisted Equity	-	4,480,625,000	4,480,625,000	4,480,625,000	4,480,625,000
962,763,219,632	936,586,643,547	987,938,243,315	988,997,936,762	987,966,359,597	20/21	Total	869,057,492,081	816,040,800,799	866,502,375,668	940,716,965,124	867,061,754,648

On Behalf of the Monetary Board

Certified By



CMD N K Seneviratne
Actg. Superintendent
Employees' Provident Fund

Date : 17/02/2012

Prepared By



G B M P Dissanayake
Assistant Superintendent
Employees' Provident Fund





STATEMENT OF CHANGES IN EQUITY/MEMBERS' WEALTH AS AT 31ST DECEMBER 2011

	Members Balance	Building Reserve Fund	Technology Advancement Reserve Fund	Profit Equalisation Reserve Fund	General Reserve Fund	Retained Profit	General Deposit Account	Total
								(Rs.)
Balance as at 31 December 2009	751,944,041,028	3,157,000,000	350,000,000	7,000,000,000	6,650,000,000	17,721,434	274,519,146	769,393,281,608
Prior Year Adjustment								-
Net Profit for the year - 2010						111,445,011,747		111,445,011,747
Net Contributions	20,683,256,121						29,720,075	20,712,976,196
Member Interest Paid - 2010						(1,901,083,537)		(1,901,083,537)
Member Interest (2010: 12.50%)	96,267,718,569					(96,267,718,569)		
Transfers from Retained Profit				13,000,000,000		(13,000,000,000)		
Balance as at 31st December 2010	868,895,015,717	3,157,000,000	350,000,000	20,000,000,000	6,650,000,000	293,931,075	304,239,221	899,650,186,013
Prior Year Adjustment								-
Net Profit for the Year 2011						107,202,066,499		107,202,066,499
Net Contributions	15,520,078,603						42,458,714	15,562,537,317
Member Interest Paid During the Period						(2,343,039,090)		(2,343,039,090)
Member Interest for the year 2011 at 11.50%	101,284,166,436					(101,284,166,436)		-
Transfers from Retained Profit				3,500,000,000		(3,500,000,000)		-
Balance at 31st December 2011	985,699,260,756	3,157,000,000	350,000,000	23,500,000,000	6,650,000,000	368,792,048	346,697,935	1,020,071,750,739



Notes to the Accounts for the year ended 31ST December 2011

1. General Accounting Policies

- i. The financial statements of the Fund have been prepared in accordance with generally accepted accounting principles and the Sri Lanka Accounting Standards laid down by the institute of Chartered Accountants of Sri Lanka.
- ii. The financial statements of the Fund comprise both the EPF Department of the Central Bank of Sri Lanka and the EPF Section of the Department of Labour.
- iii. The materiality of events occurring after the date of the Balance Sheet has been considered and no such events have occurred to make adjustment to these accounts.
- iv. Provisions have been made for all known liabilities.

2. Balance Sheet

(A) Assets and bases of their valuation

i. Stocks

Stock of Stationery has been valued at cost.

ii. Interest Receivables

Interest Receivable is calculated at the relevant rates of interest for the number of days from the date of the last payment of interest to 31.12.2011 of each investment held by the Fund as at 31.12.2011.

iii. Value of Investments

All Investments are shown at amortized cost in the books of accounts and adjustments were made in the accounts for changes in the market value for the short-term investments. Market values in respect of the fixed income investments shown in the Statement of Investments have been computed based on the market yields of those securities prevailed as at 31.12.2011. Market values of shares shown in the Statement of Investments are the prices quoted in the Colombo Stock Exchange on last traded date.

iv. Tax Expense Account

Since EPF changed its accounting policy (w.e.f. 01.09.2006) to value the Treasury bonds and bills portfolio at after tax weighted average cost (WAC) and to amortize subsequently, the amortisation gain was recorded net of tax.



Accordingly, the proportion of WHT applicable for the income earned on Treasury bonds and bills for the year was added back to the amortisation gain account in order to give a fair view about the income tax expenditure and the amortisation gain.

v. **Fixed Assets and Depreciation**

Fixed assets belonging to the Fund are shown at cost less accumulated depreciation. Depreciation has been charged on Straight-line method at the following rates in order to write off the cost of such assets over their estimated effective life-time.

Computer Equipment & Software	50%
Office Equipment	25%
Furniture & Fittings	10%
Motor Vehicles	20%
Buildings	02%
Plant and Machinery	25%

Some office furniture used by the Fund at present has been borrowed from the Secretariat Department of the Central Bank and, therefore, has not been taken into the accounts.

vi. **Contributions Receivable**

Contributions relevant to a particular month are received in the succeeding month. Contributions for December 2011 have been estimated to the extent of the Contributions received in January 2012 and accounted accordingly.

vii. **Sundry Debtors and Other Receivables**

Sunday debtors and other receivables are stated at the amounts that they are estimated to realise.

(B) Liabilities

i. **Unclaimed Benefits**

The EPF benefits duly refunded to the Members or the Beneficiaries, but returned for various reasons and the retained benefits for 2010 have been credited to the unclaimed benefits account until they are re-claimed.

ii. **Retained Benefits**

The EPF benefits, retained on the instructions of the Commissioner of Labour are shown as Retained Benefits until instructions are received to release them. Such credits are not retained for more than one accounting period in this account.

iii. **Under Payments & Over Payments (Refunds)**

The balance shown in the Under Payments & over Payments (Refunds) account represents payment of benefits made as part payments.



iv. **Tax Payable on Interest Income**

The liability for income tax is calculated to the extent of the tax payable on investment income. Income tax liability of the Fund is 10% of the gross income earned as interest, dividends and net surcharges. There is no liability on capital gains earned on Treasury bills, Treasury bonds and shares, since they are exempted from tax as per the Inland Revenue Act.

3. **Income Statement**

i. **Investment Income**

Interest receivable from investments is calculated on the basis of realization concept.

ii. **Dividends**

Dividend income is recognised when the Fund's right to receive the payment is established.

iii. **Provision for all known liabilities**

Excess of income over expenditure has been arrived at after making provisions for all known liabilities and depreciation of fixed assets.

iv. **Consolidated Expenses**

All expenditure incurred in managing the Fund by both the EPF Department of the Central Bank and the EPF Section of the Department of Labour has been charged to the revenue of the Fund as its expenditure.

v. **Prior Year Adjustments**

The year-end balance of the Prior year adjustment account is shown, after making necessary adjustments to the carried forward balance of Income Statement of the previous year.

vi. **Reserves**

During the year under review the Fund transferred Rs. 3.5 Bn to the profit equalisation reserve fund.

4. **Receipts and payments accounts**

i. **Receipts**

Amounts shown as receipt are the receipts in the form of cash during the year

ii. **Payments**

All payments are in the form of cash payments.

**NOTES TO THE RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR 2011****1. RECEIPTS****(Rs.)**

	2011		2010	
	Monetary Board	Labour Dept.	Total	Total
Contributions	61,878,995,006		61,878,995,006	54,795,566,382
Re - imbursement of Expenses by the EPF-CBSL	-	539,843,822	539,843,822	459,711,114
Imprest Account (Commissioner of Labour)	-	15,953,319	15,953,319	64,194,944
General Deposit Account - (EPF Contributions)	-	134,598,703	134,598,703	218,946,248
Income - Interest from Investments	86,070,971,262	-	86,070,971,262	87,371,269,035
Less: Income tax			-	(202,071,301)
	86,070,971,262	-	86,070,971,262	87,169,197,734
Surcharges	112,961,262	198,910	113,160,172	258,051,071
Capital Gain on sale of T. Bonds/T Bills	9,645,477	-	9,645,477	874,344,583
Capital Gain on dealing of Shares	714,995,490	-	714,995,490	1,053,484,568
Dividends	1,851,639,102	-	1,851,639,102	521,225,906
Sundry Income	105,668,893	8,787,856	114,456,749	63,964,884
Debtors	(2,429)	-	(2,429)	468,737
Settlement of Advances	1,100,000	75,261	1,175,261	1,523,741
Unclaimed Benefit	(10,044,829)	-	(10,044,829)	(369,629,616)
			-	
Total	150,735,929,233	699,457,870	151,435,387,103	145,111,050,296



NOTES TO THE RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR 2011

2. PAYMENTS

				(Rs.)
	2011		2010	
	Monetary Board	Labour Dept.	Total	Total
Refunds	47,172,086,633	-	47,172,086,633	34,015,304,675
			-	-
Investments	467,249,516,811	-	467,249,516,811	403,539,565,620
Less - Maturity Proceeds	(380,942,026,911)	-	(380,942,026,911)	(303,275,398,792)
	86,307,489,900	-	86,307,489,900	100,264,166,828
WHT paid on Investment	13,571,791,103	-	13,571,791,103	6,738,380,510
Operating Expenses	346,269,418	276,825,114	623,094,532	595,234,505
			-	-
Settlement of creditors/payables	1,973,696,812	-	1,973,696,812	1,912,925,563
Income Tax Retained on Refund of Benefits	-	-	-	3,262,541
Reimbursement of expenses - Comm. Labour	516,662,149	-	516,662,149	483,892,786
Under payments and over payments - Refunds	128,670,566	-	128,670,566	510,942,036
Fixed Assets Acquisition	838,861	224,129,613	224,968,474	90,580,169
Advances - Staff	44,000	-	44,000	(36,000)
- Miscellaneous	3,153,000	9,307,284	12,460,284	81,812,585
General Deposit Account (E. P. F. Contributions)	-	304,128,917	304,128,917	254,898,687
Total	150,020,702,442	814,390,928	150,835,093,370	144,951,364,887



NOTES TO THE INCOME STATEMENT FOR THE YEAR 2011

3. INVESTMENT INCOME

(Rs.)

