

# **Annual Report**

## **2019**



**Agricultural and Agrarian Insurance Board**  
**No. 117, Subadrarama Road, Gangodawila,**  
**Nugegoda**

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**காசிகாரதீக னா ஙாைலீசன ரக்சனா ஡ாஸ்திரை**  
**கமத்தொழில் மற்று஡் கமநலக் காப்புறுதிச் சபை**  
**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**

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Date }

Secretary,  
Ministry of Agriculture,  
No. 288'  
Sri Jayawardanapura Mawatha,  
Rajagiriya

**Annual Report -2019**

I submit herewith the Annual Report on the working of the administrative, operational, and financial activities of the Board which incorporates all its activities during the year 2019.

Panduka Weerasinghe  
Director General  
Agricultural and Agrarian Insurance Board

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## **Message of the Chairman**

Upon a policy decision taken by the government in the year 2018, an insurance scheme for granting an insurance coverage of Rs. 40,000/- per acre, subject to the payment of insurance premium of Rs. 3,600/- per acre by the government without charging the insurance premium from farmers for six major crops, i.e. paddy, maize, big onions, potatoes, soy and chilli was operated from the Yala season of 2018. By implementing this in the year 2019 as well, the farmer community will be able to cover any damages caused to these 06 crops which will serve as an incentive for them to continue their cultivations.

Though, this crop insurance scheme administered free of charge would have an impact on the income generation of the Agricultural and Agrarian Insurance Board, being able to contribute to the primary objective of the government to secure the local farming community and stabilize their economy is considered by the Board as a corporate responsibility.

Despite such challenging circumstances, the Board was able to post a net profit of Rs. 652.3 million through agricultural insurance schemes and the operational profit earned during the year was Rs. 878.1 million. The total insurance from other income schemes was Rs. 298.6 million which signified a growth of 53% compared to year 2018.

Payment of compensation expeditiously to affected farmers is the principal function of the Board and the compulsory crop insurance indemnity liability of the Board for farmers affected by heavy rains and resultant flooding and the Fall Armyworm (Sena) caterpillar pest in key agricultural districts of the island in the year 2019 was approximately Rs. 2,155 million.

The committee of experts appointed consequent to a cabinet decision to revise the Farmers' Pension Scheme administered by the Board continues to have extensive discussions on the formulation of a more attractive insurance scheme for which contributions can be secured without being a burden to farmers' economy while ensuring a comfortable existence in the evening of their life. Accordingly, until the establishment of new schemes, pensions and death and disability benefits were duly paid to the subscribers of the existing schemes in the year 2019.

In addition, the AAIB was also able to make an outstanding contribution to the national programme of establishing an agricultural database.

**Chairman**  
**Agricultural and Agrarian Insurance Board**

# Agricultural and Agrarian Insurance Board

## ➤ **Vision ..**

To be the ideal Agricultural Insurance Institute in South Asia by being the foremost protector of local agriculture



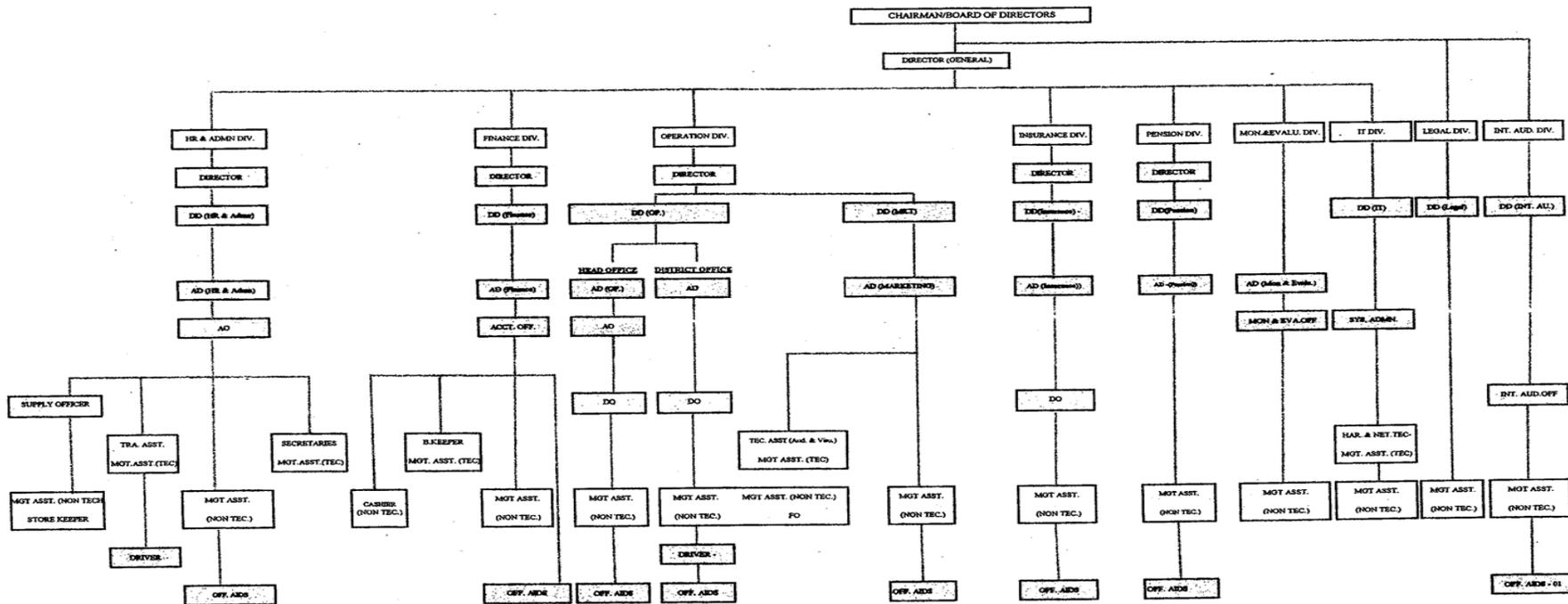
## ➤ **Mission..**

To provide an internationally recognized excellent service through collective efforts and coordination with the relevant institutions for the provision of Agricultural Insurance and benefits

## Board of Directors -2019

	Name	Post
01	Mr. Sumith Warnakulasuriya Chairman Agricultural & Agrarian Insurance Board Nugegoda	Chairman
02	Dr. W.M. Weerakoon Director General Department of Agriculture Peradeniya	Member
03	Mr. W.M.M. B. Weerasekara Commissioner General Department of Agrarian Development Colombo 07.	Member
04	Mr. H.A.N.S. Kumara Director Department of Public Enterprises Colombo 01 - Up to July 2019 Ms. Y. Darshani De Silva - From October 2019 Director Information, Resources Coordination & Policy Research Studies Division Department of External Resources Colombo 01	Member
05	Mrs. Nimalka Dias Additional Secretary (Admin. & Human Resource Development) Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries & Aquatic Resources Development	Member
06	Dr. K.D. Ariyapala Additional Secretary (Livestock Development) Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries & Aquatic Resources Development - Up to September 2019 Dr. K.P.G.K. Badralatha- From October 2019 Additional Secretary (Livestock Development) Ministry of Livestock and Rural Community Development	Member
07	Mr. N. B. M. Ranathunga (Director General (Technical)) Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries & Aquatic Resources Development	Member
08	Mr. D.M. Nevil Dissanayake Officer, Peoples bank Maradankadawala	Member
09	Mr. R.M. Punchirala (The Member from the National Farmers Society)	Member

## ORGANIZATIONAL STRUCTURE AGRICULTURAL & AGRARIAN INSURANCE BOARD



## Foreword

The Agricultural and Agrarian Insurance Board plays a pivotal role in the national drive being implemented for sustainable development of agriculture.

A key component of this is the involvement as an intermediary for the agriculturalist in the risk management. Aside from undertaking the risks associated with crops of agriculturalists, the Board works towards social security of the agriculturalist by offering insurance cover for their vehicles, implements and stores.

Year 2019 was of special significance as it saw the practical implementation of the compulsory insurance scheme introduced in the Yala season of 2018 for 06 major crops cultivated abundantly across the country under the programmes for offering incentives and facilities for farmers such as the fertilizer subsidy launched by the government and implemented by the Ministry of Agriculture with the objective of stabilizing and expediting the food production process of the country aimed at sustainable promotion of the agriculturalist and agriculture.

### Annual income from 2015 to 2019

Insurance Scheme	2015 (Rs Mn)	2016 (Rs Mn)	2017 (Rs Mn)	2018 (Rs Mn)	2019 (Rs Mn)
Crop insurance schemes	104.6	94.85	95.66	128.01	<b>61.11</b>
Livestock insurance scheme	9.00	10.56	13.39	10.59	<b>7.87</b>
Stores, agricultural implements and third party insurance scheme	1.08	7.82	42.11	137.85	<b>220.15</b>
Suwasetha and accident insurance scheme	16.43	15.61	5.31	6.34	<b>9.42</b>
Fertilizer subsidy insurance scheme	.1006.4	608.19	0.00	-	-
<b>Total</b>	<b>1,137.51</b>	<b>737.03</b>	<b>156.47</b>	<b>282.79</b>	<b>298.55</b>

### Annual Net Profit from 2015 to 2019

	2015 (Rs Mn)	2016 (Rs Mn)	2017 (Rs Mn)	2018 (Rs Mn)	2019 (Rs Mn)
Total income	1,156.10	782.20	5735.1	4,398.5	<b>3,365.1</b>
Operational expenditure	(1,116.10)	(404.50)	(5654.2)	(3,253.8)	<b>(2,487.0)</b>
Operational surplus	40.00	377.70	80.9	1,144.7	<b>878.1</b>
Government grants and other income	100.80	122.50	130.1	4.0	<b>9.1</b>
Total expenditure (including allocations)	(132.00)	(160.30)	(168.7)	(227.7)	<b>(234.9)</b>
<b>Net annual profit/loss</b>	<b>8.80</b>	<b>339.90</b>	<b>42.3</b>	<b>921.0</b>	<b>652.3</b>

The third party vehicle insurance scheme posted an outstanding growth in the year 2019 with the revenue reaching Rs. 220.15 million by the end of the year 2019 as against Rs. 137.85 recorded in the year 2018. This progress was primarily due trust being instilled about the scheme in agriculturalists thanks to the resolution of legal impediments of the third party insurance scheme and the extensive marketing and promotion campaign conducted at the district level. The income from the scheme served to boost the financial stability of the Board.

During the Maha season of 2018/19, considerable amount of crop damages were reported especially as a result of severe flooding experienced in the Northern Province in December 2019. A slew of mobile services were conducted for the inspection of damages caused to crops and arrangements were made to pay Rs. 946 million by way of compensation for the Maha Season.

In addition, 4,711 acres of maize cultivations in the Anuradhapura, Monaragala, Ampara and Badulla districts were infested with crop destroying Fall Army Worm caterpillar (locally known as 'Sena') and having assessed and calculated all damages, action was taken to pay Rs. 168 million to 4,265 farmers. Similarly, maize cultivators whose crops were partially or slightly damaged by the epidemic too were paid compensation.

By the end of the year 2019, computation of compensation of three cultivation seasons, i.e. Yala of 2018, Maha of 2019 and Yala of 2019 were completed and funds were released.

Action was also taken to consolidate the insurance cover for all cultivations included in the national insurance programme for the Yala season of 2019 by procuring reinsurance facilities from the National Insurance Trust Fund.

Under the guidance of the Ministry of Agriculture, activities relating to the introduction of an index based insurance scheme with the technical assistance from the International Finance Company (IFC) affiliated to the World Bank were carried out in several districts of the island and the programme for developing a Cloud based web/mobile application with a Management Information System encapsulating agricultural data too was successfully implemented in the year 2019. Under the programme, mapping of farming lands and entering data on farmers and their lands were carried out in several selected districts. Assessment of extensive damages caused to farming lands by devastating floods in the Northern Province using satellite images and drone technology, marked a new chapter for the Board in the use of modern technology.

The total number of subscribers to the Farmers' Pension and Social Security Benefit Scheme, the foremost social security benefit scheme administered by the Agricultural and Agrarian Insurance Board by the end of the year 2019 was 959,254 and the number of farmers provided benefits under the scheme during the year was 159,425.

In addition, the total number of fishermen subscribed to the Fishermen's Pension and Social Security Scheme administered for the wellbeing of fisheries community stood at 69,049 by the end of the year 2019 and monthly pension had been paid 475 subscribers.

The total liability of the Farmers Pension and Social Security Benefit Scheme at the end of the year 2019 was Rs. 70.2 billion. This year too, the Board did not receive Rs. 5 billion as per the decision taken at the time to provide treasury bonds to build the Farmers' Pension Fund in order to meet this liability and every year, the provisions required for the payment of farmers' pension are allocated by through the annual budget of the government.

The drafting of a new farmers' pension scheme more beneficial to agriculturalists that would replace the existing one has been finalized by the expert committee appointed for that purpose under the direction of the Ministry of Agriculture and plans are on the drawing board to refer this new scheme to the relevant parties for approval in the year 2020.

A noteworthy event of the year was the participation of 07 senior officials of the Board including the Chairman and Director General in training workshops and special agricultural insurance conferences provided to the Ministry by the government of India. Arrangements were also made to conduct a series of one-day workshops for field staffs of all districts and Management Assistants at the regional level on the insurance schemes administered by the Board, financial matters and computing and these workshops also helped to offer solutions to practical problems encountered by staff members of district offices. The workshops were conducted under the guidance and supervision of the heads of divisions of the head office.

During the year 2019, 24 vacancies were created either due to death or retirement of employees and twenty one external recruitments were made and one promotion was granted. The approved cadre as per the staff composition of the Board is 421 and the number currently employed is 282. Thus, the number of vacancies is 139.

The Agricultural and Agrarian Insurance Board as an institution that plays a central role in the overall economic process of the country offering strength to agriculturalists and the national agricultural production process for minimizing the risks making an invaluable contribution to the national agricultural and livestock process discharged its responsibilities with due diligence in the year 2019 as well.

# **Operations Division**

## **Operations Division -2019**

Agricultural and Agrarian Insurance Board operates with the prime objective of increasing local agro-production and protecting the agriculturist by introducing agricultural insurance to local agricultural field as a means of risk management. Agricultural insurance is a viable solution to economic problems faced by agriculturalists due to damages caused by droughts, floods and wild elephants to their cultivations. As a country with agriculture driven economy, the application of agricultural risk management in a practical manner has contributed to stabilize agriculture based domestic economy. The Board administers diverse and high benefit insurance schemes such as crop insurance, livestock insurance, Suwasetha and accident insurance, agricultural implements insurance, stores insurance and third party vehicle insurance.

The Operations Division is the division that plays the most critical role in expanding the services of the Board amongst the farmer community. The preparation of the Corporate Plan, Action Plan and all other institutional plans encapsulating the programme of work expected to be implemented by the Board, steering and controlling the district offices across the island for the implementation of plans so prepared and addressing all requirements that arise in implementing such plans are the major functions of the Operations Division.

- As the sole public sector institution that provides insurance services in the agricultural sector, the Operations Division took the initiative to operate a slew of insurance schemes island-wide in the year 2019 with the objective of fulfilling its responsibility of uplifting the local agriculture and stabilizing the economy of the agriculturalist to the maximum.

### 1. Crop insurance schemes (16)

- Paddy cultivation insurance scheme
- Maize cultivation insurance scheme
- Big onion cultivation insurance scheme
- Potato cultivation insurance scheme
- Chilli cultivation insurance scheme
- Soy cultivation insurance scheme
- Supplementary crops (green gram, peanuts, black gram) cultivation insurance scheme
- Sugarcane cultivation insurance scheme
- Export crops cultivation insurance scheme (pepper, cinnamon)
- Plantation crops (tea) cultivation scheme
- Coconut cultivation insurance scheme
- Floriculture insurance scheme
- Ginger cultivation insurance scheme
- Vegetable cultivation insurance scheme
- Banana cultivation insurance scheme
- Fruit cultivation insurance scheme

### 2. Warehouse insurance scheme

### 3. Agricultural implements insurance scheme including tractors

### 4. Livestock insurance scheme (2)

- Goat
  - Cattle
5. Accident insurance scheme
  6. Suwasetha health insurance scheme
  7. Third party vehicle insurance scheme
  8. Social security schemes (2)
    - Farmers' pension scheme
    - Fishermen's pension scheme

As a solution to difficulties faced by the farmer community due to damages caused to cultivations by droughts, floods and wild elephants, farmers had to subscribe to a compulsory insurance scheme with contributions from farmers and the government for the cultivations of paddy, maize, potatoes, big onions, soy and chilli and on a policy decision taken by the government, an insurance cover subject to a ceiling of Rs. 40,000 per acre was offered to an acre from the Yala season of 2018. This insurance scheme is implemented island-wide from the Yala season of 2018 with the coordination of all the relevant institutions including the Ministry of Agriculture, Agrarian Services Department, Mahaweli Development Authority, state and non-state banks.

#### **Major programmes implemented by the Operations Division**

- After reaping the harvest of the Maha season of 2017/18, the traditional “Aluth Sahal Mangalya” or new rice festival at the Jaya Sri Maha Bodhi premises was held on 06 and 07 April, 2018 under the patronage of His Excellency the President Maitrheepala Sirisena and the erection of the Pirith Mandapa, provision of public loudspeaker systems and other activities were sponsored by the Board and carried out by the officers of its staff.
- Torrential rains that lashed the districts of Jaffna, Kilinochchi, Vavuniya, Mannar and Mullativu caused havoc destroying much cultivation in the Maha season of 2018/2019. In particular, it was reported that nearly 27,000 acres of farming lands were destroyed following damages caused to the Iranamadu tank. At a meeting between the Minister of Agriculture, the heads of relevant institutions and officers, it was decided to draw up a formula to pay compensation to affected farming lands observed as such during field inspections. Accordingly, field observations were carried out jointly for a period of three weeks starting from 07.01.2019 by officers of the district office of the Board, Agrarian Service Officers and office bearers of farmer organizations. Thus, a more practical and accurate approach was adopted for paying compensation to farmers, having identified the damaged farming lands in the Northern Province.
- Inspection of maize cultivations fully damaged by crop-destroying Fall Army Worm (Sena) caterpillar mainly in the districts of Ampara, Monaragala and Batticaloa in the Maha season of 2018/19 was carried out as the first phase of paying compensation. The field observation activities were conducted from March to 11 April 2019 and action was taken to pay compensation to identified farmers employing a more accurate system.

- Field observations were carried out with the participation of officials of the head office and district offices to assess damages caused to cultivated lands by the prolonged drought and heavy rains in the Kurunegala, Gampaha and Matara districts in the Yala Season of 2019. In conducting observations, priority was accorded to Agrarian Service Centre areas wherefrom extensive damages were reported.
- “2025 Enterprises Sri Lanka” exhibition organized by the Ministry of Finance in collaboration with the Prime Minister’s Office on the theme of Agriculture in Sri Lanka in the year 2025 was held from 24 to 27 July, 2019 at the Walisinha Harischandra Park premises, in the Anuradhapura district and the Board maintained an exhibition stall. Action was taken to create awareness among those who visited the exhibition on all programmes operated by the Board using handbills, banners and new technology.
- A series of ceremonies to pay compensation to farmers whose crops were damaged in the Yala season of 2018 was held under the patronage of Prime Minister, Hon. Ranil Wickremesinghe and with the participation of other ministers in the Monaragala, Polonnaruwa, Anuradhapura, Ampara, Kurunegala, Matale, Thambuttegama, Jaffna, Gampaha, Puttalam and Hambantota districts.
- A ceremony to award compensation to farmers rendered helpless as a result of their maize cultivations being destroyed by Fall Army Worm caterpillar in the Maha season of 2018/19 was held on 31.07.2019 with the participation of ministers and MPs of the Trincomalee district at the Trincomalee Secretariat auditorium.
- A two-day workshop was conducted at Samurdhi Training Centre, Nillamba, Kandy on 25 and 26 October 2019 for all executive officers of the Head Office and districts with the objective of efficient and accurate discharge of services of the Board. Carrying out work in accordance with existing circulars and solutions to practical problems encountered during the course of work were discussed and special lectures were conducted for instilling positive thinking traits amongst officers.
- Awareness programmes were conducted at the district level for the staff of the Board to raise awareness on crop insurance, third party vehicle insurance, livestock insurance and office procedures.