Interest Income	2011		2010	
	Monetary Board	Labour Dept.	Total	Total
Interest from SL R-Loan	4,494,276,925	-	4,494,276,925	6,259,603,902
Interest from T-Bonds- Short Term	331,607,898	-	331,607,898	1,108,260,092
Interest from T-Bonds- Long Term	78,762,365,063	-	78,762,365,063	80,314,106,740
Interest from T-Bill	32,650,569	-	32,650,569	400,466,071
Interest from reverse Repo	255,799,221	-	255,799,221	265,921,103
Interest from Listed Debentures	2,375,616	-	2,375,616	10,846,356
Interest from Unlisted Debentures	600,461,482	-	600,461,482	742,156,293
Interest from Inv in Trust Certificate	134,090,026	-	134,090,026	12,669,660
Interest from Inv in Mortgaged Back	59,933,425	-	59,933,425	50,511,233
Interest Income	84,673,560,227	-	84,673,560,227	89,164,541,451
Dividend income from listed ordinary shares	1,272,355,918	-	1,272,355,918	528,044,064
Dividend income from Unlisted ordinary shares	541,002,841	-	541,002,841	-
Dividend income from Unlisted Preference shares	149,914,664	-	149,914,664	81,764,547
Capital gain/Loss on dealing of T Bonds - Short Term	9,645,477	-	9,645,477	871,128,139
Capital gain/Loss on dealing of T Bonds - Long Term	-	-	-	3,216,444
Capital gain/loss on dealing of - Ordinary Shares Short Term	110,294,560	-	110,294,560	388,649,551
Capital gain/loss on dealing of Ordinary Shares Long Term	604,700,930	-	604,700,930	664,835,017
Amotization gain/loss-Tbond - Long Term	28,726,516,148	-	28,726,516,148	29,060,409,138
Amotization gain/loss - Debentures - Unlisted	-	-	-	890,251
Gain/Loss Marked to market Equity Short Term Portfolio	(174,077,469)	-	(174,077,469)	172,111,383
Gain/Loss on Marked to market T Bonds	(93,128,863)	-	(93,128,863)	(65,501,869)
Other Investment Income	31,147,224,206	-	31,147,224,206	31,705,546,665
Total Investment Income	115,820,784,433	-	115,820,784,433	120,870,088,116

4. OTHER INCOME

(Rs.)

	2011		2010	
	Monetary Board	Labour Dept.	Total	Total
Surcharges	112,961,262	-	112,961,262	257,163,221
Fee Income from Security Lending	105,483,513	-	105,483,513	58,735,290
Excess Contribution	19,076	-	19,076	20,139
Interest from H/L defaulted (members)	-	-	-	365,155
Sale of stamps	700	-	700	-
Other Income	184,680	3,677,836	3,862,516	69,963,244
Total Investment Income	218,649,231	3,677,836	222,327,067	386,247,049



NOTES TO THE INCOME STATEMENT FOR THE YEAR 2011

05. OPERATING EXPENDITURE

(Rs.)

	2011			2010
	Monetary Board	Labour Dept.	Total	Total
Personnel Expenses	214,714,011	202,254,519	416,968,530	414,257,191
Administration Expenses	186,117,359	148,664,957	334,782,316	368,149,032
Other expenses	23,970,812	10,025,474	33,996,285	41,631,259
Total	424,802,181	360,944,950	785,747,131	824,037,482

06. BROUGHT FORWARD BALANCE OF THE INCOME STATEMENT - AFTER ADJUSTMENTS

(Rs.)

	2011	2010
Brought forward balance as previously reported	293,931,074	17,721,433
Prior Year Adjustments - Monetary Board	-	-
Prior Year Adjustments - Labour Dept:	-	-
Brought Forward balance as at 31st December 2011 (after adjustments)	293,931,074	17,721,433



NOTES TO THE BALANCE SHEET AS AT 31ST DECEMBER 2011

07. PROPERTY, PLANT AND EQUIPMENT

Asset Class	Cost		Accumulated Depreciation		Net Book Value		2011	2010
	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Monetary Board	Labour Dept.	Total	Total
Building and Structure	-	340,469,070	-	2,089,059	-	338,380,011	338,380,011	74,877,837
Computer Equipment	58,126,075	316,428,716	49,453,088	254,357,417	8,672,988	62,071,299	70,744,287	11,030,966
Office Furniture	11,815,627	30,537,390	8,728,725	21,173,033	3,086,902	9,364,357	12,451,259	16,038,228
Office Equipment	7,618,354	177,256,448	4,655,549	163,107,176	2,962,805	14,149,272	17,112,077	48,091,041
Motor Vehicles		94,202,490	-	39,230,859	-	54,971,632	54,971,632	60,706,604
Computer Software	22,225,506		21,165,623		1,059,883	-	1,059,883	3,203,731
Other	1,885,559	352,104	1,839,928	352,104	45,632	-	45,632	73,616
Total	101,671,121	959,246,218	85,842,912	480,309,648	15,828,209	478,936,570	494,764,779	214,022,022



NOTES TO THE BALANCE SHEET AS AT 31ST DECEMBER 2011

08. LONG TERM INVESTMENTS

(Rs.)

	Monetary Board	
	2011	2010
Investments on SL Rupee Loans	23,100,000,000	40,921,000,000
Investments in Treasury Bonds - Long Term	871,431,804,695	764,965,976,766
Investment in Listed ordinary shares-Long Term	73,086,911,313	38,195,269,040
Ordinary Shares Unlisted Long Term	3,475,625,000	3,475,625,000
Investment in Unlisted Preference Shares	1,005,000,000	1,005,000,000
Investment in Debentures-Listed	362,500,000	200,000,000
Investment in Debentures-Unlisted	6,290,000,000	5,665,000,000
Investment in Trust Certificate	2,585,246,504	420,997,690
O/B Recon Investment	(516,031)	(516,031)
Total	981,336,571,481	854,848,352,465

09. OTHER CURRENT ASSETS / RECEIVABLES

(Rs.)

	2011		2010	
	Monetary Board	Labour Dept.	Total	Total
Dividend Receivables	54,151,458	-	54,151,458	76,002,488
Other Receivables	1,736,722	-	1,736,722	1,734,293
Tax Paid at Source	674,911,772	-	674,911,772	709,529,389
Prepayments	4,498,902	17,920	4,516,822	18,227,179
Other Current Assets	111,875,950	352,650	112,228,600	200,238,053
CGL Imprest		358,112,173	358,112,173	324,659,422
Total	847,174,804	358,482,743	1,205,657,547	1,330,390,824

10. SHORT TERM INVESTMENTS

(Rs.)

	Monetary Board	
	2011	2010
Investments in Treasury Bonds	3,140,754,990	3,934,969,683
Investments in Treasury Bills	-	5,936,349,431
Investment in listed Ordinary Shares	686,417,096	984,567,038
Investment in Reverse REPO	2,802,100,000	1,357,000,000
Total	6,629,272,086	12,212,886,152

11. CASH AND CASH EQUIVALENTS

(Rs.)

	Monetary Board	
	2011	2010
BOC Main Account	1,896,481,559	1,219,917,097
BOC Taxable Account **	4,810,964	(36,627,163)
Bank of Ceylon 7 **	(13,220,160)	(12,731,370)
Bank of Ceylon 6	33,053	33,053
People's Bank	129,834,703	132,201,967
SLIP Account	6,777,369	6,778,619
RTGS	909,141	825,664
Petty Cash	5,850	7,820
Total	2,025,632,477	1,310,405,686

Note**: Although the book balances of the Bank A/Cs show an overdrafts, in fact, have favourable balances.

**NOTES TO THE BALANCE SHEET AS AT 31ST DECEMBER 2011****12. OTHER CURRENT LIABILITIES**

(Rs.)

	2011			2010
	Monetary Board	Labour Dept.	Total	Total
EPF Contributions Payable	30,040	1,320,018	1,350,058	1,335,410
ETF Contributions Payable	(172)	-	(172)	(172)
GR/IR Clearing- Inventory	112,763	-	112,763	924,440
GR/IR Clearing-Services/Assets	66,967	-	66,967	66,967
H/Loan Defaults Payable	1,975,000,000	-	1,975,000,000	-
Other Payables	(3,870)	-	(3,870)	-
Refund Claims Payable	503,036,227	-	503,036,227	1,027,907
Investment Clearing A/C	(651,519)	-	(651,519)	82,692,011
Total	2,477,590,435	1,320,018	2,478,910,453	86,046,562

13. MEMBER BALANCES

(Rs.)

	Balance as at 01.01.2011	Credits during the year	Debits during the year	Balance as at 31.12.2011
Current Year Contribution - Contribution No 01 A/C	58,436,485,488	90,198,338,254	84,713,766,173	63,921,057,569
Stamented Contribution - Contribution No 02 A/C	705,269,772,083	149,495,359,887	45,788,920,137	808,976,211,833
Contribution from Comm. of Labour - CL No 01 A/C	3,485,629,526	1,441,205,490	255,065,505	4,671,769,511
U/P O/P Contributions A/C	856,668,078	505,876,761	174,895,073	1,187,649,767
Contribution for 1997/98 - 96 Contribution A/C	193,376	-	-	193,376
Members Collection A/C	6,288,820	80,096,612,558	80,101,496,933	1,404,445
Unclaimed Benefits	122,687,866	159,819,884	162,031,111	120,476,638
Retained Benefits	9,798,093	13,366,321	10,003,803	13,160,611
Refunds-Part payments (U/P O/P Refunds)	(256,066,059)	118,837,590	131,051,105	(268,279,574)
General Deposit Account	304,239,219	42,458,715		346,697,934
Total	768,235,696,492	322,071,875,459	211,337,229,840	878,970,342,110

14. RESERVES

(Rs.)

	Balance as at 01.01.2011	Transfers During the year	Balance as at 31.12.2011
Building Reserve Fund	3,157,000,000		3,157,000,000
Technology Advancement Reserve Fund	350,000,000		350,000,000
Profit Equalisation Reserve Fund	20,000,000,000	3,500,000,000	23,500,000,000
General Reserve Fund	6,650,000,000		6,650,000,000
Total	30,157,000,000	3,500,000,000	33,657,000,000



NOTES TO THE STATEMENT OF INVESTMENTS AS AT 31.12.2011

15. SRI LANKA RUPEE LOANS

(Rs.)			
Security	Face Value	Cost	Market Value
2009-2015	19,600,000,000	19,600,000,000	19,600,000,000
2009-2015 A	500,000,000	500,000,000	500,000,000
2009-2015 A	1,000,000,000	1,000,000,000	1,000,000,000
2009-2015 A	1,000,000,000	1,000,000,000	1,000,000,000
2009-2015 A	1,000,000,000	1,000,000,000	1,000,000,000
Total	23,100,000,000	23,100,000,000	23,100,000,000



NOTES TO THE STATEMENT OF INVESTMENTS AS AT 31.12.2011

16. TREASURY BONDS

	(Rs.)			
	Face Value	Amortized Cost	Purchase Cost	Market Value
Short Term				
11.75 % 2014B	9,000,000	9,421,841	9,421,841	9,345,690
11.75%2015A	2,466,000,000	2,383,922,424	2,383,922,424	2,590,656,300
6.50%2015A	600,000,000	543,674,923	543,674,923	540,753,000
Total - Short Term	3,075,000,000	2,937,019,188	2,937,019,188	3,140,754,990
Long Term				
14.50% 2012A	16,866,000,000	16,842,087,903	15,727,668,294	16,905,348,378
14.50%2012B	16,656,000,000	16,634,779,561	16,385,539,073	16,775,340,240
06.85%2012C	32,522,000,000	32,047,811,004	23,461,217,199	32,433,897,902
13.50% 2012A	31,898,000,000	31,612,425,300	29,203,138,230	32,255,002,416
06.85%2012A	18,437,350,000	18,071,230,267	14,547,005,057	18,335,520,516
13.5%2012B	25,773,000,000	25,301,415,332	22,962,839,619	26,343,330,717
06.85%2012B	34,912,100,000	32,903,265,750	25,287,959,713	34,314,719,057
08.50%2013A	28,507,000,000	27,084,088,398	23,257,151,164	28,283,562,134
13.50%2013A	14,014,000,000	13,839,941,558	13,484,855,614	14,581,454,888
10.50%2013A	34,525,000,000	32,759,105,135	29,097,167,230	34,876,740,700
11.50% 2013A	27,752,100,000	28,209,259,432	28,643,370,687	28,506,651,847
08.50%2013B	28,209,000,000	26,950,769,502	24,395,481,090	27,815,174,151
07.50%2013A	33,145,000,000	30,860,741,867	26,453,903,950	32,147,700,095
06.75%2013A	4,746,000,000	4,658,807,628	4,614,713,442	4,546,084,242
07.50%2013B	31,775,000,000	28,610,564,331	23,529,313,357	30,705,866,575
6.60%2014A	3,242,000,000	3,110,973,074	3,047,022,878	3,051,752,956
06.60%2014A	16,401,000,000	15,880,905,978	15,674,072,255	15,438,556,518
07.00%2014A	21,074,000,000	19,950,024,511	19,252,629,619	19,934,570,968
11.75 % 2014B	31,399,200,000	31,176,926,794	30,905,410,247	32,605,243,272
06.60%2014B	42,804,000,000	41,257,623,423	40,719,042,814	39,878,175,384
11.25% 2014A	9,433,000,000	9,356,009,978	9,298,709,308	9,739,591,366
06.20%2015A	8,929,000,000	8,453,868,967	8,335,119,509	8,104,862,229
11.75%2015A	27,604,500,000	27,358,794,687	27,022,778,171	28,999,907,475
6.50%2015A	11,428,500,000	10,603,464,842	10,356,175,650	10,299,992,768
06.50%2015A	6,952,000,000	6,486,963,688	6,388,443,600	6,265,524,760
11.00% 2015A	9,186,000,000	9,179,630,984	9,149,169,080	9,472,107,156
11.00% 2015B	32,954,500,000	34,054,857,086	34,471,069,991	34,006,901,958
7.25%2016A	10,551,200,000	9,762,322,257	9,577,812,378	9,590,660,957
07.25%2016A	19,535,000,000	18,638,273,760	18,502,147,709	17,756,611,740
6.40%2016A	29,873,700,000	26,542,722,723	25,782,898,323	26,039,261,237
06.40%2016A	800,000,000	734,392,453	727,493,329	697,316,000
06.40%2016B	2,300,000,000	2,087,751,481	2,080,235,000	1,996,271,200
05.80%2017A	19,426,300,000	17,007,694,304	16,822,073,655	16,289,185,666
05.80%2017B	18,468,800,000	16,114,898,442	16,017,697,673	15,262,542,445
08.50%2018A	25,148,000,000	20,975,367,451	19,632,123,854	23,595,513,368
08.50%2018B	6,143,000,000	6,008,294,133	6,000,044,464	5,743,907,719
07.50%2018A	28,783,500,000	26,835,999,722	26,660,257,282	25,505,030,567
05.65%2019A	1,000,000,000	831,822,355	826,609,000	785,064,000
08.50%2019A	39,131,000,000	37,747,077,382	37,603,530,106	36,235,932,096
08.50%2019A	20,881,000,000	20,317,610,499	20,273,229,415	19,336,140,096
06.20%2020A	52,519,467,000	43,560,691,100	43,139,292,414	41,113,551,754
07.00%2023A	46,067,500,000	39,262,537,613	39,149,206,550	36,627,854,643
05.35%2026A	2,525,000,000	1,748,012,042	1,737,784,550	1,633,935,075
Total - Long Term	924,298,717,000	871,431,804,695	820,203,402,543	874,832,359,228
Grand Total	927,373,717,000	874,368,823,883	823,140,421,731	877,973,114,218



NOTES TO THE STATEMENT OF INVESTMENTS AS AT 31.12.2011

17. REVERSE REPURCHASE AGREEMENTS (REVERSE REPO)

(Rs.)

Business Partner	Rate	Face Value	Cost Value	Market Value
Nat Wealth Securities Ltd.	8.05	400,000,000	400,000,000	400,000,000
Commercial Bank of Ceylon Ltd.	8.05	350,000,000	350,000,000	350,000,000
Wealth Trust Securities Limited	8.00	250,000,000	250,000,000	250,000,000
Wealth Trust Securities Limited	8.10	298,100,000	298,100,000	298,100,000
NSB Fund Management Co. Ltd.	8.00	500,000,000	500,000,000	500,000,000
Bank of Ceylon	7.01	766,000,000	766,000,000	766,000,000
Domestic Operations Department	7.00	238,000,000	238,000,000	238,000,000
Grand Total		2,802,100,000	2,802,100,000	2,802,100,000

18. CORPORATE DEBENTURES AND OTHER INVESTMENTS

(Rs.)