Date	District offices participated in the programme	Venue of the programme
17.12.2019	Colombo, Kalutara, Gampaha, Ratnapura	Head office auditorium
19.12.2019	Monaragala, Badulla, Ampara, Embilipitiya	NAQDA-Monaragala
23.12.2019	Jaffna, Kilinochchi, Mannar, Trincomalee, Mullativu, Batticaloa, Vavuniya	Agrarian service auditorium, Vavuniya
24.12.2019	Anuradhapura, Polonnaruwa, Thambuttegama, Maho, Kurunegala, Dehiattakandiya, Manampitiya	District Secretariat, Anuradhapura

- Appointment of district agents (Public Sector) for the propagation of the third party vehicle insurance scheme among farmers at the district level was carried out. Awareness programmes were conducted for insurance agents of the districts of Kegalla, Matara, Maho, Gampaha, Anuradhapura, Monaragala, Badulla, Ratnapura.
- Arrangements were made through the district offices for the preparation of posters, banners and leaflets required for the special propaganda and promotion programmes conducted at the district level and upon requests made by the Gampaha, Anuradhapura, Thambuththegama, Kandy, Kalutara, Kurunegala, Colombo, Hambantota, Ratnapura and Badulla district offices, the Operations Division took necessary action to have such materials prepared and supplied to the relevant district offices.
- Special sales promotion programmes on the third party insurance scheme were conducted island-wide under the direction of the Marketing Division and the guidance of the district offices.

# **Insurance Division**

**Agricultural Insurance Scheme**

**&**

**Livestock Insurance Scheme**

## **Insurance Division -2019**

The key responsibility of the Insurance Division is to formulate insurance schemes and discharge duties relevant to the release of compensation for liabilities received under insurance schemes with emphasis on crop insurance, livestock insurance and general insurance. Accordingly, the major activities carried out in the year 2019 are as follows.

### **Yala season of 2018**

Since the crop insurance scheme was amended by the Ministry concurrent to the national insurance programme for the Yala season of 2018, the indemnification methods had to be updated. Accordingly, the background was laid for the payment of compensation for crop damages caused to the six types of crops. Several mobile programmes were conducted for the release of compensation for crop damages of the Yala Season of 2018. Teams were sent to the Nuwaraeliya, Kandy and Gampaha districts where heavy damages were caused to cultivations for the conduct of random inspections on of crop damages in the Yala season of 2018. In districts where mobile services were not conducted, officers were deployed at the district level for the computation of compensation for the Yala season of 2018 and computation of calculation was completed by 20.06.2019.

The summary of the payment of compensation for the Yala season of 2018 for which payments were made during the year 2019 is as follows.

<b>No</b>	<b>District</b>	<b>No: of farmers</b>	<b>No: of acres</b>	<b>Compensation</b>
1	Gampaha	1571	1829.79	23,236,958.00
2	Puttalam	1282	2153.74	43,694,540.00
3	Kegalla	206	116.60	1,787,515.00
4	Manampitiya	994	1141.50	35,721,200.00
5	Kurunegala	5036	4067.49	101,763,986.00
6	Maho	1623	1490.22	39,200,308.00
7	Monaragala	713	997.55	25,908,050.00
8	Ratnapura	82	46.25	685,950.00
9	Vavuniya	5	25.00	500,000.00
10	Polonnaruwa	2165	4407.50	111,896,650.00
11	Badulla	570	689.70	17,676,024.25
12	Dehiattakandiya	152	193.19	3,591,050.00
13	Hambantota	600	709.76	17,920,207.00
14	Ampara	372	726.81	16,418,172.00
15	Anuradhapura	1839	2335.38	54,716,450.00
16	Kalutara	349	321.92	3,835,141.00
17	Kandy	64	37.95	8688,870.00
18	Matale	1091	1052.36	27,345,485.00
19	Matara	398	362.95	7,578,570.00
20	Thambuttegama	969	870.58	21,026,984.00
21	Nuwaraeliya	334	153.58	3,376,896.00
22	Galle	57	54.50	1,114,450.00
23	Trincomalee	175	313.50	7,579,600.00
24	Mullativu	8	20.00	364,000.00
	<b>Total</b>	<b>20,655</b>	<b>24,117.82</b>	<b>567,807,056.25</b>

## b. Maha season of 2018/19

As Of 17.02.2018, a considerable amount of crop damages in respect of the Maha season of 2018/19 were reported. Accordingly, officers had to be deployed for inspecting damaged farming lands from the very beginning of the year 2019 and conduct mobile programmes for computing compensation. Similarly, action was taken to release compensation for crop damages caused due to flash floods in the Northern Province in December 2018 and officers of the Division were deployed for duties in the Northern Province.

Several mobile services were held for releasing compensation for damages caused to crops by floods of the Maha season of 2018/19. Accordingly, action was taken to release funds as tabulated below. The total amount released was Rs. 946 million.

Summary report of compensation –Maha season 2018/19			
District	No: of farmers	No: of acres	Compensation
Ampara	5183	8,648.24	163,311,988.00
Anuradhapura	3078	5,442.39	111,408,850.00
Badulla	684	874.63	18,766,294.00
Monaragala	1720	1,748.89	39,493,800.0
Batticaloa	1087	3,439.98	43,996,602.00
Gampaha	479	473.78	6,343,760.00
Hambantota	380	348.39	8,707,967.00
Nuwaraeliya	52	25.17	458,700.00
Thambuttegama	478	406.44	11,337,640.00
Trincomalee	1959	3,235.04	69,861,739.00
Jaffna	1039	939.84	15,565,813.00
Kilinochchi	3605	8,904.00	187,381,060.00
Polonnaruwa	960	2,039.30	37,228,000.00
Mananpitiya	640	625.40	16,303,150.00
Matara	609	517.06	14,168,923.00
Matale	451	483.03	9,918,961.00
Nuwaraeliya	193	135.82	2,540,815.00
Maho	500	438.02	9,676,725.00
Kegalla	158	76.62	1,437,581.00
Ratnapura	47	29.38	443,700.00
Mannar	833	1,740.50	21,610,200.00
Vavuniya	88	144.75	2,515,910.00
Galle	122	182.63	3,413,924.00
Kurunegala	278	1,076.45	4,299,608.00
Puttalam	518	358.13	15,103,910.00
Dehiattakandiya	439	7,790.35	7,249,950.00
Mullativu	3747	7,790.35	124,301,750.00
<b>Total</b>	<b>29,327</b>	<b>50,264.91</b>	<b>946,847,320.00</b>

### C. Damages caused by Fall Army Worm Caterpillar to maize cultivations

The release of compensation for 2018 for damages caused to maize cultivations by Fall Army Worm (Sena) caterpillar in respect of the Maha season of 2018/19 also took place this year. Accordingly, measures were taken for the computation of compensation for damages caused to cultivations in the Anuradhapura, Monaragala, Ampara and Badulla districts.

Having prepared the Cabinet Memoranda for securing provisions for this purpose, steps were taken to have funds released for cultivations that were fully damaged.

Details pertaining to the release of compensation in the following table A. Similarly, Table B shows partial and minor damages caused by Fall Armyworm caterpillar.

#### 2018-19 Payment of compensation – Fall Army Worm caterpillar

##### A. Payment of compensation for full damage

No	District	No. of farmers	No. of acres	Compensation	
1	Ampara	302	409.19	16,367,400.00	With the approval of the Cabinet, compensation was paid for full damages. Memorandum No. 19/0166/118/010
2	Anuradhapura	56	55.00	2,200,000.00	
3	Thambuttegama	87	86.38	3,455,000.00	
4	Monaragala	1905	2444.59	97,783,720.00	
5	Batticaloa	613	477.25	19,090,000.00	
6	Hambantota	79	52.18	2,087,200.00	
7	Ratnapura	51	32.83	1,273,107.00	
8	Badulla	388	529.13	1,313,107.00	
9	Maho	97	92.12	3,684,800.00	
10	Kurunegala	6	4.50	180,000.00	
11	Polonnaruwa	94	68.25	2,730,000.00	
12	Manampitiya	95	69.25	2,770,000.00	
13	Trincomalee	325	258.00	10,320,000.00	
14	Gampaha	7	3.60	147,200.00	
15	Kandy	62	33.17	1,326,000.00	
16	Mannar	10	13.00	520,000.00	
17	Mullativu	24	27.75	1,090,000.00	
18	Vavuniya	22	21.50	860,000.00	
19	Kilinochchi	3	4.00	40,800.00	
20	Jaffna	3	0.79	31,600.00	
21	Puttalam	32	28.25	1,090,000.00	
22	Nuwaraeliya	4	1.0	40,000.00	
	<b>Total</b>	<b>4265</b>	<b>4711.73</b>	<b>168,399,934.00</b>	

## B. Compensation computed for partial and minor damages

No	District	No. of farmers	No. of acres	Compensation recommended to be paid for full damages (Rs)	
1	Ampara	14,677	19,600.00	226,886,846.00	With the approval of the Cabinet, compensation was paid for partial and minor damages. Memorandum No. 19/0166/118/010
2	Monaragala	12,254	25,152.90	208,616,126.55	
3	Batticaloa	2690	1770.90	19,232,126.00	
4	Hambantota	30	20.64	178,092.00	
5	Ratnapura	68	11.77	437,978.00	
6	Badulla	7568	14,166.39	105,663,733.90	
7	Maho	789	878.34	5,965,459.00	
8	Kurunegala	34	4.81	68,086.43	
9	Polonnaruwa	80	76.75	915,705.00	
10	Manampitiya	883	1641.60	25,218,480.00	
11	Trincomalee	814	938.28	8,104,436.78	
12	Kandy	57	16.87	126,547.58	
13	Kilinochchi	1	2.50	15,300.00	
14	Puttalam	96	99.95	1,234,225.50	
16	Jaffna	4	1.19	47,500.00	
<b>Total</b>		<b>40,077</b>	<b>64,411.14</b>	<b>603,800,642.74</b>	

Accordingly, computation of compensation for all crop damages of the Maha Season of 2018/19 was completed by the end of the year 2019.

Similarly, steps were taken to release funds as usual for claims of compensation submitted under other insurance schemes aside from the crop insurance. It is as tabulated below.

### d. Livestock Insurance

Livestock Insurance compensation in 2019 (Jan-Dec.)								
Month	Cattle		Goat		Kerala		Total	
	Total amount	No. of animals	Total amount	No. of animals	Total amount	No. of animals	Total amount	No. of animals
January	317,228.50	5	-	-			317,228.50	5
February	502,477.50	6	-	-			502,477.50	6
March	187,000.00	4	-	-			187,000.00	4
April	903,654.50	13	82,125.00	6			985,819.50	19
May	308,125.00	7	11,745.00	1			319,870.00	8
June	436,937.00	7	-	-			436,937.00	7
July	541,450.00	7	13,500.00	2			554,950.00	9
August	457,937.50	6	13,950.00	3			471,887.50	9
September	301,962.50	5	15,120.00	1			317,082.50	6
October	92,208.00	2	4,500.00	1			96,708.00	3
November	376,584.00	7	72,000.00	4			448,584.00	11
December	1,244,145.00	19	122,580.00	12	-	-	1,366,725.00	31
<b>Total</b>	<b>5,669,749.50</b>	<b>88</b>	<b>335,520.00</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>6,005,269.50</b>	<b>118</b>

## Suwasetha/ Accident Insurance

Under the Suwasetha Scheme claims for insurance were insignificant and the total compensation paid was less than one hundred rupees' Liabilities have not arisen under the accident insurance scheme.

### Medium term measures designed to improve the performance were implemented as follows

Several mobile programmes were held in 2019 for computing compensation for the crop damages of Yala Season 2019 and 90% of compensation computation, i.e. computation of compensation in all districts and regions with high potential had been finalized as at 31.12.2019. Accordingly, having computed compensation for three cultivation seasons i.e. Yala 2018, Maha 2018/19 and Yala 2019, necessary measures were taken to release funds.

### Reinsurance activities

By May 2018, necessary measures had been taken as per the instructions of the Board of Directors to obtain reinsurance programmes for the Yala season of 2019 from the National Insurance Trust Fund. They are as follows.

Matter	
Extent in acres where six crops including paddy has been cultivated	450,000
Total stated insured amount	Rs. 1,232,876,701.00
Amount reinsured (Excess of loss sum insured)	Rs. 873,796,276.00
Total retentions of the insured	Rs. 359,080,425.00
Premium payable (MDP 80%)	Rs. 148,380,848.00 (subject to the payment of premia in arrears in relation to the increase in the number of acres cultivated)
Risk covered	Floods, drought, wild elephants, other natural disasters

Accordingly, reinsurance facilities for all crops included in the national insurance programme for the Yala season of 2019 too were procured from the National Insurance Trust Fund for guaranteeing the insurance coverage.

Action was taken to contribute resources for awareness programmes on future insurance activities conducted for officers of the Board during the tail end of the year 2019. Apart from duties relating to crop damages, action was taken to update the relevant documents to be in compliance with the amended circulars.

Similarly, measures were taken to secure the approval of the Board of Directors for circulars prepared for sugarcane cultivation and that scheme is expected to be administered from the year 2020 onwards.

Having prepared all reports required for obtaining reinsurance facilities for crops to be insured in the 2019/20 and 2020 Yala season, the recommendation of the Technical Committee was referred to the Ministerial Procurement Committee. Steps were taken to contribute necessary resources for updating the incentive scheme scheduled to be provided to the entire staff of the Board.

# **Pension Division**

**Farmers' Pension and Social  
Security Benefit Scheme**

**&**

**Fishermen's Pension and Social  
Security Benefit Scheme**

## **Farmers' Pension Division -2019**

### **Farmers' Pension and Social Security Benefit Scheme**

The total number of farmers subscribed to the Farmers' pension and social security benefit scheme established by the Farmers' Pension and Social Security Benefit Scheme No. 12 of 1987 by the year 2019 was 959,254. The number of farmers to be provided with benefits under this scheme by the year 2019 was 159,425 and the amount paid as pensions was Rs. 3,164,343,659.

The fund of the Farmers' Pension and Social Security Benefit Scheme became zero by mid 2010 as result of the increase of the pension paid to those over 60 years from Rs 200/- which was the amount prescribed under the provisions laid down for higher age categories at the introduction of the scheme to Rs 1000/- on the basis of two separate cabinet decisions, payment of pension to the surviving spouse from the date of the death of the pensioner until the age of 80 of the pensioner had he lived, and the extension of two year period for those in the age category of 46 years to 59 years to join the scheme until the year 2007. Nevertheless the Board continued to pay pension entitlements using the provisions allocated by the Treasury and other funds maintained by the Board until December 2011. However, due to exhaustion of funds, pension entitlements could not be paid from January 2012 to December 2013. Still, the death and disablement benefits were paid continually to subscribers.

A restructuring of the scheme was implemented under the guidance of the Ministry of Finance and Planning, offering a sustainable solution to the financial crisis of the scheme while ensuring the continuity of same. Consequently, necessary measures were taken as per the budget proposals of 2014 to enact this scheme as a new scheme with enhanced benefits and to resume the payment of pension from January 2014 with enhanced benefits corresponding to the new scheme.

By the end of the year 2019, the current liability of the Farmers Pension Scheme was approximately Rs. 70.2 million. Though it was proposed to provide Rs 5 billion from the budget of 2015 in terms of the decision to offer treasury bonds to build the Farmers' Pension Fund in order to meet this liability, the Board did not receive the said funds. Every year, the funds required for the payment of farmers' pension is allocated through the national budget.

<b>Payment of Farmers' Pension 2019</b>			
	<b>District</b>	<b>No of subscribers</b>	<b>Amount paid (Rs.)</b>
1	Ampara	4,063	77,681,691
2	Anuradhapura	7,778	142,708,996
3	Badulla	6,678	131,643,006
4	Batticaloa	1,160	21,945,811
5	Colombo	5,311	111,843,923
6	Galle	14,237	309,690,031
7	Gampaha	11,244	228,113,535
8	Hambantota	8,946	168,183,184
9	Jaffna	2,554	51,472,113
10	Kalutara	8,712	183,688,458
11	Kandy	16,098	327,165,961
12	Kegalle	9,947	191,983,422
13	Kurunegala	19,345	366,150,541
14	Mannar	95	1,493,470
15	Matale	4,874	91,720,094
16	Matara	10,055	207,387,964
17	Monaragala	5,404	103,288,047
18	Mullativu	137	2,900,208
19	Nuwaraeliya	3,103	61,540,228
20	Polonnaruwa	5,140	101,915,142
21	Puttalam	5,557	107,065,687
22	Ratnapura	7,496	146,562,300
23	Trincomalee	914	17,867,073
24	Vavuniya	577	10,332,774
	<b>Total</b>	<b>159,425</b>	<b>3,164,343,659</b>

- Payment of pension relevant to the Kilinochchi District is carried out through the Vavuniya District

<b>Payment of death and disability gratuity</b>							
<b>Janaury o December 2019</b>							
	<b>District</b>	<b>No. of deaths</b>	<b>Amount paid (Rs)</b>	<b>No of disabled</b>	<b>Amount paid (Rs)</b>	<b>Total deaths/disabilities</b>	<b>Total amount</b>
1	Galle	22	393,837	2	1	24	453,596
2	Matara	12	204,217	1	38,497	13	242,714
3	Hambantota	22	404,746			22	404,746
4	Monaragala	22	454,084			22	454,084
5	Gampaha	14	255,626			14	255,626
6	Badulla	10	233,587			10	233,587
7	Ratnapura	7	146,887			7	146,887
8	Kalutara	13	277,524			13	277,524
9	Ampara	8	165,149			8	165,149
10	Colombo	5	73,686			5	73,686
11	Embilipitiya	2	44,452			2	44,452
12	Manampitiya	2	44,233			2	44,233
13	Kegalla	22	396,756	1	28,400	23	425,156
14	Kandy	17	390,740			17	390,740
15	Kurunegala	27	531,751			27	531,751
16	Maho	22	451,596			22	451,596
17	Anuradhapura	21	475,061			21	475,061
18	Polonnaruwa	16	356,668			16	356,668
19	Puttalam	7	139,772			7	139,772
20	Thambuttegama	6	115,656			6	115,656
21	Nuwaraeliya	21	393,756			21	393,756
22	Jaffna	10	193,581			10	193,581
23	Trincomalee	1	24,020			2	50,802
24	Matale	27	557,133			27	557,133
25	Vavuniya	2	29,155			2	29,155
		<b>338</b>	<b>6,753,673</b>	<b>5</b>	<b>153,438</b>	<b>343</b>	<b>6,907,111</b>

## **Fishermen's Pension and Social Security Benefit Scheme**

The Fishermen's Pension and Social Security Benefit Scheme was established by Act No.23 of 1990 and implemented in terms of the regulations published in Extraordinary Gazette of 09<sup>th</sup> September 1996. This is a social security benefit scheme for fishermen who makes his living by fishing or fish farming, whether in the sea, lagoons or inland bodies of water.

### **The objects of the Scheme**

The objects of the Scheme are:

- (a) to provide social security to fishermen during their old age or disability ;
- (b) to provide relief to the dependents of fishermen upon the death of such fishermen ;
- (c) to encourage fishermen to continue in their occupation ;
- (d) to attract young persons to the fishing industry ; and
- (e) to inculcate the habit of saving and to promote thrift among the fishermen.

The total number of fishermen to whom subscription has been granted by the end of the year 2019 was 69,049. Rs 66,976,774/- was paid as pension to 4,755 pensioners. These payments are disbursed through 390 post offices.