Business Partner	Face Value	Cost Value	Market Value
Corporate Debentures			
HDFC Bank Debentures	195,000,000	195,000,000	195,000,000
SMIB Bank Debentures	195,000,000	195,000,000	195,000,000
Aitken Spence Debentures	100,000,000	100,000,000	100,000,000
Sampath Bank Debentures	250,000,000	250,000,000	250,000,000
Sampath Bank Debentures	250,000,000	250,000,000	250,000,000
DFCC Debentures	500,000,000	500,000,000	500,000,000
BOC Debentures	300,000,000	300,000,000	300,000,000
BOC Debentures	200,000,000	200,000,000	200,000,000
Lanka ORIX Leasing PLC Debenture	500,000,000	500,000,000	500,000,000
NTB Debenture	1,000,000,000	1,000,000,000	1,000,000,000
DFCC Vardhana Bank Debenture	500,000,000	500,000,000	500,000,000
HNB Debenture	2,000,000,000	2,000,000,000	2,000,000,000
MBSL Debenture	162,500,000	162,500,000	162,500,000
Sub Total	6,152,500,000	6,152,500,000	6,152,500,000
Mortgage Backed Security			
NDB Housing Mortgage Backed Security	500,000,000	500,000,000	500,000,000
Sub Total	500,000,000	500,000,000	500,000,000
Trust Certificates			
Commercial Leasing	386,029,603	318,082,711	360,260,483
People's Leasing	1,219,923,391	1,073,166,177	1,128,351,866
LB Finace	897,285,987	764,800,000	787,228,788
Senkadagala Finance	331,663,651	306,000,000	309,405,367
	2,834,902,632	2,462,048,888	2,585,246,504
Grand Total	9,487,402,632	9,114,548,888	9,237,746,504

**NOTES TO THE STATEMENT OF INVESTMENTS AS AT 31.12.2011****19. LISTED AND UNLISTED SHARES****(Rs.)**

Ordinary Shares - Long Term	Cost	Market Value
ACL Cables PLC	111,065,391	196,604,088
Aitken Spence PLC	3,233,683,401	3,592,258,614
Aitken Spence Hotel Holdings PLC	1,589,500,692	2,065,832,595
Amaya Leisure PLC	294,432,730	326,536,714
Asian Hotels & Properties PLC	1,399,181,800	1,356,168,760
Asiri Medical Services PLC	1,680,649	1,878,225
Browns & Company PLC	1,637,669,705	1,393,256,240
The Bukith Darah PLC	1,258,769,659	1,406,632,890
CIC Holdings PLC - Non Voting	183,847,938	177,877,700
CIC Holdings PLC - Voting	324,464,611	283,845,550
Cargills (Ceylon) PLC	1,223,818,051	1,320,981,900
Carsons Cumberbatch PLC	601,175,034	607,984,080
Central Finance Company PLC	1,665,954,040	1,222,100,600
Ceylon Cold Stores PLC	27,026,584	121,961,840
Piramal Glass Ceylon PLC	222,298,084	308,095,592
Ceylon Grain Elevators PLC	996,808,174	550,087,550
Ceylon Hospitals PLC	15,952,914	54,452,955
Ceylon Hospitals PLC - Non Voting	25,410,556	72,725,373
Ceylon Hotels Corporation PLC	689,237,857	542,701,170
Ceylon Theatres PLC	621,506,151	690,492,500
Chevron Lubricants Lanka PLC	322,858,971	562,496,000
Colombo Dockyard PLC	2,526,321,101	2,377,685,750
Commercial Bank of Ceylon PLC	7,631,222,639	7,171,428,800
DFCC Bank	3,329,382,107	2,687,618,370
Diesel & Moter Engineering PLC	1,157,122,435	1,452,295,933
Dialog Axiata PLC	1,572,545,849	1,287,861,814
Dipped Products PLC	783,086,052	720,025,200
EDEN Hotel Lanka PLC	181,452,633	150,924,600
Galadari Hotels (Lanka) PLC	810,321,610	690,025,020
Hatton National Bank PLC	4,956,264,453	4,522,553,690
Haycarb PLC	200,129,047	184,543,000
Hayleys PLC	455,629,302	682,302,375
Hayleys MGT Knitting Mills PLC	194,069,988	111,275,400
Hemas Holdings PLC	548,851,089	848,805,375
Hotel Services (Ceylon) PLC	417,274,469	306,791,870
John Keells Holding PLC	12,741,734,907	11,844,319,553
John Keells Hotels PLC	663,968,007	557,919,900
Lanka IOC PLC	300,469,024	135,196,150
Lanka Orix Leasing Company PLC	1,527,074,153	1,135,895,460
Lanka Floortiles PLC	367,189,932	350,948,340
Lanka Walltiles PLC	64,012,399	113,790,285
Laugfs Gas PLC (Non Voting)	644,277,133	380,282,000



	(Rs.)	
Ordinary Shares - Long Term	Cost	Market Value
Laugfs Gas PLC (Voting)	2,683,702,300	2,199,440,000
Lighthouse Hotel PLC	279,921,027	246,100,000
National Development Bank PLC	1,229,641,283	1,989,800,040
Nestle Lanka PLC	30,752,320	124,358,600
Overseas Realty (Ceylon) PLC	624,229,176	553,088,200
Peoples' Leasing & Finance PLC	999,999,000	888,888,000
Raigam Wayamba Salterns PLC	87,947,502	88,693,090
Richard Pieris & Company PLC	1,272,761,772	1,084,895,460
Royal Ceramics Lanka PLC	732,118,802	918,207,650
Softlogic Holdings PLC	78,639,281	58,149,000
Sampath Bank PLC	2,446,401,545	2,938,664,430
Seylan Bank PLC (Non Voting)	560,393,311	472,319,047
Seylan Bank PLC	939,951,298	968,264,206
Sierra Cables PLC	15,097,969	19,918,500
Sri Lanka Telecom PLC	663,107,428	984,695,472
Taj Lanka Hotels PLC	319,203,353	258,889,800
Tangerine Beach Hotels PLC	108,445,274	90,384,822
Textured Jersey Lanka PLC	203,802,870	140,894,640
The Finance Company PLC	205,489,613	206,193,600
The Lanka Hospital Corporation PLC	188,549	484,530
Tokyo Cement Company (Lanka) PLC (Non Voting)	229,446,259	216,874,901
Trans Asia Hotels PLC	262,538,444	340,721,100
Vallibel One PLC	1,629,697,240	1,362,095,420
Sub Total- Long Term	73,122,216,937	70,719,480,330

**NOTES TO THE STATEMENT OF INVESTMENTS AS AT 31.12.2011****19. LISTED AND UNLISTED SHARES (CONTD.)**

(Rs.)		
Stock	Cost	Market Value
Ordinary Shares - Short Term		
ACL Cables PLC	18,909,210	16,746,200
ACL Placstics PLC	7,053,195	6,995,160
Amaya Leisure PLC	14,346,077	16,359,377
Asiri Hospitals Holdings PLC	1,095,712	965,780
Bogawantalawa Tea States PLC	1,050,584	570,357
Browns & Company PLC	51,142,184	40,385,600
Browns Beach Hotels PLC	20,676,657	16,355,700
C W Mackie PLC	9,058,348	8,028,150
CIC Holdings PLC (Non Voting)	596,606	446,600
Cargills (Ceylon) PLC	30,108,112	27,973,400
Ceylon Theatres PLC	38,258,938	47,261,930
Chemanex PLC	68,990	60,000
Chevron Lubricants Lanka PLC	319,977	340,000
Dialog Axiata PLC	3,246,969	2,351,700
Dipped Products PLC	14,572,573	12,400,500
Distilleries Company of Sri Lanka PLC	88,681	132,390
EDEN Hotel Lanka PLC	816,267	1,700,724
Free Lanka Capital Holdings	524,500	325,190
Haycarb PLC	24,163,933	21,516,620
Hayleys MGT Knitting Mills PLC	5,485,240	4,525,800
Hemas Holdings PLC	40,035,273	30,673,500
Hotel Services (Ceylon) PLC	23,242,720	17,453,940
John Keells Holding PLC	79,817,621	60,409,653
John Keells Hotels PLC	38,147,947	25,955,991
Kegalle Plantations PLC	24,733,977	12,841,500
Lanka IOC PLC	10,757,836	10,418,080
Lankem Ceylon PLC	13,504	17,680
Laugfs Gas PLC (Non Voting)	62,066,848	34,667,900
Laugfs Gas PLC (Voting)	45,016	34,200
Lighthouse Hotel PLC	29,501,242	20,507,040
Malwatte Valley Plantation PLC	8,782,890	4,356,000
Malwatte Valley Plantation PLC (Non Voting)	3,100,739	1,660,800
Nawaloke Hospitals PLC	3,325,079	3,327,622
Overseas Realty (Ceylon) PLC	14,671,800	12,235,300
Pegasus Hotels of Ceylon PLC	4,183,849	7,721,040
Raigam Wayamba Salterns PLC	32,743,517	32,385,450
Richard Pieris & Company PLC	97,963,475	72,364,500
Riverina Hotels PLC	54,108,598	54,794,400
Sierra Cables PLC	14,433,953	12,628,980
Sigiriya Village Hotels PLC	38,941	95,000
Sri Lanka Telecom PLC	17,124,991	20,568,000