**Report on the payment of pension -2019**

District Fisheries Extension Division	Payment of pension	
	No of subscribers	Amount Rs.
Kalutara	113	1,577,212.00
Galle	130	1,758,276.00
Mahawewa	400	5,705,220.00
Matara	313	4,357,248.00
Colombo	64	896,930.00
Tangalle	256	3,522,804.00
Puttlam	60	848,286.00
Negombo	607	8,353,903.00
Batticaloa	471	6,518,550.00
Trincomalee	109	1,676,448.00
Mannar	438	5,924,880.00
Kalmunai	363	5,056,564.00
Mulativu	69	936,352.00
Kilinochchi	368	5,697,014.00
Jaffna	931	13,226,513.00
<b>Freshwater reservoirs</b>		
Nuwaraeliya	7	92,004.00
Polonnaruwa	2	37,800.00
Ratnapura	3	40,428.00
Monaragala		
Kurunegala	3	68,343.00
Anuradhapura	5	67,248.00
Matale	6	81,576.00
Kandy	9	134,739.00
Kegalle		
Badulla	5	68,604.00
Vavuniya	2	28,608.00
Batticaloa-Freshwater	21	301,224.00
<b>Total</b>	<b>4,755</b>	<b>66,976,774.00</b>

**Fishermen's Pension and Social Security Benefit Scheme  
Subscriptions as at 31.12.2019**

District Fisheries Extension Division	Subscribers according to the age						Total number of contributors 2019
	18-29	30-35	36-45	46-50	51-54	55-59	
Kalutara	1,213	721	772	197	105	59	3,067
Galle	1,082	676	840	221	118	95	3,032
Mahawewa	3,253	1,702	2,036	613	256	240	8,100
Matara	1,750	980	1,232	346	201	164	4,673
Colombo	576	360	478	140	63	38	1,655
Tangalle	2,514	1,389	1,629	412	201	169	6,314
Puttlam	2,167	1,156	1,222	255	107	61	4,968
Negombo	2,538	1,599	2,167	735	419	378	7,836
Batticaloa	2,248	1,390	1,630	555	272	266	6,361
Trincomalee	654	516	550	129	81	78	2,008
Mannar	2,066	1,227	1,343	429	222	257	5,544
Kalmunai	1,565	1,109	1,515	479	244	207	5,119
Mulativu	88	79	141	50	27	44	429
Kilinochchi	519	340	540	250	185	183	2,017
Jaffna	2,185	1,117	1,444	668	402	617	6,433
<b>Freshwater reservoirs</b>							
Nuwaraeliya	29	28	47	7	1	3	115
Polonnaruwa	45	35	27	11	2	1	121
Ratnapura	27	15	9	1	3	-	55
Monaragala	17	14	10	1	-	-	42
Kurunegala	45	24	24	1	-	2	96
Anuradhapura	169	81	84	17	7	5	363
Matale	31	14	23	5	2	3	78
Kandy	13	12	25	5	3	3	61
Kegalle	1	1	2	-	-	-	4
Badulla	59	33	33	3	-	3	131
Vavuniya	59	33	41	15	4	-	152
Batticaloa-Freshwater	84	52	67	27	20	25	275
<b>Total</b>	<b>24,997</b>	<b>14,703</b>	<b>17,931</b>	<b>5,572</b>	<b>2,945</b>	<b>2,901</b>	<b>69,049</b>

## Fishermen's pension and social security benefit scheme

### Payment of death and disability benefits -2019

District Division	Fisheries Extension	Payment of pension	
		No of subscribers	Amount Rs.
Kalutara			
Galle			
Mahawewa		1	8,000.00
Matara			
Colombo			
Tangalle		1	20,000.00
Puttlam			
Negombo		1	15,000.00
Batticaloa		2	25,000.00
Trincomalee			
Mannar		6	83,000.00
Kalmunai		1	20,000.00
Mulativu			
Kilinochchi		5	54,000.00
Jaffna		7	103,000.00
<b>Freshwater reservoirs</b>			
Nuwareliya		-	-
Polonnaruwa		-	-
Ratnapura		-	-
Monaragala		-	-
Kurunegala		-	-
Anuradhapura		-	-
Matale		-	-
Kandy		-	-
Kegalle		-	-
Badulla		-	-
Vavuniya		-	-
Batticaloa-Freshwater		-	-
<b>Total</b>		<b>24</b>	<b>328,000.00</b>

### Payment of death and disability benefits

Rs. 328,000/= was paid as death gratuity for 24 subscribers of the Fishermen's pension scheme who passed away during the year.

# **Administrative and Human Resources Division**

## Administrative and Human Resources Division- 2019

### Staff

The staff of the Agricultural and Agrarian Insurance Board was as follows as at 31.12.2019.

#### Composition of the staff

Service Category	Designation	Approved Cadre	Existing Cadre	Vacancies
<b>Senior Management</b>				
HM	Director General	1	1	-
HM	Director	5	1	4
<b>Management</b>				
MM	Deputy Director / Assistant Director	45	30	15
<b>Junior Management</b>				
JM	Administrative Officer	2	-	2
	Systems Administrator	1	-	1
	Financial Officer	1	-	1
	Planning Officer	1	-	1
<b>Associated Officer</b>				
ASS.O	Development Officer	55	32	23
	Supplies Officer	1	-	1
	Internal Audit Officer	1	-	1
<b>Management Officer (Technical)</b>				
MA - Tech	Transport Assistant	1	1	-
	Secretary	1	1	-
	Book Keeper	4	1	3
	Hardware & Networking Technician	1	1	-
	Technician (Audio/Visual)	1	-	1
<b>Management Assistant (Non-technical)</b>				
MA - NonTech	Management Assistant	220	156	64
<b>Primary (Technical)</b>				
PL - Skilled	Driver	38	26	12
<b>Primary (Non Technical)</b>				
PL - Non Skilled	Office Assistant	42	32	10
		<b>421</b>	<b>282</b>	<b>139</b>

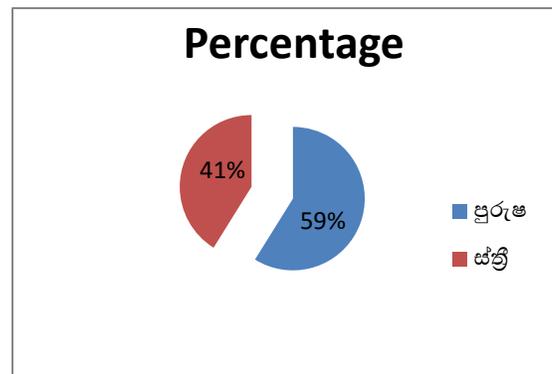
Until officers are recruited for the continuation of functions assigned to the Board, officers have been deployed on contract basis for the following posts in the Head Office and district offices for highly essential posts which currently remain vacant.

<b><u>Contract basis</u></b>		
<b>MM</b>	Deputy /Assistnat Director	5
<b>ASS.O</b>	Development Officer	2
<b>MA - NonTech</b>	Management Assistant /Field	2
<b>PL - Non Skilled</b>	Karyala Sahayaka	2
	Karyala Sahayaka (Sanitary Labourer)	2
	<b>Total</b>	<b>13</b>
<b><u>Daily basis</u></b>		
<b>PL - Non Skilled</b>	Karyala Sahayaka	01

### **Analysis of Staff as at 31.12.2019**

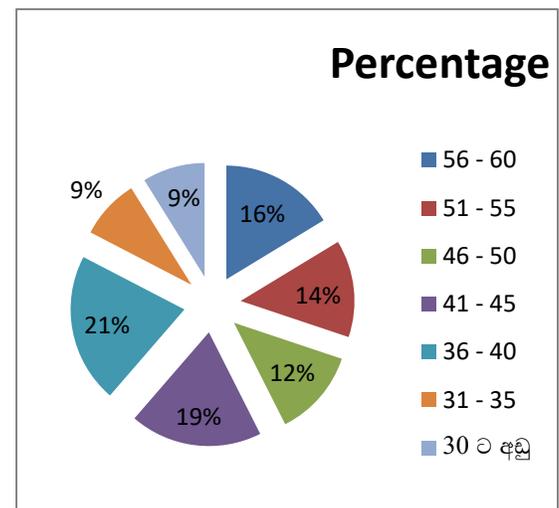
#### **Staff- Gender Analysis**

Male -166  
 Female - 116  
 Total - 282



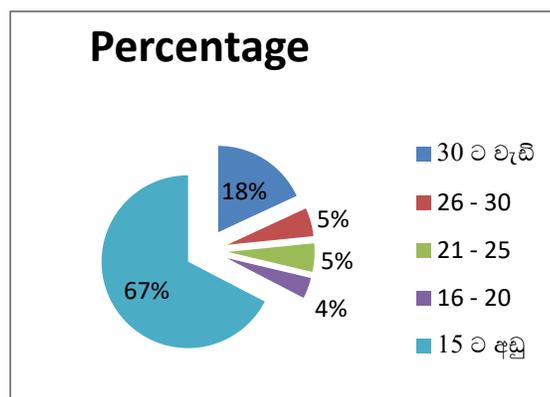
#### **Age analysis**

Age group	No of employees	Percentage
56 - 60	46	16%
51 - 55	39	14%
46 - 50	35	12%
41 - 45	53	19%
36 - 40	60	21%
31 - 35	24	9%
Less than 30	25	9%
Total	282	100%



### Analysis as per period of service

Years	No of employees	Percentage
More than 30	51	18%
26 - 30	15	5%
21 - 25	15	5%
16 - 20	11	4%
Less than 15	190	67%
Total	282	100%



### Retirement, deaths and vacation of posts in 2019

During the year 2019, of the officers in the service of the Board, 24 left left the service due to following reasons.

	Designation	Number	Reason for vacating the post
1	Deputy Director	05	Retirement
2	Assistnat Director	01	retirement
3	Development Officer	04	Retirement
		02	Resignation
4	Management Assistant	07	Retirement
		01	Resignation
		01	Death
5	Office Aids	01	Retirement
		01	Resignation
6	Driver	01	Resignation

### Recruitment and promotions in the year 2019

- External recruitment - Management Assistant -12  
Driver - 02  
Office Aids - 07  
21
- Internal recruitment -
- Promotions - 01

### **Employee Training and Academic Activities**

Assistant Director Mr. W.R. Kularatne participated in the 'Integrated Management Strategies for major crop pests & Diseases in Developing Countries' training workshop held at Hyderabad, India.

Arrangements were made to have seven (07) officers of the Board namely Deputy Director A.L.Gamini, Deputy Director Miss M.M.C.Manthilaka, Deputy Director W.K.N. Perera, Assistant Director S.M.U.G.S.K. Subasinghe, Assistant Director A.M.H.U. Wickremesinghe and Assistant Director Sathish Kumara participated in the 6<sup>th</sup> Asian Agro Insurance session held in New Delhi, India.

Assistant Director Mrs. D.S.R. Hettiarachchi participated in the workshop on 'Production & Post – Harvest Technology in Agricultural Crops' held in Kerala, India.

Assistant Directors Mr. E.M. Neil Bandara and Mr. Chandana Kodippili were participants in the Climate Smart Agriculture training workshop held in India.

Chairman Mr. Sumith Warnakulasuriya, Director General K.D.P.R. Weerasinghe, Assistant Director (Planning) Mrs. D.K. Dissanayake and Development Officer Mrs. R.A.I.U. Dharmaratne Samarakoon attended the Agriculture Insuretech Forum held in Mumbai, India.

Assistant Director Mrs. Dinusha Priyadarshani participated at the one-day training programme on 'Computer based tax payment system' conducted by the Sri Lanka Institute of Chartered Accountants.

### **Employee welfare**

The programme of supplying morning and evening tea, the medical insurance scheme for the staff of the Board and granting motorcycle loans to entitled officers continued this year too as was done during the previous year.

### **Supplies Davison**

Action was taken to have the following documents relating to the insurance schemes administered by the Board.

**Under the third Party Insurance Scheme** -Third party applications, Third party receipt books. Third party coverage books, Third party cards

**Under the Crop cultivation insurance scheme** - Crop insurance application forms, Damage reporting documents

**Under the Farmers' Pension Scheme** - Farmers' pension payment cards, Farmers' pension identity cards

**Under the Fisheries pension scheme** - Fishermen's pension payment books, Fishermen's pension identity card

In addition, General receipts books, General 35 forms, leave application forms, documents for transport duties required by the head office and district offices were also printed.

Procurement process was strictly followed in purchasing technical equipment required for district offices and the head office and items of office equipment (desks, chairs, cupboards) required for the district offices at Ratnapura, Ampara, Kurunegala, Galle, Kalutara, Anuradhapura, Thambuttegama were purchased.

A new server was purchased for the Fisheries Pension Division and uniforms for the employees holding posts of drivers and KKSs were provided in the year 2019.

As per requests made by various divisions of the head office, stationary was purchased in accordance with the procurement procedure and supplied to the store.

### **Office Buildings**

The Head Office of the Board was maintained at No. 117, Subhadrarama Road, Gangodawila, Nugegoda . The Board maintains 30 Regional Offices and of them six housed in buildings owned by the Board. Other offices are maintained in buildings owned by either the government or private parties on monthly rent basis.

# **Internal Audit Division**

## **Internal Audit Division – 2019**

For the year 2019, internal audit activities were carried out in accordance with the annual internal audit plan prepared in respect of each division and district office and insurance schemes and social security programmes of the Board currently in operation.

Accordingly, during the year 2019, 23 internal audits centered on each division of the head office and 27 district offices scattered island-wide had been conducted with the limited human resources available by the Assistant Director- Internal Audit, the Audit Officer (Acting) and Development Officer- Audit and a trainee audit officer of the Internal Audit Unit.

Internal audits were planned and implemented in respect of each of the following fields for the evaluation of adequacy, accuracy and functioning of the internal controls implemented for efficient and effective discharge of functions of each division and district offices with the prime objective of managing risks existing for the Agricultural and Agrarian Insurance Board.

Audit inspections were conducted covering the Administrative Division in respect of distress loans, granting annual salary increments, inspection of disciplinary procedures, payment of employee medical assistance-2019.

In respect of the Affairs of the Finance Division, confirmation of non-current assets, account number 100-170-112349 (supplementary crops cultivation insurance collection account, inspection of bank reconciliation statements, inspection of remittances of premia and payment of incentives of the Suwasetha insurance scheme, inspection of payable expenses and accrued expenditure, inspection of financial statements -2018, account number 014-100-180-112344 (FPS- Administrative Account) finance books and bank reconciliations, inspection of district offices collection account and inspection of mixed advances accounts-31.12.2019, inspection of petty cash balance- December 2019 were carried out.

Covering the activities of the Insurance Division, inspecting the payment of compensation for black gram cultivation (Vavuniya/ Anuradhapura), inspection of the remittance of premia and payment of incentives of the Suwasetha insurance scheme was carried out and covering the activities of the Operations Division audits were carried out on the preparation of monthly programmes-Galle district was carried out.

Inspection of the payment of pension to the spouse- Farmers' Pension Scheme, Inspection of the payment of pension to the spouse- Fishermen's Pension Scheme, payment of death gratuity and disability benefits of the Farmers' Pension Scheme (2019) were the audit inspections carried out covering the Farmers' Pension Division and the Fishermen's Pension Division.

Under the special audits ordered by the Director General, the inspection of payment of pension bearing No. KT/P/06, inspection of payment of compensation of third party vehicle insurance-EP KD 0658, inspection of the accident involving the jeep of the Board 32-4938 attached to the Polonnaruwa District Office, inspection of a sum of Rs. 248,550/- belonging to the Board being in possession of Development Officer Mr. T.M. Jayathilaka at the time of his arrest by the Commission for the Investigation of Bribery and Corruption and inspection on the running of vehicle No' KP-8723 attached to the Puttalam district office were conducted and under the preliminary inquiry reports, a preliminary inquiry was conducted on the interdiction of Development Officer Mr. T.M. Piyathilaka attached the AAIB district office of Polonnaruwa. Under the inspection of district offices, the Maho district office was inspected.

Maintenance of coordinating activities with the Auditor General's Department, the Ministry of Agriculture and the Department of Public Enterprises has been carried out by the Internal Audit Division.

#### **Conducting audit management committee meetings**

The Audit Management Committee held 3 committee meetings in respect of the year 2019.

#### **Members of the Audit and Management Committee dated 26.02.2019**

Mr. H.A.N.S. Kumara	Chairman of the Committee –Director, Department of Public Enterprises
Mr. W.M.M.B. Weerasekara	Committee Member –Commissioner General, Department of Agrarian Development
Mr. P.S.K.R. Weerakoon	Committee Member- Additional Secretary, Ministry of Agriculture

**Members of the Audit and Management Committee dated 22.07.2019**

Mr. H.A.N.S. Kumara	Chairman of the Committee –Director, Department of Public Enterprises
Mr. W.M.M.B. Weerasekara	Committee Member –Commissioner General, Department of Agrarian Development
Mrs. Nimalka Dias	Committee Member- Additional Secretary, Ministry of Agriculture

**Members of the Audit and Management Committee dated 07.11. 2019**

Mrs Y. Darshani De Silva	Chairman of the Committee –Director, Department of Public Enterprises
Mr. W.M.M.B. Weerasekara	Committee Member –Commissioner General, Department of Agrarian Development
Mrs. Nimalka Dias	Committee Member- Additional Secretary, Ministry of Agriculture

The evaluation of the audit inquiries conducted by the Internal Audit Division as per the annual audit plan, the review of government audit queries and the review of the Auditor General's report in respect of the financial reports were carried out at the Audit Management Committee meetings.

# **Planning Division**

## **Planning Division – 2019**

The Planning Division aligning itself with the vision and mission of the AIB, coordinated with all divisions of the Board in the year 2019 as well and made plans and designed projects and schemes required to achieve objectives and goals, collected data and statistics in chronological order analyzed same, submitted conclusions and recommendations and conducted research activities.

### **➤ Coordination amongst divisions, collection of data and information and coordination with external institutions**

While maintaining sound relationships with all other divisions of the Board, the Planning Division was engaged in systematic collection of data and statistics relating to primary activities of the Board and having analyzed the data thus collected the monthly, quarterly and yearly progress reports were prepared. Further, in coordination with all institutions involved in the agricultural sector including the Ministry of Mahaweli, Agriculture, Irrigation and Rural Development, all reports requested by such institutions and prepared and submitted to them expeditiously.

### **➤ Implementing project and research activities**

Under the guidance of the Planning Division, the following projects exploring as to how new technologies associated with agro insurance can be adopted for Sri Lanka while minimizing the identified issues and irregularities in the process of payment of compensation and optimizing the process of damage assessment and payment of compensation was implemented successfully in the year 2019.

### **➤ Project for the introduction of an index based insurance scheme**

The index based insurance scheme launched under the counsel of the Ministry of Agriculture and with technical support from the International Finance Company affiliated to the World Bank was implemented in the Hambantota, Kurunegala, Anuradhapura, Ampara, Gampaha, Kilinochchi, Vavuniya and Mullativu districts .

This new scheme was implemented on trail basis in the Vavuniya district for the Maha season of 2018/19 and the Yala season of 2019. Under the new scheme, action was taken to pay compensation amounting to Rs. 7,294,271.00 for 994.42 acres of farming lands of 336 farmers for the Maha season of 2019/19 and compensation to the tune of Rs. 1,299,360.00 for 90 acres of cultivated lands of 77 farmers for the Yala season of 2019.

Compensation was also computed under the new scheme for the districts of Hambantota, Kurunegala, Anuradhapura, Ampara, Gampaha, Kilinochchi and Mullativu and the outcome was compared with the data of compensation payment under the existing system and action was taken to further streamline the new insurance products. Further, collection of basic data for the preparation of insurance schemes for the Maha Season 2019/20 was commenced from the end of this year 2019.

➤ **Programme for developing a Cloud based Web/Mobile Application with a Management Information System having agricultural data**

In partnership with the above project, the programme for developing a Cloud based Web/Mobile Application with a Management Information System (MIS) incorporating agricultural data was successfully implemented in the year 2019 too under the patronage of the Ministry of Agriculture.

A pilot project centered on the Gampaha and Badulla districts for feeding data into a main data system inclusive of data of farmers and farming lands and the mapping of farming lands at the field and track level in this web application was launched from June 2019.

Awareness programmes for field level officers involved in agriculture were conducted at the Divisional Secretariat and Agrarian Service Centre levels in the two districts. Similarly, training workshops were conducted with the participation of GeoEDGE Limited which developed the software for officers involved in feeding data and mapping of farming lands.

With the support of the Agricultural Research and Production Assistants thus trained, activities pertaining to the mapping of farming lands entering data of farmers and farming lands were carried out by data entry officers till the end of the year 2019. It was decided to commence this

project in 2020 focusing on the Hambantota District and discussions on the preliminary stage were initiated in the latter half of 2019.

Further, the development of web/mobile application of this project was carried out throughout the year 2019. Activities pertaining to the development of the above application to suit the needs and processes of the Board were performed conducting regular meetings with the GEOEDGE officers.

➤ **Using satellite images and drone technology for agro-insurance**

As per the instructions issued by the government to award compensation speedily for damages caused to crops in the districts of Kilinochchi, Mullativu, Jaffna, Vavuniya and Mannar due to floods in the Northern Province in December 2018, the AAIB in partnership with the Northern Province Agricultural Department, started the assessment of damages in each district from 05.01.2019. Under the auspices of the Planning Division, field level observations and assessment of crop damages were carried out promptly in coordination with officers of other districts of the AAIB and Agricultural Research and Production Assistants of the Agrarian Development Department.

# **Finance Division**

### **Financial Summary**

The agricultural Insurance scheme of the Board posted a net profit of Rs 652 million in the year 2019, and the operational profit made during the year was Rs 878 million.

In terms of the budget proposals of 2018, the compulsory insurance scheme for six major crops i.e. paddy, maize, big onions, potatoes, soy and chillies was implemented this year too. It was proposed to offer a cover subject to a ceiling of Rs. 40,000 per acre.

Taking into consideration the severe drought that lasted several cultivation seasons and the impact of changes in climatic and weather patterns, it was decided not to charge the hitherto charged premium from farmers and instead the government paid the premia which amounted to Rs. 1739.88 million.