(Rs.)		
Stock	Cost	Market Value
Taj Lanka Hotels PLC	203,848	204,790
Talawakalle Tea Estate PLC	1,477,076	1,654,800
Tangerine Beach Hotel PLC	18,967,507	17,168,000
Tea Smallholders Factories PLC	136,949	148,000
Tokyo Cement Company (Lanka) PLC	4,018,045	3,704,606
Vallibel One PLC	1,505,000	1,432,760
Sub Total- Short Term	826,730,993	684,870,710
Total Listed Equity	73,948,947,927	71,404,351,039

NOTES TO THE STATEMENT OF INVESTMENT AS AT 31ST DECEMBER 2011

19. LISTED AND UNLISTED SHARES

(Rs.)		
Stock	Cost	Market Value
Unlisted Ordinary Shares - Long Term		
Fitch Ratings Lanka Ltd	625,000	625,000
West Coast Power (Pvt) Ltd	2,975,000,000	2,975,000,000
Sri Lankan Airlines	500,000,000	500,000,000
Sub Total- Unlisted Ordinary Shares	3,475,625,000	3,475,625,000
Unlisted Preference Shares - Long Term		
Sri Lankan Catering Preference 15%	1,005,000,000	1,005,000,000
Sub Total-Unlisted Preference Shares	1,005,000,000	1,005,000,000
Total	4,480,625,000	4,480,625,000
Grand Total	78,429,572,927	75,884,976,039



NOTES TO THE STATEMENT OF INVESTMENTS AS AT 31.12.2011

20. MOVEMENT OF INVESTMENT

(I) MOVEMENT OF LONG TERM INVESTMENT

Type of Investment	Rate	Opening Balance	Investments	Maturities	Sales	Transfers	Amortization	Closing Balance	2011	2010	Change %
Treasury Bonds											
	5.35	-	1,737,784,550	-	-	-	10,227,492	1,748,012,042	0.2	-	0.2
	5.65	-	826,609,000	-	-	-	5,213,355	831,822,355	0.1	-	0.1
	5.80	-	32,839,771,328	-	-	-	282,821,418	33,122,592,745	3.4	-	3.4
	6.20	2,121,417,874	49,364,494,539	-	-	-	528,647,654	52,014,560,068	5.3	-	5.3
	6.40	25,987,481,531	2,807,728,329	-	-	-	569,656,798	29,364,866,657	3.0	-	1.7
	6.50	15,183,232,630	1,622,469,879	-	-	-	284,726,021	17,090,428,530	1.7	-	1.7
	6.60	24,552,458,182	34,911,654,039	-	-	-	785,390,253	60,249,502,474	6.1	8.95	(2.8)
	6.75	725,151,369	3,889,914,192	-	-	-	43,742,067	4,658,807,628	0.5	9.11	(8.6)
	6.85	77,108,844,143	-	-	-	-	5,913,462,879	83,022,307,022	8.5	3.49	5.0
	7.00	89,041,508,928	38,386,843,051	71,144,647,000	-	-	2,928,857,144	59,212,562,123	6.0	-	6.0
	7.25	6,673,087,720	21,458,946,749	-	-	-	268,561,548	28,400,596,017	2.9	7.57	(4.7)
	7.50	68,761,176,033	14,756,936,040	-	-	-	2,789,193,847	86,307,305,920	8.8	2.08	6.7
	8.50	69,956,811,788	66,689,201,615	-	-	-	2,437,193,960	139,083,207,363	14.2	9.43	4.7
	10.50	31,570,232,671	-	-	-	-	1,188,872,464	32,759,105,135	3.3	4.24	(0.9)
	11.00	41,622,169,774	1,848,640,910	-	-	-	(236,322,613)	43,234,488,070	4.4	3.36	1.0
	11.25	9,331,224,245	-	-	-	-	24,785,733	9,356,009,978	1.0	1.29	(0.3)
	11.50	28,490,433,496	-	-	-	-	(281,174,064)	28,209,259,432	2.9	0.68	2.2
	11.75	56,432,163,813	1,849,581,940	-	-	-	253,975,728	58,535,721,481	6.0	6.53	(0.6)
	12.00	26,903,861,398	-	26,575,000,000	-	-	(328,861,398)	(0)	0.0	0.10	(0.1)
	13.50	68,864,445,015	-	-	-	-	1,889,337,175	70,753,782,190	7.2	8.08	(0.9)
	14.50	99,191,471,847	-	67,671,000,000	-	-	1,956,395,617	33,476,867,464	3.4	12.93	(9.5)
	15.50	22,448,804,309	-	22,450,000,000	-	-	1,195,691	0	0.0	11.80	(11.8)
SUB TOTAL		764,965,976,766	272,990,576,158	187,840,647,000	-	-	21,315,898,770	871,431,804,695	85.8	89.6	(3.8)
Rupee loan											
	9.50	19,600,000,000	-	-	-	-	-	19,600,000,000	2.0	2.72	(0.7)
	11.00	3,500,000,000	-	-	-	-	-	3,500,000,000	0.4	0.49	(0.1)
	19.00	17,821,000,000	-	17,821,000,000	-	-	-	-	0.0	2.48	(2.5)
SUB TOTAL		40,921,000,000	-	17,821,000,000	-	-	-	23,100,000,000	2.4	5.7	(3.3)
Corporate Debentures											
DFCC Bank Debenture		500,000,000	-	500,000,000	-	-	-	-	0.0	0.07	(0.1)
HDFC Bank Debentures		195,000,000	-	-	-	-	-	195,000,000	0.0	0.07	(0.1)
SMIB Bank Debentures		195,000,000	-	-	-	-	-	195,000,000	0.0	0.03	(0.0)
Commercial Debenture		100,000,000	-	100,000,000	-	-	-	-	0.0	0.03	(0.0)
DFCC Bank Debenture		500,000,000	-	500,000,000	-	-	-	-	0.0	0.01	(0.0)
AITKEN SPENCE Debenture		175,000,000	-	75,000,000	-	-	-	100,000,000	0.0	0.01	0.0
DFCC Bank Debenture		500,000,000	-	500,000,000	-	-	-	-	0.0	0.07	(0.1)
DFCC Bank Debenture		500,000,000	-	500,000,000	-	-	-	-	0.0	0.07	(0.1)
HSBC Bank Debenture		1,000,000,000	-	1,000,000,000	-	-	-	-	0.0	0.07	(0.1)
HDFC Bank Debentures		200,000,000	-	200,000,000	-	-	-	-	0.0	0.07	(0.1)
Sampath Bank Debenture		250,000,000	-	-	-	-	-	250,000,000	0.0	0.03	(0.0)
Sampath Bank Debenture		250,000,000	-	-	-	-	-	250,000,000	0.0	0.07	(0.0)



Type of Investment	Rate	Opening Balance	Investments	Maturities	Sales	Transfers	Amortization	Closing Balance	2011	2010	Change %
DFCC Bank Debenture		500,000,000	-	-	-	-	-	500,000,000	0.1	0.07	(0.0)
BOC Debenture		300,000,000	-	-	-	-	-	300,000,000	0.0	0.14	(0.1)
BOC Debenture		200,000,000	-	-	-	-	-	200,000,000	0.0	0.03	(0.0)
Lanka ORIX Leasing Company PLC Debenture			500,000,000	-	-	-	-	500,000,000	0.1	0.03	0.0
NTB Debenture			1,000,000,000	-	-	-	-	1,000,000,000	0.1	0.03	0.1
DFCC Vardhana Bank Debenture			500,000,000	-	-	-	-	500,000,000	0.1	0.04	0.0
HNB Debenture			2,000,000,000	-	-	-	-	2,000,000,000	0.2	0.07	0.1
MBSL Debenture		-	162,500,000	-	-	-	-	162,500,000	0.0	0.04	(0.0)
SUB TOTAL		5,365,000,000	4,162,500,000	3,375,000,000	-	-	-	6,152,500,000	0.6	1.05	(0.4)
Listed Equity		38,195,269,040	35,414,132,704.59	-	522,490,432	-	-	73,086,911,313	7.4	0.9	6.5
Unlisted Equity		4,480,625,000	-	-	-	-	-	4,480,625,000	0.5	0.4	0.0
Mortgage Backed Securities		500,000,000	-	-	-	-	-	500,000,000	0.1	0.1	(0.0)
Pass Through Certificate			-	-	-	-	-	-	0.0	-	-
Trust Certificate		420,997,690	2,337,461,267	306,948,779	-	-	133,736,326.20	2,585,246,504	0.3	0.0	0.3
Total Long Term Investments		854,848,868,496	314,904,670,130	209,343,595,779	522,490,432	-	21,449,635,097	981,337,087,512	97.0	98	(0.8)
(iii) MOVEMENT OF SHORT TERM INVESTMENTS											
Type of Investment	Rate	Opening Balance	Investments	Maturities	Sales	Transfers	Marked To Market	Closing Balance	2011	2010	Change %
Treasury Bonds	6.50	540,513,600		-	-	-	239,400	540,753,000	8.2	4.4	3.8
	11.75	3,394,456,083	276,930,407	-	978,016,238	-	(93,368,263)	2,600,001,990	39.2	27.8	11.4
SUB TOTAL		3,934,969,683	276,930,407	-	978,016,238	-	(93,128,863)	3,140,754,990	47.4	32.2	15.2
Treasury Bills		5,936,349,431		5,969,000,000	-	-	32,650,569	(0)	0.0	48.6	(48.6)
Listed Equity		984,567,038	652,529,899	-	736,002,572	(214,677,270)	-	686,417,096	10.4	8.1	2.3
Unlisted Equity		-	-	-	-	-	-	-	0.0	-	-
Mortgage Backed Securities		-	-	-	-	-	-	-	0.0	-	-
Pass Through Certificate		-	-	-	-	-	-	-	0.0	-	-
Trust Certificate		-	-	-	-	-	-	-	0.0	-	-
Reverse Repo		1,357,000,000	844,715,100,000	843,270,000,000	-	-	-	2,802,100,000	42.3	11.1	31.2
Total Short Term Investments		12,212,886,152	845,644,560,307	849,239,000,000	1,714,018,809	(214,677,270)	(60,478,294)	6,629,272,086	100	100	(15.1)
Grand Total Investments		867,061,754,648	1,160,549,230,436	1,058,582,595,779	2,236,509,242	(214,677,270)	21,389,156,803	987,966,359,597			