Other insurance schemes have achieved a rapid growth during the year which amounted to year on year increase of 53%.

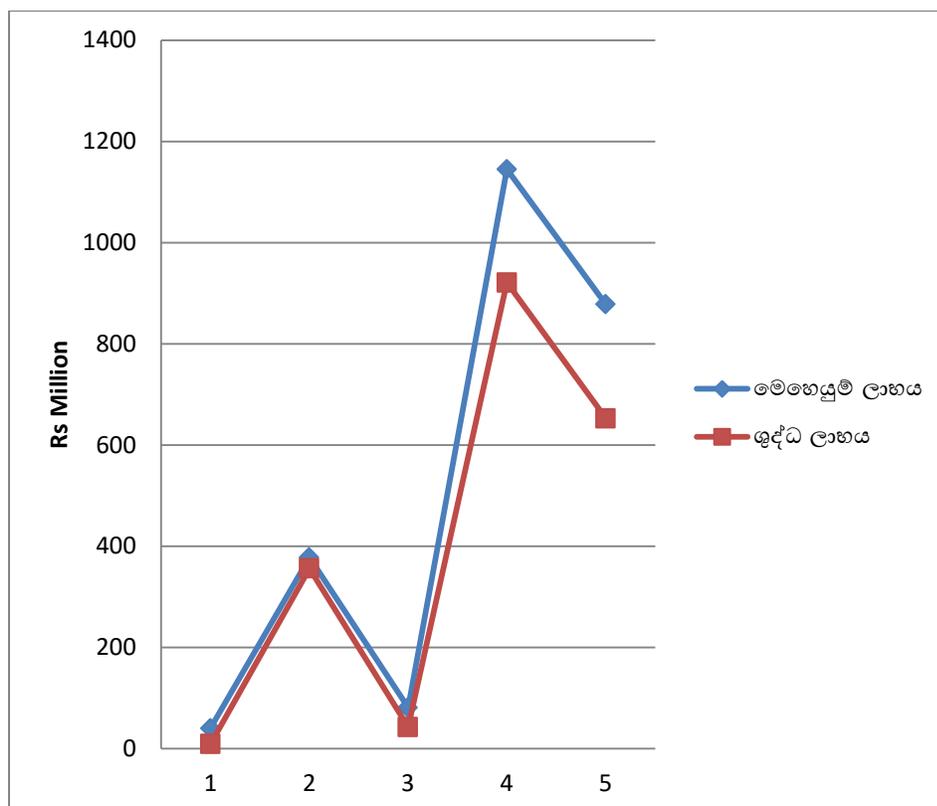
During the year 2019, the compulsory crop insurance indemnity liability of the AAIB was approximately Rs. 2,155 million.

During the year 2019, a net amount of Rs. 3,059 million was paid as pension to 159,425 farmers under the farmers' pension scheme and the amount paid as pension under the Fishermen's Pension Scheme to 4,755 fishermen was Rs 63.3 million.

**Financial Information of the five  
preceding years**

## Profitability

- Agricultural Insurance Scheme

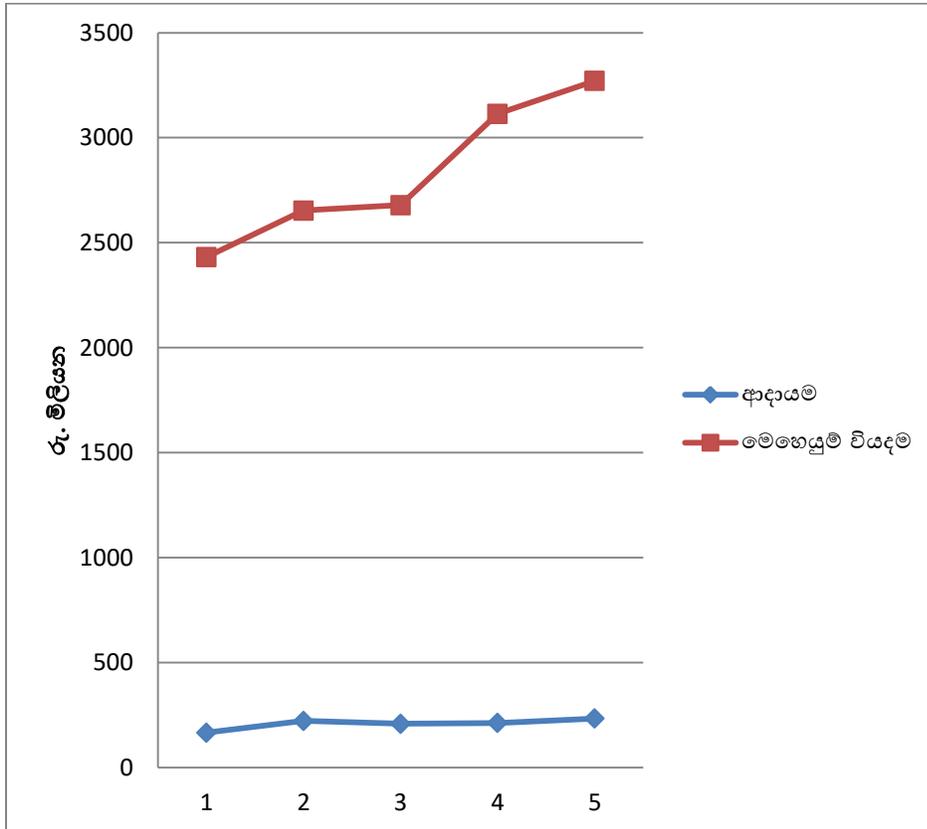


	2015	2016	2017	2018	2019
<b>Operational profit</b>	39.90	377.70	80.90	1144.70	878.00
<b>Net profit</b>	8.70	355.80	42.30	921.00	652.30

In the year 2019, a net profit of Rs. 652.3 million was earned through the Agricultural Insurance Scheme which denotes a decline of 29.18% in comparison to 2018. The key contributory factor for this decline was the reduction in the premium granted by the government as against the previous year for the 06 crops coming under the compulsory insurance scheme. Accordingly, a financial provision of Rs. 1739.88 million was allocated to the Board by the government which resulted in the total insurance income of the Board reaching Rs. 2,038 million signifying a drop of 17.9% compared to 2018. This was predominantly due to the reduction in the allocation of compulsory insurance scheme.

In addition, the third party insurance scheme and other insurance schemes administered by the Board recorded impressive gains compared to the previous year. The income generated by the Board from these insurance schemes in the year 2019 was Rs 237.4 million which was a growth of 53% compared to year 2018. Accordingly, the Board was able to achieve the expected progress from all insurance schemes during the year 2019.

- **Farmers Pension Scheme**

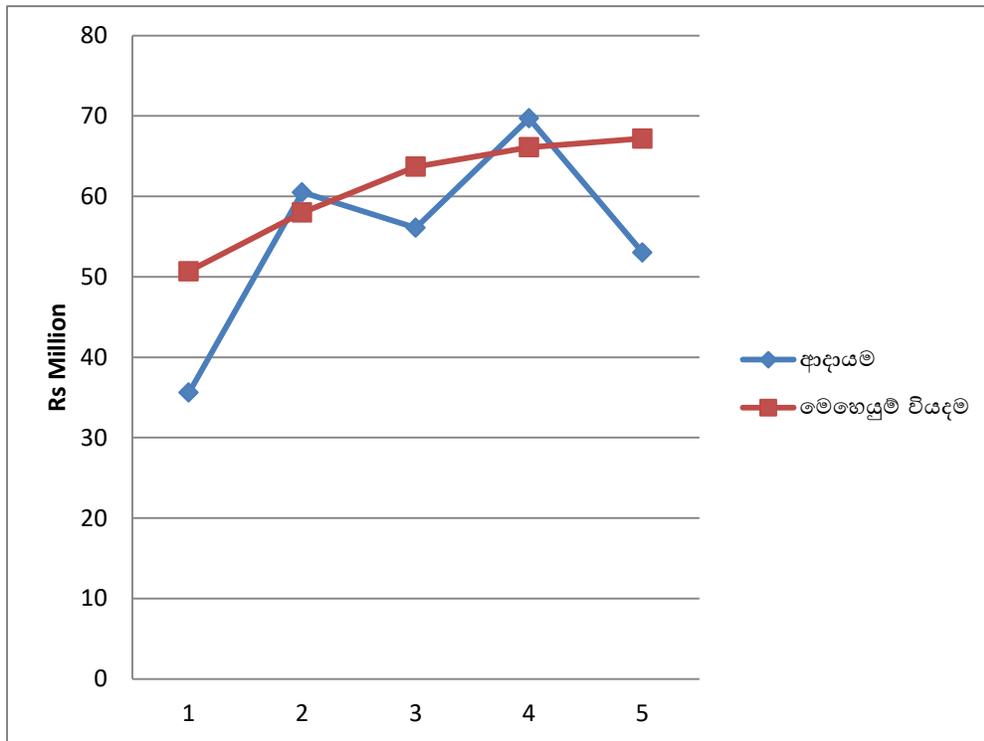


	2015	2016	2017	2018	2019
<b>Income</b>	166	221.6	208.4	211.9	233.40
<b>Operational expenditure</b>	2432	2653	2679	3114	3271.00

Under the new Farmers' Pension Scheme introduced in year 2014, a net pension amounting to Rs. 3,217 million was paid to 159,425 farmers in 2019. The total operational expenditure of the Farmers' Pension

Scheme during the year was Rs 3,271million and as in the previous year, this year too, the Treasury allocated Rs 3065 million as provisions for the payment of pension.

- Fishermen’s Pensions Scheme**



	1	2	3	4	5
	2015	2016	2017	2018	2019
<b>Income</b>	35.6	60.5	56.1	69.7	<b>53.00</b>
<b>Operational expenditure</b>	50.7	58	63.7	66.1	<b>67.20</b>

During the year 2019, the amount paid as pension to fishermen was Rs 63.3 million and the funds available with the Board was used for this purpose. However if the existing pensions scheme for fishermen is to be continued further, it has been computed that by 2021 it will reach zero.

**Consolidated Financial  
Statements for overall schemes  
2019**

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31ST DECEMBER 2019**

	Scheme As at 31-12-2019			Group	
	AIS	FPS	FIPS	31-Dec-19	31-Dec-18
<b>ASSETS</b>					
<b><i>Non Current Assets</i></b>					
Plant, Property & Equipments	73,003,497	3,458,329	126,346	76,588,172	26,751,230
<b><i>Held to maturity Investment</i></b>					
Treasury Bond	-	1,055,048,183	-	1,055,048,183	1,053,000,000
	<b>73,003,497</b>	<b>1,058,506,511</b>	<b>126,346</b>	<b>1,131,636,355</b>	<b>1,079,751,230</b>
<b><i>Current Assets</i></b>					
Stocks	5,911,638	2,421,388	105,757	8,438,783	9,173,775
Receivables	2,014,704,148	19,331,022	564,385,973	1,167,872,706	258,315,948
Receivable Premium	2,114,102,798	2,312,963	-	2,116,415,761	1,766,107,843
Deposits & Pre Payments	5,599,152	-	-	5,599,152	432,864,800
Advances	682,399	-	-	682,399	671,432
Financial Instruments Held to Maturity	1,878,869,760	167,887,669	133,916,455	2,180,673,884	1,266,281,729
Cash at Bank	51,451,163	2,225,694	1,007,607	54,684,464	42,598,615
	<b>6,071,321,058</b>	<b>194,178,737</b>	<b>699,415,791</b>	<b>5,534,367,149</b>	<b>3,776,014,141</b>
<b>TOTAL ASSETS</b>	<b>6,144,324,556</b>	<b>1,252,685,248</b>	<b>699,542,137</b>	<b>6,666,003,503</b>	<b>4,855,765,371</b>
<b>EQUITY &amp; LIABILITIES</b>					
<b><i>Capital &amp; Reserve</i></b>					
AIB Accumulated (Deficit) / Surplus	1,940,626,652	-	-	1,940,626,652	1,288,286,716
Government Grant Capital	5,291,886	-	-	5,291,886	9,956,994
Initial Capital Contributed by the Treasury	50,000,000	-	-	50,000,000	50,000,000
Pension Fund		(75,433,313,130)	(3,288,940,708)	(78,722,253,838)	(74,564,611,031)
Death Gratuity Fund	1,028,673,843	-	28,062,615	1,056,736,458	983,522,560
Group Insurance Contribution	-	1,000,000	-	1,000,000	1,000,000
Staff Medical Insurance Fund	7,049,619	-	-	7,049,619	5,752,936
<b>Other Fund</b>					
AAIB Reserve Fund	144,300,959	2,850,000	-	147,150,959	100,397,962
Kethata Aruna Compulsory Insurance Fund	706,503,600	-	-	706,503,600	706,503,600
Revaluation Reserve	58,129,167	-	-	58,129,167	
	<b>3,940,575,726</b>	<b>(75,429,463,130)</b>	<b>(3,260,878,093)</b>	<b>(74,749,765,497)</b>	<b>(71,419,190,263)</b>
<b><i>Non Current Liabilities</i></b>					
Pension Liability	-	70,252,869,112	3,915,569,738	74,168,438,850	70,099,092,600
Government Grant on Treasury Bond	-	1,081,488,000	-	1,081,488,000	1,081,488,000
Provision For Gratuity	38,564,523	54,643,566	2,103,156	95,311,245	82,135,787
	<b>38,564,523</b>	<b>71,389,000,678</b>	<b>3,917,672,894</b>	<b>75,345,238,095</b>	<b>71,262,716,386</b>
<b><i>Current Liabilities</i></b>					
Provision For Printing	971,151	976,864	570,093	2,518,107	2,427,830
Pre Premium Receipts	25,893,007	-	-	25,893,007	30,274,270
Other Payables	77,240,876	5,287,689,090	40,604,621	3,974,986,149	3,828,749,264
Accrued Expenses	27,735,648	4,481,746	1,572,623	33,790,017	10,312,161
Provision For Indemnity	2,033,343,626	-	-	2,033,343,626	1,140,475,723
	<b>2,165,184,308</b>	<b>5,293,147,700</b>	<b>42,747,336</b>	<b>6,070,530,906</b>	<b>5,012,239,248</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>6,144,324,556</b>	<b>1,252,685,248</b>	<b>699,542,137</b>	<b>6,666,003,504</b>	<b>4,855,765,371</b>

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2019**

	Scheme As at 31-12-2019			Group	
	AIS	FPS	FIPS	31-Dec-19	31-Dec-18
<b>REVENUE</b>					
Insurance Premium	298,553,291			298,553,291	282,791,000
Insurance Premium-Treasury Contribution	1,739,880,000			1,739,880,000	2,200,000,000
Grants for Indemnities - NITF Crop Levy	1,201,617,885			1,201,617,885	1,790,322,777
Grants for Indemnities - Treasury	-			-	-
Farmer 's Contribution for Pension		114,435,331	340,189	114,775,520	114,686,788
Interest Income	125,022,573	119,044,409	56,195,565	249,149,386	226,515,705
	<b>3,365,073,749</b>	<b>233,479,740</b>	<b>56,535,754</b>	<b>3,603,976,082</b>	<b>4,614,316,270</b>
<b>Less : Operating Expenditure</b>					
Indemnity - AAIB	(2,173,895,081)			(2,173,895,081)	(2,969,626,308)
Claims recoverable from Reinsurer	312,000,000			312,000,000	
Operational expenses	(48,756,894)	(1,206,876)		(49,963,770)	(37,606,684)
Pension payments & commission		(3,230,528,740)	(64,173,364)	(3,294,702,104)	(3,135,462,437)
Group Insurance Premium		(19,016,134)	(1,769,100)	(20,785,234)	(21,629,620)
Reinsurance Premium	(576,361,848)			(576,361,848)	(247,779,000)
Refund of Contribution & Net Interest		(20,461,456)	(1,293,842)	(21,755,298)	(22,397,672)
	<b>(2,487,013,823)</b>	<b>(3,271,213,206)</b>	<b>(67,236,306)</b>	<b>(5,825,463,335)</b>	<b>(6,434,501,721)</b>
<b>Operational surplus / (Deficit)</b>	<b>878,059,926</b>	<b>(3,037,733,466)</b>	<b>(10,700,551)</b>	<b>(2,221,487,253)</b>	<b>(1,820,185,451)</b>
<b>ADD:</b>					
Govt. Grant for Pension Payments		3,065,000,000		3,065,000,000	2,725,000,000
Govt. Grant for Admin Expenses	-	138,000,000		138,000,000	110,000,000
Farmers Contribution for Admin Exp.		1,387,845		1,387,845	1,523,535
Grant for Admin: Expenses - FSH			1,500,000	1,500,000	1,500,000
Other Income	9,143,188	485,258	-	9,628,446	4,534,252
	<b>9,143,188</b>	<b>3,204,873,103</b>	<b>1,500,000</b>	<b>3,215,516,291</b>	<b>2,842,557,787</b>
	<b>887,203,114</b>	<b>167,139,636</b>	<b>(9,200,551)</b>	<b>994,029,038</b>	<b>1,022,372,336</b>
<b>Less : Expenses</b>					
Admin Expenses	(184,265,834)	(136,894,635)	(6,999,018)	(328,159,487)	(307,046,727)
Finace & Others	(750,367)	(89,229,107)	(7,500)	(38,873,813)	(46,092,620)
	<b>(185,016,201)</b>	<b>(226,123,741)</b>	<b>(7,006,518)</b>	<b>(367,033,300)</b>	<b>(353,139,347)</b>
<b>NET SURPLUS /( DEFICIT)</b>	<b>702,186,913</b>	<b>(58,984,105)</b>	<b>(16,207,069)</b>	<b>626,995,738</b>	<b>669,232,989</b>
Less : Provision for A.A.I.B Reserve fund	(43,902,996)			(43,902,996)	(57,236,596)
<b>Net Surplus (deficit) After Provision</b>	<b>658,283,916</b>	<b>(58,984,105)</b>	<b>(16,207,069)</b>	<b>583,092,742</b>	<b>611,996,393</b>
<b>Other comprehensive income</b>					
Gratuity gains / (losses)	(5,943,980)	(12,983,523)	(121,859)	(19,049,362)	(233,325)
Increase in Pension Liability		(3,744,663,516)	(324,682,735)	(4,069,346,251)	(3,580,835,413)
	<b>(5,943,980)</b>	<b>(3,757,647,039)</b>	<b>(324,804,594)</b>	<b>(4,088,395,613)</b>	<b>(3,581,068,738)</b>
<b>Net Surplus /Dificit of the Comprehensive income</b>	<b>652,339,936</b>	<b>(3,816,631,143)</b>	<b>(341,011,663)</b>	<b>(3,505,302,871)</b>	<b>(2,969,072,345)</b>

**Financial Statements as at 31  
December 2019**

**Agricultural Insurance Scheme**

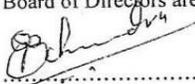
**AGRICULTURAL & AGRARIAN INSURANCE BOARD**  
**AGRICULTURE INSURANCE SCHEME**  
**STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER 2019**

	Notes	31.12.2019		31.12.2018	
		Rs.	Cts.	Rs.	Cts.
<b>ASSETS</b>					
<b>Non- Current Assets</b>					
Property, Plant & Equipment	1	73,003,497.29		25,413,661.28	
		<u>73,003,497.29</u>		<u>25,413,661.28</u>	
<b>Current Assets</b>					
Stocks	2.1	5,911,638.92		5,096,698.44	
Receivables	2.2	2,014,704,148.35		1,051,179,367.54	
Receivable Premium	2.3	2,114,102,797.50		1,763,743,052.09	
Deposits & Pre Payments	2.4	5,599,152.20		432,864,799.56	
Advances	2.5	682,398.69		671,432.49	
Financial Instruments Held to Maturity	2.6	1,878,869,760.35		1,091,921,920.45	
Cash at Bank	2.7	51,451,163.43		38,970,089.05	
<b>Total current Assets</b>		<u>6,071,321,059.44</u>		<u>4,384,447,359.62</u>	
<b>TOTAL ASSETS</b>		<u><b>6,144,324,556.73</b></u>		<u><b>4,409,861,020.91</b></u>	
<b>EQUITY &amp; LIABILITIES</b>					
<b>Capital &amp; Reserve</b>					
Initial Capital Contributed by the Treasury		50,000,000.00		50,000,000.00	
A.A.I.B. Accumulated Fund	3	1,940,626,652.11		1,288,286,716.11	
Government Grant - Capital	4	5,291,885.94		9,956,993.57	
A.A.I.B Reserve Fund	5	144,300,958.65		100,397,962.35	
Farmer's Death Gratuity Fund	6	1,028,673,843.49		956,861,044.93	
Staff Medical Insurance Fund		7,049,618.74		5,752,936.35	
Kethata Aruna Compulsory Insurance Fund		706,503,600.00		706,503,600.00	
Revaluation Reserve		58,129,166.66		-	
		<u>3,940,575,725.59</u>		<u>3,117,759,253.31</u>	
<b>Non - Current Liabilities</b>					
Provision For Gratuity		38,564,522.82		32,966,268.90	
		<u>38,564,522.82</u>		<u>32,966,268.90</u>	
<b>Current Liabilities</b>					
Provision For Printing		971,151.30		916,058.80	
Pre Premium Receipts	7.1	25,893,006.64		30,274,270.03	
Other Payables	7.2	77,240,875.60		72,831,230.60	
Accrued Expenses	7.3	27,735,648.78		14,638,216.27	
Provision For Indemnity	7.4	2,033,343,626.00		1,140,475,723.00	
<b>Total Current Liabilities</b>		<u>2,165,184,308.32</u>		<u>1,259,135,498.70</u>	
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<u><b>6,144,324,556.73</b></u>		<u><b>4,409,861,020.91</b></u>	

These financial statements are in compliance with the requirements of the Sri Lanka Accounting Standards.

.....  
  
 Head of Finance

The Board of Directors are responsible for the preparation and presentation of these financial statements.  
 Signed for on behalf of the Board by:

.....  
  
 Member of Director Board  
 Agricultural & Agrarian Insurance Board

.....  
  
 Member of Director Board  
 Agricultural & Agrarian Insurance Board

**කිසිදු ප්‍රේමිට්ස්ද අයා (වග. ණ)**  
**ආභාසන**  
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 අංක. 117, පුනරාම මාරු,  
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**AGRICULTURAL & AGRARIAN INSURANCE BOARD  
AGRICULTURE INSURANCE SCHEME  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

		<b>31.12.2019</b>		<b>31.12.2018</b>	
<b>REVENUE</b>	<b>Notes</b>	<b>Rs.</b>	<b>Cts.</b>	<b>Rs.</b>	<b>Cts.</b>
Premium - Insurance	8.1	298,553,291.45		282,790,999.84	
Insurance Premium-Treasury Contribution		1,739,880,000.00		2,200,000,000.00	
Grants for Indemnities - NITF Crop Levy		1,201,617,885.00		1,790,322,777.09	
Interest	8.2	125,022,572.80		125,396,022.36	
<b>TOTAL REVENUE</b>		<b>3,365,073,749.25</b>		<b>4,398,509,799.29</b>	
<b>OPERATING EXPENSES</b>					
Indemnity	9.1	(2,173,895,081.29)		(2,969,626,308.14)	
Reinsurance Premium		(576,361,848.14)		(247,779,000.00)	
Claims recoverable from Reinsurer		312,000,000.00			
Operating Expenses	9.2	(48,756,893.82)		(36,372,562.80)	
		<b>(2,487,013,823.25)</b>		<b>(3,253,777,870.94)</b>	
<b>OPERATING SURPLUS/(DIFICIT)</b>		<b>878,059,926.00</b>		<b>1,144,731,928.35</b>	
Other Income	10	9,143,187.78		3,996,919.16	
		<b>9,143,187.78</b>		<b>3,996,919.16</b>	
		<b>887,203,113.78</b>		<b>1,148,728,847.51</b>	
<b>EXPENSES</b>					
Administrative Expenses	11	(184,265,833.87)		(169,042,620.74)	
Finance & Other Expenses	12	(750,367.41)		(690,340.26)	
<b>TOTAL EXPENSES</b>		<b>(185,016,201.28)</b>		<b>(169,732,961.00)</b>	
<b>NET SURPLUS/ (DEFICIT)</b>		<b>702,186,912.50</b>		<b>978,995,886.51</b>	
Provision For A.A.I.B Reserve Fund		(43,902,996.30)		(57,236,596.42)	
<b>NET SURPLUS/ (DEFICIT) AFTER PROVISION</b>		<b>658,283,916.20</b>		<b>921,759,290.09</b>	
<b>OTHER COMPREHENSIVE INCOME</b>					
Gratuity Gain/(Loss)		(5,943,980.20)		(679,937.26)	
		(5,943,980.20)		(679,937.26)	
<b>NET SURPLUS/ (DEFICIT) AFTER OTHER COMPREHENSIVE INCOME</b>		<b>652,339,936.00</b>		<b>921,079,352.83</b>	

**AGRICULTURE & AGRARIAN INSURANCE BOARD**  
**AGRICULTURE INSURANCE SCHEME**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Govt. Grant for Capital</b>	<b>Accumulated Surplus/ Deficit</b>	<b>AAIB Reserve Fund</b>	<b>Farmer's Death Gratuity Fund</b>	<b>Staff Medical Insurance Fund</b>	<b>Revaluation Reserve</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Balance as at 31 December 2017</b>	<b>11,798,919</b>	<b>367,207,363</b>	<b>43,161,366</b>	<b>878,651,397</b>	<b>6,010,043</b>	<b>-</b>
Addition during the year:	2,000,000	-	57,236,596	78,209,648	(257,107)	-
Govt. Grant	(3,841,926)	-	-	-	-	-
Net Surplus /(Deficit)		921,079,353	-	-	-	-
<b>Balance as at 31 December 2018</b>	<b>9,956,994</b>	<b>1,288,286,716</b>	<b>100,397,962</b>	<b>956,861,045</b>	<b>5,752,936</b>	<b>-</b>
Addition during the year:	-	-	43,902,996	71,812,799	1,296,682	-
Amortization Gov. Grant Farmers Pension	(4,665,108)	-	-	-	-	-
Net Surplus /(Deficit)	-	652,339,936	-	-	-	-
Transferred cost from motor vehicle	-	-	-	-	-	(58,832,592)
Accumulated Depreciation of motor vehicle	-	-	-	-	-	49,341,759
Transferred revaluation value to motor vehicle	-	-	-	-	-	67,620,000
	-	-	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>5,291,886</b>	<b>1,940,626,652</b>	<b>144,300,959</b>	<b>1,028,673,843</b>	<b>7,049,619</b>	<b>58,129,167</b>

**AGRICULTURAL & AGRARIAN INSURANCE BOARD**  
**AGRICULTURE INSURANCE SCHEME**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

	31.12.2019		31.12.2018	
	Rs.	Cts.	Rs.	Cts.
<b>Cash Flows from Operating Activities</b>				
Net Surplus / (Deficit)	652,339,936.00		921,079,352.83	
<b>Adjustment for</b>				
Depreciation	17,768,835.96		8,744,992.83	
Provision For A.A.I.B Reserve Fund	43,902,996.30		57,236,596.42	
Gratuity Gain/Loss	5,943,980.20		679,937.26	
	<b>67,615,812.46</b>		<b>66,661,526.51</b>	
Profit / loss on disposal of Property, Plant & Equip.	-		(28,653.96)	
Provision for Retiring Gratuity	4,540,217.82		4,982,837.14	
<b>Operating Surplus before working capital changes</b>	<b>724,495,966.28</b>		<b>992,695,062.52</b>	
(Increase)/ Decrease in Inventories	(814,940.48)		(681,994.95)	
(Increase)/ Decrease in Receivables	(963,524,780.81)		(67,807,577.36)	
(Increase)/ Decrease Receivable Premium	(350,359,745.41)		(1,745,103,141.03)	
(Increase)/ Decrease in Deposits & Prepayments	427,265,647.36		(428,227,127.56)	
(Increase)/ Decrease in Advances	(10,966.20)		(1,098.80)	
Increase /(Decrease) Provision For Indemnity	892,867,903.00		719,475,723.00	
Increase /(Decrease) Provision For Printing	55,092.50		8,187.50	
Increase /(Decrease) Pre-premium advance	(4,381,263.39)		24,733,486.97	
Increase /(Decrease) Other Payables	4,409,645.00		(16,254,052.01)	
Increase /(Decrease) Accrued expenses	13,097,432.51		6,123,532.40	
	<b>18,604,024.08</b>		<b>(1,507,734,061.84)</b>	
<b>Cash Generated from Operations</b>	<b>743,099,990.36</b>		<b>(515,038,999.32)</b>	
Retiring Gratuity - Paid	(4,885,944.09)		(6,061,573.29)	
<b>Net Cash Flows from Operating Activities</b>	<b>738,214,046.27</b>		<b>(521,100,572.61)</b>	
<b>Cash Flows from Investing Activities</b>				
Medical Fund	1,296,682.39		(257,107.00)	
Farmer's Death Gratuity Fund	71,812,798.56		78,209,648.11	
Investments during the year	(786,947,839.90)		453,648,217.92	
Purchases of Property, Plant & Equipment	-7,229,505.30		-3,591,379.15	
Proceeds from sale of Property, Plant & Equipment	-		30,985.00	
<b>Net Cash Flows from Investing Activities</b>	<b>(721,067,864.25)</b>		<b>528,040,364.88</b>	
<b>Cash Flows from Financing Activities</b>				
Government Grant for Capital expenditure	-		2,000,000.00	
Amortization of Government Grant	(4,665,107.63)		(3,841,925.64)	
<b>Net Cash Flows from Financing Activities</b>	<b>(4,665,107.63)</b>		<b>(1,841,925.64)</b>	
<b>Net Increase / ( Decrease) in Cash &amp; Cash Equivalentts</b>	<b>12,481,074.39</b>		<b>5,097,866.63</b>	
Cash & cash equivalents at the beginning of the year	<b>38,970,089.05</b>		<b>33,872,222.42</b>	
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>51,451,163.44</b>		<b>38,970,089.05</b>	

# **Agricultural and Agrarian Insurance Board**

## **Agriculture Insurance Scheme**

### **Significant Accounting Policies**

#### **1. General Policies**

##### **1.1 Reporting Entity**

Agricultural and Agrarian Insurance Board of Sri Lanka (hereafter referred to as the 'Board') was incorporated by Act No.20 of 1999 and is situated at 117, Subadharama Road, Gangodawila, Nugegoda.

##### **1.2 Principal Activities and Nature of Operations**

The board is primarily involved in the Agricultural Insurance including agricultural and horticultural crops, medical plants, livestock, fisheries and forestry, agricultural equipment and implements and the storage and preservation of agricultural & horticultural produce and the products of medicinal plants, fisheries and forest produce. Further the board is also engaging in providing medical benefits, operating social security schemes and fertilizer insurance scheme for agriculturists & Third Party insurance for vehicle who owned by the agriculturists . There were no changes in the nature of the principal activities of the board during the financial year under review.

##### **1.3 Basis of Preparation**

###### **(a) Statement of Compliance**

The financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves, statement of cash flows and notes to the financial statements. These statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka.

## **(b) Basis of Measurement**

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes.

## **(c) Comparative Information**

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve the inter- period comparability.

When the presentation or classification of items in the financial statements have been amended, comparative amounts have also been reclassified to conform with the current year in order to provide a better presentation.

## **(d) Functional and Presentation Currency**

The financial statements are presented in Sri Lankan Rupees, which is the functional and presentation currency of the board.

## **(e) Use of Estimates and Judgments**

The preparation and presentation of financial statements in conformity with SLFRS/LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgments used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the notes to the financial statements.

#### **(f) Going Concern**

The management has made an assessment of the board's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

## **2. Assets and the Bases of their Valuation**

### **2.1 Property, Plant and Equipment**

#### **(a) Recognition and Measurement**

Items of property, plant and equipment are stated at cost or at fair value less accumulated depreciation or impairment losses.

All items of property, plant and equipment are initially recorded at cost less accumulated depreciation or impairment losses. Significant components of an asset are identified and depreciated separately. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. All other repair and maintenance costs are recognized in the income statement as incurred.

Fully depreciated assets with a total historical cost of Rs. 26,313,350.60 has been included in property plant and equipment.

#### **(b) Cost**

The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

Subsequent expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature in order to carry on or increase the earning capacity of the assets has been treated as capital expenditure.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied within the part will flow to the Board and its cost can be measured reliably.

**(c) Revaluation**

After recognition as an asset, lands and buildings whose fair value can be measured reliably, have been carried at revalued amount at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are being performed to ensure that the fair value of a revalued asset does not materially differ from its carrying amount as at the reporting date.

On revaluation of motor vehicle, any increase in the revaluation amount is credited to the revaluation reserve in equity unless it off sets a previous decrease in value of the same asset that was recognized in the Statement of profit or loss. A decrease in value is recognized in the Statement of profit or loss where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

#### **(d) Depreciation**

Depreciation is charged to the statement of comprehensive income on the straight line method at the following rates per annum in order to write off the cost of such assets over their estimated useful lives.

Building	4%
Motor Vehicle	20%
Furniture & Fitting	10%
Publicity Equipment	10%
Loss Preventive Equipment	10%
Crop Cutting Equipment	10%
Bicycles	20%
Survey Equipment	10%
Weighing Scale	10%
Welfare Equipment	10%
Telephone	20%
Computer	20%
Motor Bicycles	20%

#### **2.2 Intangible Assets**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 – Intangible Assets. Accordingly, these assets are stated in the statement of financial position at cost less accumulated amortization and any accumulated impairment loss.

Computer software is amortized over a period of 5years on the straight line method.

## **2.3 Inventories**

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

## **2.4 Financial Assets**

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Board determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The Board initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Board becomes a party to the contractual provisions of the instrument.

The Board derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset is transferred. Any interest in transferred financial assets that is created or retained by the Board is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Board has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The financial assets of the Board include cash and short term investments and trade and other receivables.

**(a) Financial Assets at Fair Value through Profits or Loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance expense in the statement of comprehensive income.

**(b) Loans & Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

Loans and receivables comprise trade receivables, employee loans, deposits, advances, other receivables and cash and cash equivalents.

**(c) Held-to-Maturity Investments (HTM)**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Board has the positive intention and ability to hold them to maturity. After initial measurement, held-to maturity investments are measured at amortized

cost using the effective interest rate (EIR) method, less impairment. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in financial costs.

Investments in government securities and in fixed deposits have been classified under HTM investments.

#### **(d) Available-for-Sale Financial Investment**

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserved in funds and reserves. Interest income on available-for-sale debt securities is calculated using the effective interest rate method (EIR) and is recognized in profit or loss. When an investment is derecognized, the gain or loss accumulated in funds and reserves reclassified to profit or loss.

The board has not designated any financial asset upon initial recognition as available-for sale investment.

### **2.5 Impairment of Financial Assets**

The board assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such impairment has occurred, that amount of impairment is calculated by taking the difference between the assets carrying amount and the present value of estimated future cash flow.

### 3. Liabilities and Provisions

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognized when the Board has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### 3.1 Provision for Claims

Liability for outstanding claims are recognized based on the risk factors of crop and insured subject matter. Following table shows the indemnity provision made for the financial year 2019.

<b>Insured Subject</b>	<b>Provision for Indemnity (Rs.)</b>
Kethata Aruna	2000,284,021.00
Livestock	7,000,000.00
Suwasetha and Agri Equipment	500,000.00
Subsidiary Crops	2,000,000.00
Moveable Property	23,559,605.00
	<b>2,033,405,726.00</b>

#### Provision for third party Insurance indemnity

Third party provision is recognized weighted average rate of 15% from three consecutive year's income. Out of 15% rate proportionated 7%, 5%, 3% for current year income, previous year income and year after previous year respectively.

### **3.2 Provision for Bad Debts**

A 5% provisions has been made from the total staff loan as the Provision for Doubtful Debts.

### **3.3 Retirement Benefits**

A Provision has been made for retiring gratuities from the completion of the first year of service for all permanent employees in conformity with Sri Lanka Accounting Standard 19 Retirement Benefits costs. However, according to the Payment of Gratuity Act No.12 of 1983 the liability to an employee arises only on completion of five years of continued service. The liability is not externally funded.

### **3.4 Capital Commitments and Contingent Liabilities**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitments and contingent liabilities of the Board are disclosed in the respective notes to the financial statements.

## **4. Statement of Comprehensive Income**

### **4.1 Revenue**

1. The revenue of the board represents the income from insurance premium and interest income from treasury bills and loans of employees, and other miscellaneous income.
2. All income has been recognized on accrual basis.
3. Insurance Premium have been received from the Government as subsidy on behalf of the farmers.
4. Government Grants received for capital expenditure has been recognized as income on systematic basis.

### **4.2 Revenue Recognition**

1. Insurance premium revenue has been recognized based on the time of insured.
2. The above revenue is on accrual basis & matched with related expenditure.
3. Interest income is accrued on time basis.

### 4.3 Accounting for Government Grants

Grants that compensate the Board for expenses incurred are recognized as revenue in the statement of comprehensive income in the same period in which the expenses are recognized. Grants that compensate the Board for the cost of an asset are recognized in the statement of comprehensive income on a systematic basis over the useful life of the related asset.

### 4.4 Expenditure

Expenses are recognized in the statement of comprehensive income on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the board and in maintaining the capital assets in a state of efficiency has been charged against revenue in arriving at the surplus for the year.

The indirect expenses of the board apportioned on the following rates by the board paper No: 401/4 - 2008.10.15

<b>Expenditure</b>	<b>Rates</b>
Salaries, EPF, ETF, Gratuity	50%
Medical Expenses	50%
Consultancy Fees	60%
Welfare	50%
Uniform	50%
Entertainment	60%
Printing	60%
Legal Fees	40%
Allowances to B/Members	60%
Rent	55%
Telephone	55%
Postage	40%
Electricity	55%
Travelling, Over Time	50%
Water Bill	55%

Daily Pay	50%
Security	75%
Main Office Equipment	75%
Main. Vehicle	57%
Computer Expenses	75%
Fuel Expenses	68%
Stationery	50%
Main. Building	55%
Publicity & Training	80%

### **4.3 Surplus**

The surplus will be computed after making provisions for all the liabilities, bad and doubtful debts and depreciation for property, plant and equipment.

### **4.4 Reserve Fund**

A contingency reserved fund was created year in the 2002 & the policy is to provide 5% from the operational surplus.

### **4.5 Pre-Premium**

Insurance premium receipts for livestock and compulsory insurance have been treated as pre-premium, if received in advance.

## **5. Statement of Cash Flows**

The cash flow statement of the scheme has been presented using the indirect method, in accordance with the LKAS 7.

## **6. Events After the Reporting Date**

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorized for issue. All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective Notes to the Financial Statements.

The board was received Rs.600 million as insurance premium from treasury and Rs. 646 million from national insurance trust fund. Those transactions represent in receivable, note 2.3 and 2.3

## **7. Related Party Transactions**

Famers Pension Scheme and the Fisheries Pension Scheme are considered as related parties of Agricultural Insurance Scheme. The transactions carried out with these related parties are been disclosed based on fair value. Agricultural Insurance Scheme has granted a loan amounting to Rs. 295,230,441.79 to Farmers Pension Scheme.

## **8. Prior Year Adjustments**

No prior year adjustments in reporting period.

## **9. Re insurance Payment**

Obtain reinsurance coverage from HLAP Ltd (As the Broker on record) and National Insurance Trust Fund for Paddy, Maize, Potato, Big Onion, Soya and Chilly for the period from 31 March 2018 to 31 March 2019.Total Reinsurance premium amounting is Rs. 675,760,000 paid between HLAP Ltd and National Insurance Trust Fund 70% and 30% respectively. Other than above two seasons obtain re insurance coverage form National Insurance Trust Fund for 2019 Yala season.