21. CLASSIFICATION OF MATURITY PROFILE OF THE PORTFOLIO AS AT 31 ST DECEMBER 2011

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கணக்காய்வாளர் தலைமை அறிப்பதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } EL/D/EPF/FA/11
 இலக்கம் }
 My No }

ඔබේ අංකය }
 உமது இல }
 Your No. }

දිනය } 10 October 2013
 திகதி }
 Date }

Honourable Minister
 Ministry of Labour and Labour Relations

Report of the Auditor General on the Financial Statements of the Employee's Provident Fund for the year ended 31 December 2011 in terms of Section 6(3) of the Employees' Provident Fund Act, No. 15 of 1958.

The audit of financial statements of the Employee's Provident Fund for the year ended 31 December 2011 comprising the balance sheet as at 31 December 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 6(3) of the Employees' Provident Fund Act, No. 15 of 1958. My comments and observations which I consider should be published with the Annual Report of the Fund in terms of Section 6(3) of the Employees' Provident Fund Act, appear in this report.

1:2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgements, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Section 6(3) of the Employees' Provident Fund Act, No. 15 of 1958 gives powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

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1:4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Employees' Provident Fund as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2:2 Comments on Financial Statements

2:2:1 Sri Lanka Accounting Standards

Fixed Assets costing Rs.76,304,000 fully depreciated as at 31 December 2011 had not been revalued and brought to account in terms of Sri Lanka Accounting Standard No. 18. This stock of assets included a stock of computer accessories costing Rs.18,422,195 unused up to date and fully depreciated to zero value at 50 per cent.

2:2:2 Accounting Deficiencies

Two sums of Rs.987,015 and Rs.550,182 spent on carrying out repairs to motor vehicles and machinery respectively had been brought to account as capital expenditure.

2:2:3 Unsettled Balances

The following observations are made.

- (a) The recoveries made to the Employees' Provident Fund by the Commissioner General of Labour by instituting cases under the Employees' Provident Fund and recoveries of outstanding installments and not settled by crediting to the accounts of the respective accounts of members as at 31 December 2011 amounted to Rs.4,671,769,511. In this connection the Commissioner General of Labour and the Central Bank of Sri Lanka informed that a project is being implemented for the expeditious settlement of this balance subject to fluctuations which are not due to any weakness in the financial control.
- (b) The balance of the General Deposit Account relating to the amount not settled by crediting to the respective beneficiaries as at 31 December 2011 amounted to Rs.346,697,934. In response to this matter the Commissioner

General of Labour informed that action is being taken for the introduction of a computer programme to increase the present rate of identification of the owners and in the future this balance will be minimized.

- (c) The non-settlement of the balance of the Shortage and Excess Contributions Account which had been increasing from the inception of the Fund amounting to Rs.1,187,649,767 as at 31 December 2011 had resulted in the delay or loss of benefits of the recipients of the Fund. In reply to this matter in Central Bank of Sri Lanka informed that it is not possible for the Employees' Provident Fund alone to settle this balance created by the actions of the employers, that this matter can be considered by amending the Act, by introducing a methodology for punishing the employers who do not furnish correct information and that the Department of Employees' Provident Fund is taking action as far as possible with the resources available for the settlement of those balances.
- (d) The balances as at 31 December 2011 of the Unsettled Unclaimed Benefits Account and the Retained Benefits Account amounted to Rs.120,476,638 and Rs.13,160,611 respectively. In reply to this matter the Central Bank of Sri Lanka informed that action will be taken for the early payments and the balance of the Unclaimed Benefits Account created due to outdated cheques and the errors in the particulars of Bank Accounts furnished by the applicants for benefits, after making rectification of the information through the Commissioner of Labour and that the balance of the Retained Benefits Account where the benefits of the dependents of deceased members have been retained in the orders of the Commissioner of Labour will be settled again on the receipt of orders from the Commissioner of Labour and that this is not an error of the internal operating process which can be settled at the discretion of the Employees' Provident Fund.

2:2:4 Lack of Evidence for Audit

The formal Board of Survey Reports and the detailed schedules in support of the assets of the Employees' Provident Fund valued at Rs.959,246,218 belonging to the Department of Labour and the accumulation depreciation thereon amounting to Rs.480,309,648 had not been furnished to audit.



2:2:5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed the course of audit.

Reference to Laws, Rules, Regulations, etc.	Non-compliances
(a) Section 3 of the Employees' Provident Fund (Amendment) Act, No. 26 of 1981.	An audit test check of the database of the Central Bank of Sri Lanka on the recovery of surcharges for the failure to pay the contributions to the Employees' Provident Fund on the specified dates revealed that the surcharges amounting to Rs.101,140,260 recoverable for the period from the year 2009 to the year 2011 from 129 institutions registered with the Fund had not been recovered even by the end of the year under review.
(b) Financial Regulation of the Government of Sri Lanka Financial Regulation 1645(a) and (b) and 1646	The Log Books of 39 motor vehicles had not been maintained properly and the Daily Running Charts and the Monthly Performance Reports had not been furnished to the Auditor General before the fifteenth day of the month following.
(c) Section 8.7 of the Public Enterprises Circular No. PED/12 of 02 June 2003.	The Pay As You Earn Tax amounting to Rs.1,395,505 recoverable from the employment income of the officers of the Employees' Provident Fund of the Central Bank of Sri Lanka had been paid from the Fund without being recovered from the officers concerned.

3. Financial Review

which breach Labour laws are subjected to regular inspections.

3:1 Financial Results

The net result of the operations of the Fund for the year under review had been an after tax surplus of Rs.107,202,066,499 as compared with the net surplus of Rs.111,445,011,747 for the preceding year. The net surplus for the year under review as compared with preceding year indicated a decrease of Rs.4,242,945,248. The decrease of income from investments by a sum of Rs.5,049,303,683 had been the main reason for the decrease in the financial results.

(b) The Courts action instituted for the recovery of the outstanding contributions and surcharges in 337 instances from the employer institutions of 02 District Labour Offices of the Employees' Provident Fund had stopped halfway and as such the Employees' Provident Fund had been deprived of contributions to be credited to the accounts of the members amounting to Rs.92,097,672 and surcharges.

3:2 Management Inefficiencies

The following observations are made.

(a) Out of the 7,543 active employer institutions in the area of the District Labour Office, Colombo North, 2,632 institutions only had been subjected to inspection by the Labour Officers up to the end of the year under review. The balance 4,911 institutions or 65 per cent of the total number of institutions had not been subjected to inspection by Labour Officers during periods exceeding one year. In reply to this matter, the Commissioner General of Labour informed that the Labour Officers carrying out field duties in accordance with the Departmental Circulars can inspect only 2,880 institutions annually and that the institutions

(c) Even though a long period had elapsed after the dispatch of the first and the final notices for the recovery of the arrears of outstanding contributions amounting to Rs.204,584,371 and the surcharges from the employer institutions in the area of authority of the District Labour Office Maharagama, action had not been taken even by 30 June 2013 either for the recovery of the outstanding contributions or to take Courts action.

(d) Action had not been taken even by 30 June 2013 for the recovery of the outstanding contributions amounting to Rs.13,249,417 and the surcharges relating to 47 employer institutions of the area of authority of the District Labour Office, Colombo North. In reply to this matter, the Commissioner General of Labour informed that even if it is difficult to



take action due to the shortage of staff, plans have been made complete this work in 06 months.