## **10. Contingencies**

Eight legal cases have been examined and the current status of the cases are disclosed in the following table

**Current Status of the Legal Cases of AAIB**

	<b>Court</b>	<b>Case No</b>	<b>Petitioner / Defendant</b>	<b>Subject</b>	<b>Current Status</b>
<b>1</b>	Colombo District Court	21843 MR 21844 MR 21845 MR	AAIB vs. Bank Of Ceylon	Investments and Investment Interest	Ordered for Reinvestigation
<b>2</b>	Anuradhapura Magistrate Court	B/2171/2002	Police vs. Mr.K.A.Heen Bandara	Fraudulent of farmers pension premium	The case is kept down
<b>3</b>	Anuradhapura Magistrate Court	B/520/2013	Police vs. Mr.K.G.Sudath Bandara	Fraudulent of farmers pension premium	Directed for attorney general
<b>4</b>	Anuradhapura Magistrate Court	61467	Police vs. Mr. T. A. Ratnasiri and Mr. Kamal Uduwana	Engaged in illegal pyramid schemes	Trial is on. Have been released under a bail on 20 <sup>th</sup> Jan 2016
<b>5</b>	Colombo High Court	3/8/2 M. C./2006	Police vs. AAIB	Mawillaru crop indemnity	Directed to Attorney- at-Law
<b>6</b>	Elpitiya Magistrate Court	91838	Police vs. Mr. P.M. D. Dammika Chandranath	Southern highway accident	Trial is on
<b>7</b>	Colombo Court of Appeal	CA(writ) 269/2019	Ceylinco PLC vs. AAIB	Relating third party insurance policies for non-agricultural parties	Trial is on
<b>8</b>	Mawanalla District Court	2436	Mrs. T.M.W.Kumuduni vs. AAIB	Indemnity for Third party insurance Scheme	Trial is on

**AGRICULTURAL & AGRARIAN INSURANCE BOARD**  
**AGRICULTURE INSURANCE SCHEME**  
**NOTES TO THE ACCOUNTS**  
**AS AT 31 DECEMBER 2019**

**NOTE 1 - NON CURRENT ASSETS**

ASSETS	Cost/Valuation as at 31.12.2018	Revaluation Assets 01.01.2019	Accumulated depreciation transfers to revaluation reserve	Cost Addition	Balance as at 31.12.2019	Accum.Dep as at 31.12.2018	Accumulated depreciation transfers to revaluation reserve	Dep For the Year	Accum.Dep as at 31.12.2019	W.D.V as at 31.12.2019
FURNITURE & FITTINGS	11,335,703.80	-		2,021,729.06	13,357,432.86	8,696,414.40	-	574,693.78	9,271,108.18	4,086,324.68
OFFICE EQUIPMENTS	12,334,526.38	-		50,135.52	12,384,661.90	9,547,248.66	-	452,322.92	9,999,571.58	2,385,090.32
MOTOR VEHICLE	58,832,592.28	58,129,166.66	(49,341,758.94)	399,310.00	68,019,310.00	49,341,758.94	(49,341,758.94)	13,570,586.17	13,570,586.17	54,448,723.83
WELFARE EQUIPMENTS	705,981.00	-		11,500.00	717,481.00	466,578.04	-	40,752.17	507,330.21	210,150.79
COMPUTER EQUIPMENTS	16,025,614.58	-		4,727,905.72	20,753,520.30	9,618,715.33	-	2,784,097.03	12,402,812.36	8,350,707.94
TELEPHONE	1,510,807.50	-		-	1,510,807.50	1,502,776.08	-	8,031.42	1,510,807.50	-
MOTOR BICYCLE	146,300.00	-		-	146,300.00	146,300.00	-	-	146,300.00	-
BUILDING	8,079,299.28	-		-	8,079,299.28	4,469,503.72	-	250,711.31	4,720,215.03	3,359,084.25
PUBLICITY EQUIPMENTS	2,012,819.29	-		-	2,012,819.29	1,794,712.65	-	80,456.16	1,875,168.81	137,650.48
BICYCLE	137,839.20	-		18,925.00	156,764.20	123,814.20	-	7,185.00	130,999.20	25,765.00
CROP CUTTING EQUIPMENTS	60,371.00	-		-	60,371.00	60,371.00	-	-	60,371.00	-
LOSS PREVENTIVE EQUIP:	41,280.00	-		-	41,280.00	41,280.00	-	-	41,280.00	-
SURVEY EQUIPMENTS	4,399.00	-		-	4,399.00	4,399.00	-	-	4,399.00	-
WEIGHING SCALE	1,036.35	-		-	1,036.35	1,036.35	-	-	1,036.35	-
NORAD EQUIPMENTS	344,423.50	-		-	344,423.50	344,423.50	-	-	344,423.50	-
	<b>111,572,993.15</b>	<b>58,129,166.66</b>	<b>(49,341,758.94)</b>	<b>7,229,505.30</b>	<b>127,589,906.18</b>	<b>86,159,331.87</b>	<b>(49,341,758.94)</b>	<b>17,768,835.96</b>	<b>54,586,408.89</b>	<b>73,003,497.29</b>

**Note**

Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs.26,313,350.59 as at 31st December 2019

**AGRICULTURAL & AGRARIAN INSURANCE BOARD**  
**AGRICULTURE INSURANCE SCHEME**  
**NOTES TO THE ACCOUNTS**  
**AS AT 31 DECEMBER 2019**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>Rs. Cts.</b>	<b>Rs. Cts.</b>
<b><u>NOTE 2 - CURRENT ASSETS</u></b>		
<b><u>Note 2.1 - Stock</u></b>		
Printing Materials	4,967,197.32	3,649,599.17
Stationary	944,441.60	1,447,099.27
	<b>5,911,638.92</b>	<b>5,096,698.44</b>
<b><u>Note 2.2 - Receivables</u></b>		
Staff Loans & Advance	40,707,858.26	43,476,587.79
Motor cycle loan	1,904,604.84	1,572,637.53
Salary Receivables	342,023.38	342,023.38
Staff Special Loan - 2004	4,800.00	4,800.00
Life insurance premium Receivable	229,485,744.00	212,449,360.00
Sundry Debtors	51,542.75	51,542.75
Receivables from C. W. E	256,520.00	256,520.00
Agri Nerve Center-Agriculture Ministry	1,947,160.40	-
National Insurance Trust Fund -NITF Crop levy	793,310,000.00	200,000,000.00
Reinsurance Claim	312,000,000.00	-
Motor cycle Expenses (Staff) -	2,566.70	2,566.70
Farmers Pension Scheme (Admin)	115,174,191.83	116,771,772.45
Fisheries Pension Scheme	40,070,084.52	34,353,102.71
Farmers Pension Scheme (Capital )	1,178,329.84	1,191,587.68
Farmers Pension Advance	480,304,114.75	442,880,695.94
Provision for bad debtors	(2,035,392.92)	(2,173,829.39)
	<b>2,014,704,148.35</b>	<b>1,051,179,367.54</b>
<b><u>Note 2.3 Receivable Premium</u></b>		
Subsidiary Crop	-	529,484.39
Livestock	392,480.50	1,033,245.20
Suwasetha and Personal	91,165.00	60,322.50
Insurance Premium-Treasury Contribution	2,113,619,152.00	1,762,120,000.00
	<b>2,114,102,797.50</b>	<b>1,763,743,052.09</b>
<b><u>NOTE 2.4 - Deposits &amp; Pre Payment</u></b>		
Deposit - (Fuel)	150,000.00	150,000.00
Deposit - (Transport)	5,000.00	5,000.00
Insurance	688,949.63	50,877.56
Re-Insurance	-	427,981,000.00
Rent	4,755,202.57	4,677,922.00
	<b>5,599,152.20</b>	<b>432,864,799.56</b>

**AGRICULTURAL & AGRARIAN INSURANCE BOARD**  
**AGRICULTURE INSURANCE SCHEME**  
**NOTES TO THE ACCOUNTS**  
**AS AT 31 DECEMBER 2019**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>Rs. Cts.</b>	<b>Rs. Cts.</b>
<b><u>Note 2.5 - Advances</u></b>		
Traveling Advance	8,000.00	12,000.00
Fuel Advance	39,570.65	41,626.95
Salary Advance	50,261.41	50,261.41
Miscellaneous Advance	18,561.00	1,035.00
Capital Advance	565,800.00	565,800.00
District Admin.acct	205.63	709.13
	<b>682,398.69</b>	<b>671,432.49</b>
<b><u>Note 2.6 - Financial Instruments Held to Maturity</u></b>		
Treasury Bills	1,130,984,036.50	173,841,742.35
Fixed Deposit-Peoples Bank	167,885,723.85	168,080,178.10
Fixed Deposit-Bank Of Ceylon	580,000,000.00	750,000,000.00
	<b>1,878,869,760.35</b>	<b>1,091,921,920.45</b>
<b><u>Note 2.7 - Cash at Bank</u></b>		
B. O C A/C -164811	487,521.99	1,530,799.21
B.O.C A/C - 164667	1,131,573.94	1,422,336.06
B.O.C A/C -164693	808,618.31	1,013,699.89
B.O.C A/C -1622	33,390.11	440,465.90
B.O.C A/C -1616	370,166.52	92,223.06
B.O.C A/C -8600879	426,266.27	125,134.91
B.O.C A/C -8600818	258,814.16	258,814.16
P.B A/C -112352	313,564.91	247,267.80
P.B. A/C -112343	86,166.80	90,119.30
P.B A/C - 100440112349	74,505.69	74,505.69
P.B A/C - 100260112349	53,040.00	53,040.00
P.B A/C - 100350112349	27,871.88	156,799.62
P.B A/C - 100170112349	833,594.62	392,948.34
P.B A/C -335100190008791	760,599.03	381,247.40
P/B A/C - 335100280008791	459,062.81	858,021.08
P/B A/C - 100530112349	3,702,675.67	1,250,865.21
RDB A/C- 134010103277	41,623,730.72	30,581,801.42
	<b>51,451,163.43</b>	<b>38,970,089.05</b>

**AGRICULTURAL & AGRARIAN INSURANCE BOARD**  
**AGRICULTURE INSURANCE SCHEME**  
**NOTES TO THE ACCOUNTS**  
**AS AT 31 DECEMBER 2019**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>Rs. Cts.</b>	<b>Rs. Cts.</b>
<b><u>NOTE 3 - A.A.I.B. ACCUMULATED SURPLUS</u></b>		
B / F Balance	1,288,286,716.11	367,207,363.28
<b>Add:</b>		
Surplus(Deficit) for the year	652,339,936.00	921,079,352.83
Balance as at 31.12.2019	<b><u>1,940,626,652.11</u></b>	<b><u>1,288,286,716.11</u></b>
<b><u>NOTE 4 - CAPITAL</u></b>		
<b>Govt. Grant For Capital</b>		
Balance as at 01.01.2019	9,956,993.57	11,798,919.21
<b>Add:</b>		
Grant for the year	-	2,000,000.00
Amortizations Gov. Grant	(4,665,107.63)	(3,841,925.64)
Balance as at 31.12.2019	<b><u>5,291,885.94</u></b>	<b><u>9,956,993.57</u></b>

**AGRICULTURAL & AGRARIAN INSURANCE BOARD**  
**AGRICULTURE INSURANCE SCHEME**  
**NOTES TO THE ACCOUNTS**  
**AS AT 31 DECEMBER 2019**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>Rs. Cts.</b>	<b>Rs. Cts.</b>
<b><u>NOTE 5 - A.I.B. RESERVE FUND</u></b>		
Balance as at 01.01.2019	100,397,962.35	43,161,365.93
<b>Add:</b>		
Provision for the year	43,902,996.30	57,236,596.42
Balance as at 31.12.2019	<b><u>144,300,958.65</u></b>	<b><u>100,397,962.35</u></b>
<b><u>NOTE 6 - FARMERS DEATH GRATUITY FUND</u></b>		
Balance as at 01.01.2019	956,861,044.93	878,651,396.82
<b>Add :</b>		
Death Gratuity Premium	19,016,134.00	19,853,880.00
Interest Income	54,776,414.56	60,379,413.11
	<u>73,792,548.56</u>	<u>80,233,293.11</u>
<b>Less :</b>		
Death Gratuity Payment	1,878,750.00	2,023,645.00
Disablement Gratuity Payment	101,000.00	-
	<u>1,979,750.00</u>	<u>2,023,645.00</u>
Balance as at 31.12.2019	<b><u>1,028,673,843.49</u></b>	<b><u>956,861,044.93</u></b>

**AGRICULTURAL & AGRARIAN INSURANCE BOARD**  
**AGRICULTURE INSURANCE SCHEME**  
**NOTES TO THE ACCOUNTS**  
**AS AT 31 DECEMBER 2019**

		<b>31.12.2019</b>	<b>31.12.2018</b>
		<b>Rs. Cts.</b>	<b>Rs. Cts.</b>
<b><u>NOTE 7 - CURRENT LIABILITIES</u></b>			
<b><u>Note 7.1 - Pre - Premium Receipts</u></b>			
Pre - Premium - Livestock		2,854,241.59	2,960,947.18
Pre - Premium - Kethata Aruna		23,038,765.05	27,313,322.85
		<b>25,893,006.64</b>	<b>30,274,270.03</b>
<b><u>Note 7.2 - Other Payables</u></b>			
Provision for Employee Allowance		4,500,000.00	1,560,000.00
Value Added Tax-VAT		1,513,805.00	-
Refundable Tender deposits		426,870.60	471,030.60
Unclaimed Indemnities		70,800,200.00	70,800,200.00
		<b>77,240,875.60</b>	<b>72,831,230.60</b>
<b><u>Note 7.3 - Accrued Expenses</u></b>			
Admin. Expenses	7.3.1	12,380,713.31	5,184,154.29
Incentive - Crop Insurance		671,833.13	7,949,964.97
Incentive - Movable Property-Third Party		2,718,751.26	-
Movabale Property-Staff Incentive & Promotion		11,755,982.24	-
Personal Accsident & Suwasetha		76,530.85	1,504,097.01
Operational Expenditure - Livestock		131,837.99	-
		<b>27,735,648.78</b>	<b>14,638,216.27</b>
<b><u>Note 7.4 - Provision For Indemnity</u></b>			
Livestock		7,000,000.00	8,000,000.00
Suwasetha		500,000.00	500,000.00
Movabale Property-Third Party		23,559,605.00	11,975,723.00
Subsidiary Crops		2,000,000.00	15,000,000.00
Kethata Aruna (Compulsory Crop Insurance)		2,000,284,021.00	1,105,000,000.00
		<b>2,033,343,626.00</b>	<b>1,140,475,723.00</b>

**AGRICULTURAL & AGRARIAN INSURANCE BOARD**  
**AGRICULTURE INSURANCE SCHEME**  
**NOTES TO THE ACCOUNTS**  
**AS AT 31 DECEMBER 2019**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>Rs. Cts.</b>	<b>Rs. Cts.</b>
<b><u>Note 7.3.1 - Accrued Expenses</u></b>		
Electricity	214,898.10	3,663.15
Security Charges	7,500.00	7,500.00
Rent	1,055,516.00	1,039,516.00
Maintenance of Motor Vehicles	537,145.00	149,940.00
Traveling & Subsistence	1,004,959.00	283,721.00
Salaries	1,421,622.02	1,106,137.07
E.P.F	74,935.09	92,851.69
E.T.F	18,733.77	23,212.92
Publicity	94,500.00	24,972.00
Stationary	218,892.50	419,017.66
Telephone	307,377.49	62,642.42
Water Bill	150.00	10,801.86
Audit Fees	5,213,846.00	1,540,444.00
Fuel	304,340.00	160,208.10
Uniform	7,200.00	-
Welfare	4,780.00	-
Labour Charges	5,750.00	-
Transport Expenses	1,600.00	-
Translation Fees	1,085.00	-
Bank Charges	2,310.00	3,310.39
Payable Main Building	-	16,590.00
Payable Printing	308,594.68	1,500.00
Payable Postage	36,050.00	3,511.00
Sundry Creditors	162,880.03	162,880.03
Payable Office Equipment	2,500.00	17,735.00
Payable Entertainment	5,255.00	-
Payable Newspapers	28,170.00	-
Payable Legal fees	-	54,000.00
Agri Nerve Project	1,340,123.63	-
	<b>12,380,713.31</b>	<b>5,184,154.29</b>

**AGRICULTURAL & AGRARIAN INSURANCE BOARD**  
**AGRICULTURE INSURANCE SCHEME**  
**NOTES TO THE INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>Rs. Cts.</b>	<b>Rs. Cts.</b>
<b><u>NOTE 8 - REVENUE</u></b>		
<b><u>Note 8.1 - Premium - ( Insurance)</u></b>		
Livestock	7,866,194.77	10,591,321.75
Suwasetha Insurance/ Personal Accidents	9,419,321.45	6,343,970.00
Subsidiary Crops	3,046,588.59	8,037,615.80
Movable Property	220,153,223.24	137,852,780.34
Kethata Aruna (Compulsory Crop Insurance)	58,067,963.40	119,965,311.95
	<b><u>298,553,291.45</u></b>	<b><u>282,790,999.84</u></b>
<b><u>Note 8.2- Interest Income</u></b>		
Interest - Treasury bills (Crops & Other)	123,164,439.13	123,548,217.07
- Loans to employees	1,858,133.67	1,847,805.29
	<b><u>125,022,572.80</u></b>	<b><u>125,396,022.36</u></b>
<b><u>NOTE 9 - OPERATIONAL EXPENDITURE</u></b>		
<b><u>Note 9.1 - Indemnity - Insurance</u></b>		
Livestock	5,136,019.50	4,993,850.25
Suwasetha & Accident Cover	44,690.00	466,762.89
Movable Property	11,583,882.00	7,175,723.00
Subsidiary Crops	2,099,657.00	26,354,304.80
Kethata Aruna (Compulsory Crop Insurance)	2,155,030,832.79	2,930,635,667.20
	<b><u>2,173,895,081.29</u></b>	<b><u>2,969,626,308.14</u></b>
<b><u>Note 9.2 - Other Operational Expenses</u></b>		
Insurance Incentive	509,605.41	14,769,388.73
Movabale Property-Third party Insurance Incentive	30,729,803.66	17,588,783.00
Movabale Property-Staff Incentive & Promotion	11,755,982.24	-
Suwasetha Incentive	153,272.49	254,820.09
Admin. Allowances	14,040.00	18,720.00
Crop Assessment	4,355,573.43	2,224,594.60
Livestock	1,238,616.59	1,516,256.38
	<b><u>48,756,893.82</u></b>	<b><u>36,372,562.80</u></b>
<b><u>NOTE 10 - OTHER INCOME</u></b>		
Disposal Of Fixed Assets	-	28,653.96
Amortization Of Government Grant	4,198,249.79	3,324,992.83
Sundry Income	65,201.52	283,672.37
Bad Debts Over Provision	138,436.47	-
Service Fees From Bank	4,741,300.00	359,600.00
	<b><u>9,143,187.78</u></b>	<b><u>3,996,919.16</u></b>

**AGRICULTURAL & AGRARIAN INSURANCE BOARD**  
**AGRICULTURE INSURANCE SCHEME**  
**NOTES TO THE INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>Rs. Cts.</b>	<b>Rs. Cts.</b>
<b><u>NOTE 11 - ADMINISTRATIVE EXPENSES</u></b>		
Salaries & Wages	80,683,797.20	77,970,730.52
Contribution E.P.F.	8,791,903.79	8,323,757.47
Contribution E.T.F.	2,197,974.70	2,080,963.91
Traveling & Subsistence	3,535,580.63	3,275,166.51
Overtime	2,543,693.73	2,064,278.80
Daily Pay	405,277.40	212,681.52
Medical Expenses	592,911.00	627,795.00
Allowance to Board Members	331,500.00	189,660.00
Gratuity	4,540,217.82	4,982,837.14
Welfare	997,640.24	1,138,534.21
Allowance to employees	7,276,000.00	6,651,440.44
Fuel	5,697,201.70	5,835,268.05
Stationery	3,188,018.48	3,899,518.76
Entertainment Allowance	210,498.08	206,867.45
Legal Fees	397,349.86	287,892.00
Transport	373,923.33	284,358.82
Printing	7,433,058.53	7,915,544.97
Publicity & Training	5,963,611.81	10,229,546.54
Uniform	153,324.05	155,010.75
Rent	7,800,248.70	7,989,010.02
Telephone	3,101,601.34	3,997,671.52
Postage	1,070,240.82	961,407.44
Water	253,709.07	269,478.72
News paper & Advertisement	235,690.00	515,734.00
Security	702,525.00	719,962.50
Electricity	1,780,961.29	1,922,237.28
Maintenance - Motor Vehicles	7,315,419.65	5,767,793.53
Maintenance - Buildings	808,840.54	300,364.90
Maintenance - Office Equipments	315,416.82	312,564.09
Labour Charges	419,916.05	300,746.95
Translation Fees	203,930.00	114,860.00
Computer Expenses	131,906.25	75,149.24
Miscellaneous Expenses	-	25,120.00
Depreciation	17,768,835.96	8,744,992.83
Bad Debts	-	60,174.86
Audit Fees	3,673,402.00	600,000.00
Foreign Travelling	3,369,708.03	33,500.00
Consultation Fees	-	-
	<b>184,265,833.87</b>	<b>169,042,620.74</b>
<b><u>NOTE 12 - FINANCE CHARGES</u></b>		
Bank Charges	750,367.41	690,340.26
	<b>750,367.41</b>	<b>690,340.26</b>

**Financial Statements as at 31  
December 2019**

**Farmers' Pension and Social  
Security Benefit Scheme**

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD  
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME  
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2019**

<u>ASSETS</u>	<u>Note</u>	<u>31.12.2019</u>		<u>31.12.2018</u>	
		Rs.	Cts.	Rs.	Cts.
<u>Non - Current Assets</u>					
Plant, Property & Equipment	1	3,458,328.80		1,191,586.64	
		<u>3,458,328.80</u>		<u>1,191,586.64</u>	
<u>Financial Instruments Held to maturity</u>					
Treasury Bond		1,055,048,182.56		1,053,000,000.00	
		<u>1,055,048,182.56</u>		<u>1,053,000,000.00</u>	
<u>Current Assets</u>					
Stock	2	2,421,388.03		3,916,331.12	
Receivables	3	19,331,022.20		14,733,099.20	
Held to maturity Investment	4	167,887,669.04		78,661,138.76	
Receivable Income	5	2,312,963.48		2,364,790.50	
Cash at Bank	6	2,225,694.22		2,401,246.99	
		<u>194,178,736.97</u>		<u>102,076,606.57</u>	
<b>TOTAL ASSETS</b>		<u><u>1,252,685,248.33</u></u>		<u><u>1,156,268,193.21</u></u>	
<u>EQUITY &amp; LIABILITIES</u>					
<u>Capital &amp; Reserves</u>					
Farmer's Pension Fund	7	(75,433,313,129.80)		(71,616,681,986.31)	
Revaluation Reserve		2,850,000.00		-	
Group Insurance Contribution		1,000,000.00		1,000,000.00	
		<u>(75,429,463,129.80)</u>		<u>(71,615,681,986.31)</u>	
<u>Non - Current Liabilities</u>					
Pension Liability		70,252,869,112.00		66,508,205,596.00	
Government Grant on Treasury Bond		1,081,488,000.00		1,081,488,000.00	
Provision for Staff Gratuity		54,643,566.14		47,395,858.33	
		<u>71,389,000,678.14</u>		<u>67,637,089,454.33</u>	
<u>Current Liabilities</u>					
Govt. Grant for Capital	8	1,178,329.84		1,191,587.68	
Current Payables	9	5,286,510,760.49		5,128,869,061.35	
Accrued Expenses	10	5,458,609.66		4,800,076.16	
		<u>5,293,147,699.99</u>		<u>5,134,860,725.19</u>	
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<u><u>1,252,685,248.33</u></u>		<u><u>1,156,268,193.21</u></u>	

These financial statements are in compliance with the requirements of the Sri Lanka Accounting standards.