- (e) Action had not been taken for the recovery of the contributions amounting to Rs.44,679,953 and surcharges amounting to Rs.14,423,022 in respect of 04 years payable to the Employees' Provident Fund by 55 institutions of the State Plantations Corporation and the Janatha Estates Development Board in the area of authority of the District Labour Office, Kandy North.
- (f) Even though warrants had been issued to two employer institutions in the area of authority of the District Labour Office, Kandy North, contributions to the Employees' Provident Fund amounting to Rs.1,692,078 (total of Rs.767,996 and Rs.924,082) recoverable through cases No.3688 and No.74135 filed in the Magistrates Court, Kandy could not be recovered up to date due to the failure to take follow up action. In reply to this matter the Commissioner General of Labour informed that the warrants on case No. 3688 could not be served as the owner of the institution had proceeded abroad while the institution relating to Case No. 74135 had been closed down 13 years ago and open warrants had been issued as the accused persons are not attending the Courts.
- (g) A sum of Rs.20,478,379 had been deprived of the beneficiaries of the Employees' Provident Fund from 32 pending Court Cases due to not producing adequate information to the Courts on the employees in the area of authority of the District Labour Office, Kandy South, lack of timely maintenance of information and the failure to pay due attention.
- (h) The contributions and surcharges not recovered even up to 30 June 2012 from 22 institutions of the State Plantations Corporation of Sri Lanka and the Janatha Estates Development Board in the area of authority of the District Labour Office, Kandy South due to the failure to take Courts action amounted to Rs.143,455,982. The Commissioner of Labour had been reported by his letter dated 19 July 2006 to the audit that the Ministry of Labour and the Ministry of Plantations Industries had decided to refrain from taking Courts action. In view of this decision, even the benefits of the sum of Rs.22,853,700 recovered from the personal salaries of the employees of the Plantation Companies up to 31 December 2006 had been deprived of. In the circumstances, contributions of employees completing 55 years of age and the deceased employees had been subjected to the risk of loss.

- (i) Even though periods ranging from 09 to 12 months had elapsed after the issue of the final notice of an estate belonging to the Janatha Estates Development Board in the area of Gampola, Kandy South, the recovery of contributions payable to the Employees' Provident Fund amounting to Rs.10,151,794 and surcharges amounting to Rs.4,152,001 as well as the contributions of eighteen officers of the Biodiversity Institute Ambuluwawa from the year 2004 and surcharges amounting to Rs.1,572,120, and totalling Rs.15,875,915 had not been recovered even by 30 June 2012.
- (j) An agreement had been entered into with a private company on 23 November 2010 for the Re-registration of Members of the Employees' Provident Fund Project. Sums of Rs.6,467,403 and Rs.603,948 had been spent thereon in the years 2010 and 2011 respectively. The work on the Project had not been completed even by the end of the year 2012 and the machinery valued at Rs.7,457,195 purchased for the Project had been idling in the Department.
- (k) According to the database, the contributions to the Employees' Provident Fund from 10 active employers in Zone 6 of the District Labour Office, Colombo East for about 12 years and for periods ranging from 03 to 07 years from 09 other institutions, had not been recovered even by 30 June 2012.

4. Operating Review

4:1 Performance

4:1:1 Operating Performance

The following observations are made.

- (a) The performance as at the end of the year 2011 had been as follows.

Particulars	Actual Number	Number relating to Activities of the Fund	Percentage
Employment in the Private and Semi-Government Section	3,414,944	2,300,000	67.35
Employers	228,926	66,350	28.98
Members' Accounts of the Fund (Millions)	13.6	2.3	16.91

There were 2,427,705 self-employee persons in employment in Sri Lanka. None of the courses of action taken for the benevolence of the self-



employed persons had been reported. (Source : Report of the Central Bank of Sri Lanka 2011)

(b) Benefits paid to Members

Year	2011	2010	2009	2008	2007
	%	%	%	%	%
Percentage of Benefits paid	11.5	12.5	13.75	13.2	11.2

The decrease of the benefits paid to the members in the year 2011 as compared with the year 2010 by 1 per cent had been due to the decrease of income from investments in the year 2011 by a sum of Rs.5,049,303,683 and improvement in the members fund by a sum of Rs.110,734,645,618.

4:1:2 Investments and Investment Income

The following observations are made in connection with the overall investment of Rs.73,948,947,927 made by the Employees' Provident Fund as at 31 December 2011 on long term and short term basis in 74 companies listed in the share market.

- (a) Out of the long term and short term investments amounting to Rs.63,169,398,923 made by the Employees' Provident Fund in 76 companies in the share market by 15 January 2013, the value of investments made in 58 companies amounting to Rs.54,006,955,606 had diminished by Rs.11,737,841,979.
- (b) A sum of Rs.500,000,000 invested in 1,863,676 units of an airline company in July 2010 had not yielded any income to the Fund since the date of investment. In reply to this matter the Central Bank of Sri Lanka informed that it is confident of future prospects of profits from the company with gradually decreasing losses.
- (c) A sum of Rs.2,975,000,000 invested in 29,750,000 units of an electricity generating company from the April 2007 to November 2008 had not yielded any income to the Fund in the years 2008, 2009 and 2010 while a sum of Rs.540,909,091 had been received twice in the year 2011 as dividend income. The income received as considered for the period of investment represented 4 per cent annually. In this connection the Central Bank of Sri Lanka informed that together with the income of Rs.216,363,636 received in the year 2012, the annual income percentage received from this company has improved up to 4.9 per cent

and as this company is earning considerable income, there is the possibility of the Fund receiving an adequate dividend in the year 2013.

- (d) A sum of Rs.205,489,613 had been invested in 5,091,200 shares of a Finance Company from 23 February 2011 to 01 November 2011 and at the time of the decisions for investment was taken, the loss of Rs.4,285,937,284 revealed by that company according to the last published accounts of the Company had not been taken into consideration. The loss of that company even in the year under review amounted to Rs.3,830,135,175. The shares of the company had been purchased at an average price of Rs.40.36 per share and the market price per share of the company amounted to Rs.24 as at 31 July 2012. The Fund had not received any income from the investment since the date of investment.
- (e) The Fund had invested a sum of Rs.680,232,419 in 20,942,989 shares of a communications company and the share of that company had not been offered for sale in the stock market since the year 2009. As such the Fund could not earn capital profits. Even though dividends amounting to 3.39 per cent in the years 2008 and 2009, and 0.81 per cent in the year 2010 and 1.67 per cent in the year 2011 had been received during the period of investment such income was not commensurate with the investment. In this connection, the Central Bank of Sri Lanka informed that as the communication field would further develop in the economy of Sri Lanka and as such there is a belief that the dividends and the capital profits receivable by the Fund from the company would increase.
- (f) The Employees' Provident Fund had invested sum of Rs.3,890,902,522, Rs.6,877,822,908, Rs.39,133,587,926 and Rs.73,948,947,927 in the share market in the years 2008, 2009, 2010 and 2011 respectively. The income received for those investments in the years 2008, 2009, 2010 and 2011 had been 8.94 per cent, 24.18 per cent, 6.84 per cent and 4.08 per cent respectively.
- (g) The Employees' Provident Fund had not received any income whatsoever for the investment of Rs.3,555,864,821 in the year ended 31 December 2011 in the shares of 11 companies.
- (h) In accordance with the instructions given by the Monetary Board of the Central Bank of Sri Lanka to increase the investments in the



Hotels and Transport Sectors, investment of Rs.3,882,771,148 in 18 Hotels as at 31 December 2010 and Rs.7,219,711,548 in 16 Hotels as at 31 December 2011 had been made. Income of Rs.50,807,109 or 1.31 per cent had been received in the year 2011 for the investment made as at 31 December 2010 while a sum of Rs.173,616,783 or 2.4 per cent had been received in the year 2012 for the investment made as at 31 December 2011. The following observations are made in this connection.

- (i) In accordance with the decision of the Monetary Board of the Central Bank of Sri Lanka on 05 May 2010, a sum of Rs.810,321,610 had been invested by 31 May 2010 in a Hotel Company which had incurred losses amounting to Rs.520.49 million, Rs.405.38 million, Rs.298.85 million and Rs.147.02 million in the years 2007, 2008, 2009 and 2010 respectively and had unfavourable earning ratios of (3.15), (3.45), (1.09) and (0.13) during the respective years. The loans payable by this Company by that date amounted to Rs.6.28 billion (approximately). The Fund had not received any income whatsoever since the

date of investment up to 30 June 2013. In this connection the Central Bank of Sri Lanka informed that this Hotel Company situated in a central location in the city of Colombo could be expected to obtain better results from the improvements taking place in the tourism sector.

- (ii) The Fund had not received any income whatsoever in the years 2011 and 2012 from two Hotel Companies in which the Fund had invested Rs.1,129,755,045. In this connection the Central Bank of Sri Lanka informed that these investments were made in the long term investment portfolio with the expectation of achieving the benefits from the development of the tourism industry and that these investments would provide better benefits to the Fund.
- (iii) An inadequate income had been received from the investments made in 04 Hotel Companies as at 31 December 2011 and the percentage of that income as compared with the preceding year are given below.