.....  
Head of Finance

The Board of Directors are responsible for the preparation and presentation of these financial statements.

Signed for on behalf of the Board by;

.....  
Member of Director Board  
Agricultural & Agrarian Insurance Board

.....  
Member of Director Board  
Agricultural & Agrarian Insurance Board

Premachandra Epa (M. A)  
Attorney - at - Law  
Chairman  
Agricultural and Agrarian Insurance Board  
No: 117, Subhadarama Road, Gangodawila, Nugegoda

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**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**  
**FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**

		<b>31.12.2019</b>		<b>31.12.2018</b>	
		Rs.	Cts.	Rs.	Cts.
<b><u>REVENUE</u></b>	<b><i>Note</i></b>				
Interest Income		119,044,408.64		97,556,670.29	
Farmers Contribution		17,332,237.96		19,982,355.64	
Pensioner's Contribution		94,327,403.00		91,373,300.00	
Farmers Contribution for Life Insurance Premium		2,775,690.00		3,047,070.00	
		<b>233,479,739.60</b>		<b>211,959,395.93</b>	
<b><u>Expenses</u></b>					
Refund of Contribution		(11,917,037.98)		(12,905,393.00)	
Refund of Net Interest		(8,544,418.02)		(8,503,036.00)	
Disablement Gratuity Payment		(1,206,876.00)		(1,228,863.00)	
Group Insurance Premium		(19,016,134.00)		(19,853,880.00)	
Pension Payments & Commission					
- Pension Payments		(3,217,332,522.00)		(3,059,370,767.00)	
- Commission Payments		(13,196,218.00)		(12,792,199.00)	
Total Expenditure		<b>(3,271,213,206.00)</b>		<b>(3,114,654,138.00)</b>	
<b>Operating Surplus/(Deficit)</b>		<b>(3,037,733,466.40)</b>		<b>(2,902,694,742.07)</b>	
Government Grant-Recurrent		3,065,000,000.00		2,725,000,000.00	
		<b>27,266,533.60</b>		<b>(177,694,742.07)</b>	
Amortization of Govt. Grant		466,857.84		516,932.81	
		<b>27,733,391.44</b>		<b>(177,177,809.26)</b>	
<b><u>INCOME - for Administration</u></b>					
Farmer's Contribution for Admin. Expenses		1,387,845.00		1,523,535.00	
Govt. Grant for Admin Expenses		138,000,000.00		110,000,000.00	
Other Income	11	18,400.00		20,400.00	
		<b>139,406,245.00</b>		<b>111,543,935.00</b>	
<b><u>Expenses</u></b>					
Administration & Establishment Expenses	12	(136,894,634.69)		(131,656,887.84)	
Financial Expenses	13	(88,581,354.56)		(114,007,953.57)	
Commission for Collection Agents		(647,752.00)		(711,732.00)	
Total Admin Expenses		<b>(226,123,741.25)</b>		<b>(246,376,573.41)</b>	
		<b>(86,717,496.25)</b>		<b>(134,832,638.41)</b>	
<b>Surplus/Deficit for the year</b>		<b>(58,984,104.81)</b>		<b>(312,010,447.67)</b>	
<b>Other comprehensive income</b>					
Gratuity gains / (losses)		(12,983,522.68)		687,767.03	
Increase in Pension Liability		(3,744,663,516.00)		(3,287,507,607.00)	
		<b>(3,757,647,038.68)</b>		<b>(3,286,819,839.97)</b>	
<b>Net Surplus /Deficit of the Comprehensive income</b>		<b>(3,816,631,143.49)</b>		<b>(3,598,830,287.64)</b>	
<b>(Transferred to Farmer's Pension Fund)</b>					

**AGRICULTURAL & AGRARIAN INSURANCE BOARD  
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME  
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019**

Description	Rs.				
	Farmer's Pension Fund	Govt. Grant for Capital Expenses	Group Insurance Contribution	Revaluation Reserve	F.A.O Grant
<b>Balance as at 1 January 2018</b>	(67,774,374,701)	1,687,840	1,000,000	-	547,885
Prior Adjustment	(244,024,883)	-	-	-	-
<b>Adjusted Balance as at 1 January 2018</b>	<b>(68,018,399,584)</b>	<b>1,687,840</b>	<b>1,000,000</b>	<b>-</b>	<b>547,885</b>
Additions	-	20,680	-	-	-
Amortization of Govt. Grant	-	(516,933)	-	-	-
Profit/(Loss) for the year	(3,598,830,288)	-	-	-	-
<b>Balance as at 31 December 2018</b>	<b>(71,617,229,871)</b>	<b>1,191,588</b>	<b>1,000,000</b>	<b>-</b>	<b>547,885</b>
FAO Grant transfer to Farmer's Pension Fund	547,885	-	-	-	(547,885)
<b>Adjusted Balance as at 31 December 2018</b>	<b>(71,616,681,986)</b>	<b>1,191,588</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>
Asset Additions	-	453,600	-	-	-
Amortization of Govt. Grant	-	(466,858)	-	-	-
Govt. Grant for Capital Expenses transfer to elated party payable	-	(1,178,330)	-	-	-
Transferred cost from motor vehicle	-	-	-	(2,102,061)	-
Accumulated Depreciation of motor vehicle	-	-	-	2,102,061	-
Transferred revaluation value to motor vehicle	-	-	-	2,850,000	-
Profit/Loss for the year	(3,816,631,143)	-	-	-	-
		-	-		-
<b>Balance as at 31 December 2019</b>	<b>(75,433,313,130)</b>	<b>0.00</b>	<b>1,000,000</b>	<b>2,850,000</b>	<b>-</b>

**AGRICULTURE & AGRARIAN INSURANCE BOARD**  
**FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

	<u>31.12.2019</u>	<u>31.12.2018</u>
	Rs.	Rs.
<b><u>Cash Flows from Operating Activities</u></b>		
Net Surplus / (Deficit)	(3,816,631,143)	(3,598,830,288)
<b>Adjustment for</b>		
- Depreciation	1,036,858	516,933
- (Gain) /Loss on sale of Property Plant & Equipment	-	(3,150)
- Adjustments in respect of Prior Year	-	(244,024,883)
-Gain /loss on gratuity	12,983,523	(687,767)
	<b>14,020,381</b>	<b>(244,198,867)</b>
Provision for Retiring Gratuity	5,661,833	6,698,438
Pension Liability	3,744,663,516	3,287,507,607
	<b>3,750,325,349</b>	<b>3,294,206,045</b>
<b>Operating Profit before working capital changes</b>	<b>(52,285,414)</b>	<b>(548,823,110)</b>
(Increase)/ Decrease in Inventories	1,494,943	(1,236,819)
(Increase)/ Decrease in Receivables	(4,597,923)	59,682,267
(Increase)/ Decrease in Receivable Income	51,827	803,374
Increase / (Decrease) Other Payables	157,641,699	503,584,871
Increase / (Decrease) Accrued Expenses	658,534	(4,750,907)
	<b>155,249,080</b>	<b>558,082,786</b>
<b>Cash Generated from Operations</b>	<b>102,963,665</b>	<b>9,259,676</b>
Retiring Gratuity - Paid	(11,397,648)	(3,503,432)
<b>Net Cash Flows from Operating Activities</b>	<b>91,566,018</b>	<b>5,756,244</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Investments during the year	(89,226,530)	(24,607,757)
Proceeds from the disposal of property, plant and Equipment	-	3,150
Purchases of Property, Plant & Equipment	(453,600)	(20,680)
<b>Net Cash Flows from Investing Activities</b>	<b>(89,680,130)</b>	<b>(24,625,287)</b>
<b><u>Cash Flows from Financing Activities</u></b>		
Government Grant for Capital Expenditure	453,600	20,680
Amortization for government grant	(466,858)	(516,933)
Government Bond	(2,048,183)	19,068,692
<b>Net Cash Flows from Financing Activities</b>	<b>(2,061,440)</b>	<b>18,572,440</b>
<b>Net Increase / ( Decrease) in Cash &amp; Cash Equivalents</b>	<b>(175,553)</b>	<b>(296,604)</b>
Cash & Bank Balance at the Beginning of the year	2,401,247	2,697,851
<b>Cash &amp; Cash equivalents at the End of the year</b>	<b>2,225,694</b>	<b>2,401,247</b>
<b>Cash &amp; Bank Balance at the end of the year</b>		
Cash at Bank - End of the year	<b>2,225,694</b>	<b>2,401,247</b>

# **Agricultural and Agrarian Insurance Board**

## **Farmer's Pension & Social Security Benefits Scheme**

### **Significant Accounting Policies**

#### **1. General Policies**

##### **1.1 Reporting Entity**

Agricultural and Agrarian Insurance Board of Sri Lanka (hereafter referred to as the 'Board') was incorporated by Act No.20 of 1999 and is situated at 117, Subadharama Road, Gangodawila, Nugegoda and the Farmer's Pension and Social Security Benefits Scheme was established in accordance with the provision of Farmer's Pension and Social Security Benefits Scheme Act No.12 of 1987.

##### **1.2 Principal Activities and Nature of Operations**

The principal activity is to operate a pension and social security benefits scheme for farmers.

##### **1.3 Basis of Preparation**

###### **(g) Statement Of Compliance**

The financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves, statement of cash flows and notes to the financial statements. These statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka.

###### **(h) Basis of Measurement**

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes.

### **(i) Comparative Information**

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve the inter- period comparability.

When the presentation or classification of items in the financial statements have been amended, comparative amounts have also been reclassified to conform with the current year in order to provide a better presentation.

### **(j) Functional and Presentation Currency**

The financial statements are presented in Sri Lankan Rupees, which is the functional and presentation currency of the board.

### **(k) Use of Estimates and Judgments**

The preparation and presentation of financial statements in conformity with SLFRS/LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgments used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the notes to the financial statements.

### **(l) Going Concern**

The management has made an assessment of the board's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

## **2. Assets and the Bases of their Valuation**

### **2.1 Property, Plant and Equipment**

#### **(e) Recognition and Measurement**

Items of property, plant and equipment are stated at cost or at fair value less accumulated depreciation or impairment losses.

All items of property, plant and equipment are initially recorded at cost less accumulated depreciation or impairment losses. Significant components of an asset are identified and depreciated separately. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. All other repair and maintenance costs are recognized in the income statement as incurred.

Fully depreciated assets with a total historical cost of Rs. 27,150,285.46 has been included in property plant and equipment

#### **(f) Cost**

The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

Subsequent expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature in order to carry on or increase the earning capacity of the assets has been treated as capital expenditure.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied within the part will flow to the Board and its cost can be measured reliably.

### **(c) Revaluation**

After recognition as an asset, lands and buildings whose fair value can be measured reliably, have been carried at revalued amount at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are being performed to ensure that the fair value of a revalued asset does not materially differ from its carrying amount as at the reporting date.

On revaluation of motor vehicle, any increase in the revaluation amount is credited to the revaluation reserve in equity unless it off sets a previous decrease in value of the same asset that was recognized in the statement of profit or loss. A decrease in value is recognized in the Statement of profit or loss where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal

### **(d) Depreciation**

Depreciation is charged to the statement of comprehensive income on the straight line method at the following rates per annum in order to write off the cost of such assets over their estimated useful lives.

Furniture and Fittings		10%
Office Equipment		10%
Welfare Equipment		10%
Publicity Equipment		10%
Computers		20%
Computer Software		20%
Motor Vehicles		20%
Air Condition		20%

## **2.2 Intangible Assets**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 – Intangible Assets. Accordingly, these assets are stated in the statement of financial position at cost less accumulated amortization and any accumulated impairment loss.

Computer software is amortized over a period of 5 years on the straight line method.

## **2.3 Inventories**

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

## **2.4 Financial Assets**

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Board determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The Board initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or

loss) are recognized initially on the trade date at which the Board becomes a party to the contractual provisions of the instrument.

The Board derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset is transferred. Any interest in transferred financial assets that is created or retained by the Board is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Board has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The financial assets of the Board include cash and short term investments and trade and other receivables.

#### **(e) Financial Assets at Fair Value through Profits or Loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance expense in the statement of comprehensive income.

#### **(f) Loans & Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is

included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

Loans and receivables comprise trade receivables, employee loans, deposits, advances, other receivables and cash and cash equivalents.

**(g) Held-to-Maturity Investments (HTM)**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Board has the positive intention and ability to hold them to maturity. After initial measurement, held-to maturity investments are measured at amortized cost using the effective interest rate (EIR) method, less impairment. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in financial costs.

Investments in government securities and in fixed deposits have been classified under HTM investments.

**(h) Available-for-Sale Financial Investment**

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserved in funds and reserves. Interest income on available-for-sale debt securities is calculated using the effective interest rate method (EIR) and is recognized in profit or loss. When an investment is derecognized, the gain or loss accumulated in funds and reserves reclassified to profit or loss.

The board has not designated any financial asset upon initial recognition as available-for-sale investment.

**2.5 Impairment of Financial Assets**

The board assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such impairment has occurred, that amount

of impairment is calculated by taking the difference between the assets carrying amount and the present value of estimated future cash flow.

### **3. Liabilities and Provisions**

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognized when the Board has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### **3.1 Retirement Benefits**

A Provision has been made for retiring gratuities from the completion of the first year of service for all permanent employees in conformity with Sri Lanka Accounting Standard 19 Retirement Benefits costs. However, according to the Payment of Gratuity Act No.12 of 1983 the liability to an employee arises only on completion of five years of continued service. The liability is not externally funded.

#### **3.2 Capital Commitments and Contingent Liabilities**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitments and contingent liabilities of the Board are disclosed in the respective notes to the financial statements.

### **3.3 Liability of Farmer's Pension Fund**

Liability of farmer's pension scheme has been accounted in the financial statements on present value basis considering the actuarial calculation, which was done in the year of 2007.

## **4. Statement of Comprehensive Income**

### **4.1 Revenue**

- a) The revenue of the scheme represents the income from pension premium, interest income from treasury bills and other miscellaneous income.
- b) All income from premium collection has been recognized on as cash basis.

### **4.2 Revenue Recognition**

- a) Pension premium revenue is recognition for the time of enrollment.
- b) The above revenue is on cash basis and matched with related expenditure.
- c) Interest income is accrued on a time basis.

### **4.3 Accounting for Government Grants**

Grants that compensate the Board for expenses incurred are recognized as revenue in the statement of comprehensive income in the same period in which the expenses are recognized. Grants that compensate the Board for the cost of an asset are recognized in the statement of comprehensive income on a systematic basis over the useful life of the related asset.

### **4.4 Expenditure**

Expenses are recognized in the statement of comprehensive income on the basis of direct association between the cost incurred and the earning of specific items of income. All

expenditure incurred in the running of the board and in maintaining the capital assets in a state of efficiency has been charged against revenue in arriving at the surplus for the year.

The indirect expenses of the board apportioned on the following rates by the Board Paper No.401/04. The rates are as follows;

<b>Expenditure</b>	<b>Rates</b>
Salaries, EPF, ETF, Gratuity	50%
Medical Expenses	50%
Consultancy Fees	40%
Welfare	50%
Uniform	48%
Entertainment	40%
Printing	40%
Legal fees	60%
Awareness & Training	20%
Allowances to B/M	40%
Rent, Telephone	40%
Postage	55%
Electricity	40%
Traveling, Over Time	50%
Water Charges	40%
Daily Pay	50%
Security	20%
Main. Office Equipment	20%
Main. Vehicle	40%
Main. Computer	25%
Fuel Expenses	30%
Main. Building	40%
Stationery	48%

## **5. Cash Flow Statement**

The cash flow statement of the scheme has been presented using the indirect method, in accordance with the LKAS 7.

## **6. Events After The Reporting Date**

The materiality of events occurring after the reporting date has been considered and appropriate adjustments, wherever necessary, have been made in the accounts.

## **7. Related Party Transactions**

Agricultural Insurance Scheme and the Fisheries Pension Scheme are considered as related parties of Farmers Pension Scheme. The transactions carried out with these related parties are been disclosed based on fair value. Farmers Pension Scheme has taken a loan from Agricultural Insurance Scheme and Fisheries Pension Scheme amounting to Rs. 295,230,441.79 and Rs. 518,000,000 respectively.

## **8. Contingencies**

A court case in connection with the payment of compensation to the farmer's affected by the closing of the Mavilaru Anicut is pending at Magistrate Court Colombo for misappropriating Mavilaru Funds and 3 officers of the board are to be indicated in high court for misappropriating a sum of nearly 7 Mn. Rupees.