Hotel Company	Investment as at 31 December 2011 Rs.	Income Rs.	Percentage of Income	Investment as at 31 December 2010 Rs.	Income Rs.	Percentage of Income
A	702,115,954	14,699,144	2.69	302,991,992	Nil	--
B	54,108,598	Nil	--	54,310,045	105,715	0.19
C	4,183,849	60,700	0.01	4,183,849	36,420	0.87
D	182,268,900	482,761	0.26	194,331,840	1,707,868	0.88
Total	942,677,301	15,242,605	1.62	555,817,726	1,850,003	0.33

- (iv) Out of the 16 Hotel Companies referred to above, in which the Fund had invested a sum of Rs.7,560,267,157 as at 30 June 2012, the market value of the shares of 13 companies had diminished by Rs.1,605,197,185 and the Fund faced the risk in earning capital gains by the sale of the shares of those companies. In this connection, the Central Bank of Sri Lanka informed that looking at the progress of the tourism industry, an increase of the prices of shares of all Hotel Companies can be expected along with the share market reaching normalcy.
- (v) No income whatsoever had been received in the year 2011 from a Hotel Company in which

a sum of Rs.127,412,780 had been invested as at 31 December 2011.

- (i) The overall long term investment made by the Employees' Provident Fund as at 31 December 2011 in 65 officially listed companies amounted to Rs.73,122,216,934. Out of that investment, a sum of Rs.58,349,901,901 had been invested in 21 Companies and income ranging from 0.37 per cent to 8.79 per cent had been received in the year 2012 for the investment in those companies.
- (j) **A sum of Rs. 3, 657,803,132 had been invested in 111,742,387, Share** in 43 companies during the period from 31 December 2011 to 30



June 2012 during which the share prices of the Stock Market had been subject to rapid deterioration. Out of those companies, the price of shares of 30 companies had diminished by 30 June 2012, the resultant unrealized loss amounted to Rs.340,768,531. Out of these companies, the share prices of 24 companies had diminished even by 31 December 2011. In this connection the Central Bank of Sri Lanka informed that, the Bank is of the view that it is not appropriate to consider the realized or unrealized profits or losses for long term investments.

- (k) According to the financial statements for the year ended 31 December 2011 of the 74 companies in which the Employees' Provident Fund had invested a sum of Rs.73,948,947,927 as at 31 December 2011, losses had been reported by 07 companies and the investment made in those companies amounted to Rs.1,711,538,303. Even though the balance 71 companies had reported profits for the year 2011/12 only 66 of those companies had declared dividends. Out of the dividends declared, the Employees' Provident Fund had received dividends amounting to Rs.1,638,242,546, and represented 2.21 per cent of the invested amount.
- (l) In view of the powers relating to the custody of the funds under Section 5(c) of the Employees' Provident Fund Act, No. 15 of 1958, the powers vested in the Monetary Board of the Central Bank of Sri Lanka over the surplus money of the Fund in terms of Section 5(e) of the Act, the powers vested in the Commissioner General of Labour in terms of Section 4(1) of the Act and the powers vested in the Minister under Section 5(l) of the Act, the significance of obtaining their views on the investments amounting to Rs.987,966,359,597 is emphasized.

4:2 Uneconomic Transactions

Even though a printing machine valued at Rs.21,884,084 had been purchased in the year 2008 for the printing of formats needed for the activities of the Fund, a sum of Rs.4,487,163 had been paid to the Department of Government Printer even during the year 2011 for the printing of formats.

4:3 Delayed Projects

The construction of a building for the Employees' Provident Fund had been commenced in the year 2010 and sums of

Rs.48,702,131 and Rs.263,947,069 totalling Rs.312,649,200 had been spent in the years 2010 and 2011 respectively for the preliminary work of the building. The construction work of the building had been stopped halfway. A sum of Rs.71,257,404 had been paid to the Central Bank of Sri Lanka in the year 2011 as building rent.

4:4 Staff Administration

The following observations are made.

- (a) Action had not been taken even up to 31 December 2012 for filling the following 117 vacancies in the Employees' Provident Fund Section of the Department of Labour.

	Approved Number	Actual Number	Number of Vacancies
Staff Grades	30	19	11
Non-staff Grades	188	100	88
Minor Grades	42	24	18
Total	260	143	117

In this connection, the Commissioner General of Labour informed that these vacancies remain due to the failure of the Ministry of Public Administration and Home Affairs to make available the officers despite the requests made to fill the vacancies.

- (c) The provision for the annual expenditure of the Employees' Provident Fund of the Department of Labour had been approved by Parliament through the Annual Budget Estimates.. As the expenditure on the Employees' Provident Fund of the Central Bank of Sri Lanka does not fall under the Parliamentary approval, a sum of Rs.214,714,011 had been spent in the year 2011. Nevertheless, 13 items had been outsourced without being executed through the staff of the Central Bank of Sri Lanka and a sum of Rs.42,149,957 had been paid in that connection in the year 2011. It was observed that such outsourcing would lead to the exposure of confidential information of the Fund to such parties.

5. Accountability and Good Governance

5:1 Corporate Plan

The Department of Labour had not prepared a Corporate Plan for the Employees' Provident Fund. The Corporate Plan for the years 2013-2017 prepared by the Central Bank of Sri Lanka included the plans relating to the activities of the Employees' Provident Fund relevant to the Central Bank of Sri Lanka.



5:2 Internal Audit

The internal audit of the activities of the Employees' Provident Fund is carried out by the Department of Labour. But, due to the inadequacy of the staff, a limited part of the Fund only had been covered by that audit.

The Central Bank of Sri Lanka had outsourced the internal audit relating to the funds control to a private audit firm and the audit fee paid in the year 2011 amounted to Rs.7,314,048.

5:3 Conduct of the Meetings of the Audit and Management Committee

The Department of Labour had conducted the meetings of the Audit and Management Committee of the Employees' Provident Fund as specified. The Employees' Provident Fund of the Central Bank of Sri Lanka had not participated in those Committees.

5:4 Observations on Unsettled Audit Paragraphs

The following observations are made on the audit paragraphs remaining without being settled from the year 2006 to 2010.

- (a) Even though the contributions amounting to Rs.3,608,667 remitted to the Employees' Provident Fund by a certain employer institution credited to the accounts of the relations of the Labour Officer through fake C returns had been recovered from the officer through legal action, disciplinary action against him had not been finalized even up to 30 June 2013. (2006-2.5(a))
- (b) The contributions and surcharges amounting to Rs.16,803,661 recovered by the Magistrate's Court, Kandy from the decided cases during the period 1995 to 2003 had not been received from the Magistrate's Court. (2006 – 2.5(b))
- (c) A Finance Company registered as a company on 31 January 1994 and commenced business activities on 01 April 1997 had contributed to the Employees' Provident Fund on 03 December 1997. That company had been liquidated leaving an outstanding balance of contributions and surcharges amounting to Rs.48,461,705. The Employees' Provident Fund had failed to recover that amount even up to 31 December 2012. The Commissioner General of Labour had replied that a case had been filed against the company and that institution had filed a case against the Commissioner of Labour. (2008 – 2.2.6(e)(i))

- (d) An investigation had not been held with regard to the non-payment of contributions to the Employees' Provident Fund up to 02 September 2007 by a Television Company. As the non-payment of a contribution to the Employees' Provident Fund had become a problem for the company to settle its legal requirements, it had been agreed according to the information produced to the Labour Office, to settle the contributions and surcharges only for the period from September 2007 to May 2008 amounting to Rs.18,449,928 in 20 installments on a request made by the Company. That money had not been paid even up to 30 June 2013. (2008 -2.2.6(e)(ii))

- (e) Contributions of members of the Employees' Provident Fund and surcharges amounting to Rs..62,571,668 recovered through Court cases from the year 2005 to the year 2008 had been credited to the Consolidated Fund without being credited to the personal accounts of the members due to the unavailability of accurate information with the Employees' Provident Fund. (2011 – 2.2.1(a)(i).

- (f) Even though it was stated that replies would be sent after holding investigations on the matters pointed out in audit queries and the audit paragraphs No. 3.2.5(d) of the year 2009 and No. 3.2.1©(iii) of 2010 containing those matters relevant to the area of authority of the District Labour Office, Colombo Central such as the failure to recover the contributions and surcharges by filing cases, cases filed but failure to take follow up action, institutions defaulting the installment facilities given, non-recovery of money before liquidation of institutions, non-settlement of money deposited in the Suspense Account of the Employees' Provident Fund by producing C returns, non-crediting of contributions and surcharges received during the period 2003-2006 to the correct members' accounts and the non-recovery of surcharges amounting to Rs.313,452,501, such replies had not been furnished even up to 31 December 2012.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Commissioner General of Labour and the Superintendent, Central Bank of Sri Lanka from time to time. Special attention is needed in respect of the following areas of control.



**6:1 Employees' Provident Fund
Department of the Central Bank of Sri
Lanka**

- (a) Investments
- (b) Outsourcing of Operations to External Parties
- (c) Furnishing Information to Audit

**6:2 Employees' Provident Fund Unit of the
Department of Labour**

- (a) Accounting
- (b) Compliance with Accounting Standards
- (c) Recovery of Contributions and Surcharges
- (d) Fixed Assets
- (e) Inspection of Employer Institutions

H.A.S. Samaraweera
Auditor General