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**  
**FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DESEMBER 2019**

**NOTE - 01**

**PLANT, PROPERTY & EQUIPMENT**

DESCRIPTION	MOTOR	OFFICE	WELFARE	FURNITURE	AIR	COMPUTERS	PUBLICITY	COMPUTER	TOTAL
	VEHICLE	EQUIPMENT	EQUIPMENT	& FITTINGS	CONDITIONERS		EQUIPMENT	SOFTWARE	
Cost/Valuation as at 1									
January 2020	2,102,060.70	1,269,376.79	27,510.75	1,488,334.53	836,217.74	23,237,106.48	422,837.14	1,475,000.00	30,858,444.13
Addition	-	-	-	-	-	453,600.00	-	-	453,600.00
Revaluation as at 31									
January 2020	2,850,000.00	-	-	-	-	-	-	-	2,850,000.00
Accumulated depreciation transfers to revaluation reserve	(2,102,060.70)	-	-	-	-	-	-	-	(2,102,060.70)
<b>Total</b>	<b>2,850,000.00</b>	<b>1,269,376.79</b>	<b>27,510.75</b>	<b>1,488,334.53</b>	<b>836,217.74</b>	<b>23,690,706.48</b>	<b>422,837.14</b>	<b>1,475,000.00</b>	<b>32,059,983.43</b>
Depreciation Rate %	20%	10%	10%	10%	20%	20%	10%	20%	
Accumulated Dep :as at 31									
January 2020	2,102,060.70	1,257,436.79	22,373.92	963,441.32	580,565.12	22,843,142.50	422,837.14	1,475,000.00	29,666,857.49
Accumulated depreciation transfers to revaluation reserve	(2,102,060.70)	-	-	-	-	-	-	-	(2,102,060.70)
Depreciation for the year	570,000.00	1,440.00	518.00	71,959.60	95,216.22	297,724.02	-	-	1,036,857.84
	-	-	-	-	-	-	-	-	
<b>Total Depreciation</b>	<b>570,000.00</b>	<b>1,258,876.79</b>	<b>22,891.92</b>	<b>1,035,400.92</b>	<b>675,781.34</b>	<b>23,140,866.52</b>	<b>422,837.14</b>	<b>1,475,000.00</b>	<b>28,601,654.63</b>
<b>Net book Value</b>	<b>2,280,000.00</b>	<b>10,500.00</b>	<b>4,618.83</b>	<b>452,933.61</b>	<b>160,436.40</b>	<b>549,839.96</b>	<b>-</b>	<b>-</b>	<b>3,458,328.80</b>

*Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs. 27,150,285.46 as at 31st December 2019*

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**  
**FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	Rs. Cts.	Rs. Cts.
<b><u>NOTE 02 - STOCKS</u></b>		
Printing Materials	2,327,210.48	3,845,130.57
Stationary Stock	94,177.55	71,200.55
	<b>2,421,388.03</b>	<b>3,916,331.12</b>
<b><u>NOTE 03 - RECEIVABLES</u></b>		
Receivables from Collection Agents	686,979.20	686,979.20
Receivable from Postal Department	18,644,043.00	14,046,120.00
	<b>19,331,022.20</b>	<b>14,733,099.20</b>
<b><u>NOTE 04 - HELD TO MATURITY INVESTMENT</u></b>		
Treasury Bills - P.B	167,887,669.04	78,661,138.76
	<b>167,887,669.04</b>	<b>78,661,138.76</b>
<b><u>NOTE 05- RECEIVABLE INCOME</u></b>		
Farmer's Contribution	1,855,808.48	1,926,490.50
Farmer's Contribution for Life Insurance Premium	304,770.00	292,200.00
Farmer's Contribution for Admin. Income	152,385.00	146,100.00
	<b>2,312,963.48</b>	<b>2,364,790.50</b>
<b><u>NOTE 06 - CASH AT BANK</u></b>		
A/C No.100150112345 - P/B Union Place	1,505,035.50	1,369,798.28
A/C No. 100180112344 - P/B Union Place	316,097.82	451,897.56
A/C No. 100130112351 - P/B Union Place	251,823.47	345,362.27
A/C No. 100110112347 - P/B Union Place	120,693.93	205,103.38
A/C No. 8403704 - B.O.C Union Place	32,043.50	28,163.50
Collection Accounts	-	922.00
	<b>2,225,694.22</b>	<b>2,401,246.99</b>
<b><u>NOTE - 07- FARMER'S PENSION FUND</u></b>		
Balance B/F	(71,616,681,986.31)	(67,774,374,700.81)
Prior Year Adjustment	-	(244,024,883.00)
	<b>(71,616,681,986.31)</b>	<b>(68,018,399,583.81)</b>
Add/ (Less)		
Total Revenue over Expenditure	(3,816,631,143.49)	(3,598,830,287.64)
Transfer from FAO Grant	-	547,885.14
	<b>(75,433,313,129.80)</b>	<b>(71,616,681,986.31)</b>

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**  
**FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019**

	<u>31.12.2019</u>	<u>31.12.2018</u>
	Rs. Cts.	Rs. Cts.
<b><u>NOTE - 8 - GOVT. GRANT FOR CAPITAL EXPENDITURE</u></b>		
Balance B/F	1,191,587.68	1,687,840.49
<u>Add / (Less):</u>		
Amortization of Govt. Grant	(466,857.84)	(516,932.81)
Addition during the year	<b>453,600.00</b>	<b>20,680.00</b>
Balance C/F	<b><u>1,178,329.84</u></b>	<b><u>1,191,587.68</u></b>
<b><u>NOTE 9 - PAYABLES</u></b>		
		13,257.84
Agency Commission	71,113.00	68,180.00
Staff Security Deposit	147,300.00	149,800.00
A.A.I.B. Current A/C	115,174,191.84	116,771,772.45
Pension Payment	3,882,863,789.00	3,729,229,532.00
Pension Commission	14,128,535.00	14,096,909.00
Group Insurance Premium	229,485,744.00	212,449,360.00
Loan for Pension Payment		
- Fisheries Pension Scheme	564,335,972.90	613,222,811.96
- AAIB	480,304,114.75	442,880,695.94
	<b><u>5,286,510,760.49</u></b>	<b><u>5,128,869,061.35</u></b>
<b><u>NOTE 10- ACCRUED EXPENSES</u></b>		
Provision for Printing Charges	976,863.66	921,771.16
Accrued Expenses	395,145.00	834,675.00
Provision for Audit fees	4,086,601.00	3,043,630.00
	<b><u>5,458,609.66</u></b>	<b><u>4,800,076.16</u></b>

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**  
**FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	Rs. Cts.	Rs. Cts.
<b>NOTE 11 - OTHER INCOME</b>		
Sundry Income	18,400.00	17,250.00
Disposal Income	-	3,150.00
	<b>18,400.00</b>	<b>20,400.00</b>
<b>NOTE 12 - ADMINISTRATION EXPENSES</b>		
Salaries & Wages	80,683,797.20	77,970,730.53
E.P.F.	8,791,903.78	8,323,757.48
E.T.F.	2,197,974.70	2,080,963.92
Traveling & Subsistence	3,535,580.63	3,275,166.51
Over Time	2,754,614.73	2,426,441.80
Daily Pay	405,277.40	248,984.53
Medical Expenses	592,911.00	627,795.00
Gratuity	5,661,832.63	6,698,438.19
Staff welfare	997,640.25	1,138,534.22
Legal Fees	596,024.80	431,838.00
Staff Uniform	147,191.09	148,810.32
Allowance to Board Members	221,000.00	126,440.00
Consultation Fees	1,200.00	-
Rent	5,672,908.14	5,810,189.10
Telephone	2,255,710.06	2,907,397.47
Postage	3,371,461.12	3,158,985.23
Security	187,340.00	191,990.00
Electricity	1,295,244.58	1,397,990.75
Water Bill	184,515.69	195,984.52
Audit Fees	1,042,971.00	300,000.00
Fuel	2,513,471.34	2,574,382.97
Awareness & Training	1,387,902.95	2,557,386.63
Printing	1,667,920.09	32,673.07
Stationery & Consumables	3,484,535.24	3,973,501.33
Entertainments	140,332.05	137,911.64
Main. of Motor Vehicle	5,133,627.83	4,047,574.40
Main. of Building	588,247.66	218,447.20
Main. of Office Equipment	84,111.15	83,350.42
Main. of Computer & Software	260,529.74	54,289.80
Depreciation	1,036,857.84	516,932.81
	<b>136,894,634.69</b>	<b>131,656,887.84</b>
<b>NOTE 13 - FINANCE &amp; OTHER</b>		
Loan Interest	88,536,579.75	113,924,094.32
Bank Charges	44,774.81	83,859.25
	<b>88,581,354.56</b>	<b>114,007,953.57</b>

**Financial Statements as at 31  
December 2019**

**FISHERMEN'S PENSION AND  
SOCIAL SECURITY BENEFIT SCHEME**

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD  
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME  
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

	<u>Note</u>	<u>31.12.2019</u>		<u>31.12.2018</u>	
		Rs.	Cts.	Rs.	Cts.
<b>ASSETS</b>					
<b><u>Non - Current Assets</u></b>					
Plant , Property & Equipment	1	126,346.12		145,982.12	
		<u>126,346.12</u>		<u>145,982.12</u>	
<b><u>Current Assets</u></b>					
Stock	2	105,756.95		160,745.22	
Receivables	3	564,385,972.90		613,272,811.96	
held to Maturity Investment	4	133,916,454.67		95,698,669.85	
Cash at Bank	5	1,007,606.50		1,227,278.89	
		<u>699,415,791.02</u>		<u>710,359,505.92</u>	
<b>TOTAL ASSETS</b>		<u><b>699,542,137.14</b></u>		<u><b>710,505,488.04</b></u>	
<b><u>EQUITY &amp; LIABILITIES</u></b>					
<b><u>Capital &amp; Reserves</u></b>					
Fishermen's Pension Accumulated Fund	6	(3,288,940,707.97)		(2,947,929,044.87)	
Death Gratuity Fund	7	28,062,614.70		26,661,514.70	
		<u>(3,260,878,093.27)</u>		<u>(2,921,267,530.17)</u>	
<b><u>Non - Current Liabilities</u></b>					
Pension Liability		3,915,569,738.11		3,590,887,003.60	
Provision for Staff Gratuity		2,103,156.27		1,773,659.44	
		<u>3,917,672,894.38</u>		<u>3,592,660,663.04</u>	
<b><u>Current Liabilities</u></b>					
Total Payables	8	40,727,541.53		37,272,653.17	
Accrued Expenses	9	2,019,794.50		1,839,702.00	
		<u>42,747,336.03</u>		<u>39,112,355.17</u>	
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<u><b>699,542,137.14</b></u>		<u><b>710,505,488.04</b></u>	

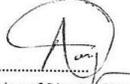
These Financial Statements are in compliance with the requirements of the Sri Lanka Accounting standards.

  
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Head Of Finance

The Board Of Directors are responsible for the preparation of these Financial Statements.

Signed for and on behalf of the Board by;

  
.....  
Member of Director Board  
Agricultural & Agrarian Insurance Board

  
.....  
Member of Director Board  
Agricultural & Agrarian Insurance Board

Premachandra Epa (M.A)  
Attorney - at - Law  
Chairman  
Agricultural and Agrarian Insurance Board  
No: 117, Subhadarama Road, Gangodawila, Nugegoda

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**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**  
**FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<i>Note</i>	<b>31.12.2019</b>		<b>31.12.2018</b>	
		Rs.	Cts.	Rs.	Cts.
Interest Income		56,195,565.37		72,880,417.59	
Fishermen's Contribution		340,189.00		284,062.50	
		56,535,754.37		73,164,480.09	
Less:					
Interest Income trf. to Admin Exp.		(3,500,000.00)		(3,500,000.00)	
<b>Total Revenue for Fund</b>		<b>53,035,754.37</b>		<b>69,664,480.09</b>	
<b>Less: EXPENDITURE</b>					
Refund of Net Contribution		(811,818.00)		(657,067.00)	
Refund of Net Interest		(482,023.54)		(332,176.00)	
Incentive Payment		-		(5,258.00)	
Group Insurance Premium		(1,769,100.00)		(1,775,740.00)	
Pension Payments & Commission					
- Pension Payments		(63,346,699.00)		(62,525,861.00)	
- Commission for Pension Payments		(826,665.00)		(773,610.00)	
<b>Total Expenditure</b>		<b>(67,236,305.54)</b>		<b>(66,069,712.00)</b>	
<b>Operational Surplus/ Deficit</b>		<b>(14,200,551.17)</b>		<b>3,594,768.09</b>	
<b>INCOME - for Administration</b>					
Interest Income for Admin. Expenses		3,500,000.00		3,500,000.00	
Govt. Grant for Admin Expenses		1,500,000.00		1,500,000.00	
		<b>5,000,000.00</b>		<b>5,000,000.00</b>	
		<b>(9,200,551.17)</b>		<b>8,594,768.09</b>	
<b>Less: Expenses</b>					
Admin: & Establishment Expenses	10	6,999,018.25		6,347,217.98	
Finance Charges	11	7,500.00		-	
<b>Total Admin Expenses</b>		<b>7,006,518.25</b>		<b>6,347,217.98</b>	
<b>Profit/ (loss) for the year</b>		<b>(16,207,069.42)</b>		<b>2,247,550.11</b>	
<b>Other Comprehensive Income</b>					
Gratuity gains/ (loss)		(121,859.17)		(241,154.46)	
Increase of Pension Liability		(324,682,734.51)		(293,327,806.02)	
		<b>(324,804,593.68)</b>		<b>(293,568,960.48)</b>	
<b>Total Comprehensive Income For the year</b>		<b>(341,011,663.10)</b>		<b>(291,321,410.37)</b>	

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD  
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Fishermen's Pension Fund</b>	<b>Death Gratuity Fund</b>	<b>Total</b>
Balance as at 31 <sup>st</sup> December 2017	(2,656,607,634.50)	24,012,849.70	(2,632,594,784.80)
Net Surplus			-
Income Over Expenditure - life Insurance		1,302,925.00	1,302,925.00
<b>Balance as at 31<sup>st</sup> Dec. 2017</b>	<b>(2,656,607,634.50)</b>	<b>25,315,774.70</b>	<b>(2,631,291,859.80)</b>
<b><u>Additions during the year - 2018</u></b>			
Net Surplus	(291,321,410.37)		(291,321,410.37)
Income Over Expenditure - life Insurance	.	1,345,740.00	1,345,740.00
<b>Balance as at 31<sup>st</sup> Dec. 2018</b>	<b>(2,947,929,044.87)</b>	<b>26,661,514.70</b>	<b>(2,921,267,530.17)</b>
		-	-
<b><u>Additions during the year - 2019</u></b>			
Net Surplus	(341,011,663.10)		(341,011,663.10)
Income Over Expenditure - life Insurance		1,401,100.00	1,401,100.00
<b>Balance as at 31 Dec 2019</b>	<b>(3,288,940,707.97)</b>	<b>28,062,614.70</b>	<b>(3,260,878,093.27)</b>

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**  
**FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019**

	<u>31.12.2019</u>		<u>31.12.2018</u>	
	Rs.	Cts.	Rs.	Cts.
<b><u>Cash flows from Operating actives</u></b>				
Net Surplus	(341,011,663.10)		(291,321,410.37)	
<b><u>Adjustments For</u></b>				
Depreciation	19,636.00		19,636.00	
Deficit/ Gain on Gratuity	121,859.17		241,154.46	
Increase Pension Liability	324,682,734.51		293,327,806.02	
Provision for Retiring Gratuity	207,637.66		149,926.31	
<b>Operating profit before working capital changes</b>	<b>(15,979,795.76)</b>		<b>2,417,112.42</b>	
(Increase) / Decrease in Inventories	54,988.27		15,376.45	
(Increase) / Decrease in Receivables	48,886,839.06		50,682,594.48	
(Increase) / Decrease in Other Payables	3,454,888.36		6,885,815.72	
(Increase) / Decrease in Accrued expenses	180,092.50		(109,995.00)	
	<b>52,576,808.19</b>		<b>57,473,791.65</b>	
Cash Generated from operation Activities	36,597,012.43		59,890,904.07	
<b>Net Cash Flows from Operating Activities</b>	<b>36,597,012.43</b>		<b>59,890,904.07</b>	
<b><u>Cash Flows from Investing Activities</u></b>				
Financial Instrument	(38,217,784.82)		(60,671,746.77)	
Contribution for group insurance scheme	1,769,100.00		1,775,740.00	
Benefits during the year	(368,000.00)		(430,000.00)	
<b>Net Cash flows from Investing Activities</b>	<b>(36,816,684.82)</b>		<b>(59,326,006.77)</b>	
<b><u>Cash Flows from financing Activities</u></b>				
		-		-
<b>Net Cash Flows from Financing Activities</b>		-		-
<b>Net Increase / (Decrease) in cash &amp; Cash Equivalentents</b>	<b>(219,672.39)</b>		<b>564,897.30</b>	
Cash & Cash equivalentents at Beginning of the year	1,227,278.89		662,381.59	
	<b>1,007,606.50</b>		<b>1,227,278.89</b>	
<b>Cash&amp; Bank balance at the end of the year</b>				
<b>Cash at Bank - 31.12.2019</b>	<b>1,007,606.50</b>		<b>1,227,278.89</b>	

# **Agricultural and Agrarian Insurance Board**

## **Fisherman's Pension & Social Security Benefits Scheme**

### **Significant Accounting Policies**

#### **1. General Policies**

##### **1.1 Reporting Entity**

Agricultural and Agrarian Insurance Board of Sri Lanka (hereafter referred to as the 'Board') was incorporated by Act No.20 of 1999 and is situated at 117, Subadharama Road, Gangodawila, Nugegoda. Fishermen's Pension and Social Security benefits Scheme established according to the provision of Fishermen's Pension and Social Security Benefits Scheme Act (No.23 of 1990).

##### **1.2 Principal Activities and Nature of Operations**

Operating a pension and social security benefits scheme for fishermen.

##### **1.3 Basis of Preparation**

###### **(a) Statement of Compliance**

The financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves, statement of cash flows and notes to the financial statements. These statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka.

###### **(b) Basis of Measurement**

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes.

### **(c) Comparative Information**

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve the inter- period comparability.

When the presentation or classification of items in the financial statements have been amended, comparative amounts have also been reclassified to conform with the current year in order to provide a better presentation.

### **(d) Functional and Presentation Currency**

The financial statements are presented in Sri Lankan Rupees, which is the functional and presentation currency of the board.

### **(e) Use of Estimates and Judgments**

The preparation and presentation of financial statements in conformity with SLFRS/LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgments used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the notes to the financial statements.

## **(f) Going Concern**

The management has made an assessment of the board's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

## **2 Assets and the Bases of their Valuation**

### **2.1 Property, Plant and Equipment**

#### **(a) Recognition and Measurement**

Items of property, plant and equipment are stated at cost or at fair value less accumulated depreciation or impairment losses.

All items of property, plant and equipment are initially recorded at cost less accumulated depreciation or impairment losses. Significant components of an asset are identified and depreciated separately. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. All other repair and maintenance costs are recognized in the income statement as incurred.

A fully depreciated asset with a total historical cost of Rs. 686,080.42 has been included in property plant and equipment.

#### **(b) Cost**

The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

Subsequent expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature in order to carry on or increase the earning capacity of the assets has been treated as capital expenditure.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied within the part will flow to the Board and its cost can be measured reliably.

**(c) Revaluation**

After recognition as an asset, lands and buildings whose fair value can be measured reliably, have been carried at revalued amount at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are being performed to ensure that the fair value of a revalued asset does not materially differ from its carrying amount as at the reporting date.

On revaluation of motor vehicle, any increase in the revaluation amount is credited to the revaluation reserve in equity unless it off sets a previous decrease in value of the same asset that was recognized in the Statement of profit or loss. A decrease in value is recognized in the Statement of profit or loss where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

**(d) Depreciation**

Depreciation is charged to the statement of comprehensive income on the straight line method at the following rates per annum in order to write off the cost of such assets over their estimated useful lives.

Office Equipment	10%
Furniture & Fitting	10%
Welfare Equipment	10%
Computer	20%

## **2.2 Intangible Assets**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 – Intangible Assets. Accordingly, these assets are stated in the statement of financial position at cost less accumulated amortization and any accumulated impairment loss.

Computer software is amortized over a period of 5 years on the straight line method.

## **2.3 Inventories**

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

## **2.4 Financial Assets**

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Board determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The Board initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Board becomes a party to the contractual provisions of the instrument.

The Board derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset is transferred. Any interest in transferred financial assets that is created or retained by the Board is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Board has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The financial assets of the Board include cash and short term investments and trade and other receivables.

**(a) Financial Assets at Fair Value through Profits or Loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance expense in the statement of comprehensive income.

**(b) Loans & Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is

included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

Loans and receivables comprise trade receivables, employee loans, deposits, advances, other receivables and cash and cash equivalents.

**(c) Held-to-Maturity Investments (HTM)**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Board has the positive intention and ability to hold them to maturity. After initial measurement, held-to maturity investments are measured at amortized cost using the effective interest rate (EIR) method, less impairment. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in financial costs.

Investments in government securities and in fixed deposits have been classified under HTM investments.

**(d) Available-for-Sale Financial Investment**

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserved in funds and reserves. Interest income on available-for-sale debt securities is calculated using the effective interest rate method (EIR) and is recognized in profit or loss. When an investment is derecognized, the gain or loss accumulated in funds and reserves reclassified to profit or loss.

The board has not designated any financial asset upon initial recognition as available-for sale investment.

### **2.4.1 Impairment Of Financial Assets**

The board assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such impairment has occurred, that amount of impairment is calculated by taking the difference between the assets carrying amount and the present value of estimated future cash flow.

## **3 Liabilities and Provisions**

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognized when the Board has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

### **3.1 Retirement Benefits**

A Provision has been made for retiring gratuities from the completion of the first year of service for all permanent employees in conformity with Sri Lanka Accounting Standard 19 Retirement Benefits costs. However, according to the Payment of Gratuity Act No.12 of 1983 the liability to an employee arises only on completion of five years of continued service. The liability is not externally funded.

### **3.2 Capital Commitments and Contingent Liabilities**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitments and contingent liabilities of the Board are disclosed in the respective notes to the financial statements.

### **3.3 Liability of Fishermen's Pension Fund**

Liability of Fishermen's Pension Scheme has been accounted in the financial statement at present value base on the actuarial calculation which was done in the year 2007.

## **4 Statement of Comprehensive Income**

### **4.1 Revenue**

- (a) The revenue of the scheme represents the income from Pension Premium, Interest Income from Treasury Bills and other miscellaneous income.
- (b) All income from collection of premier has been recognized on as cash basis.

### **4.2 Revenue Recognition**

- (a) Pension premier revenue is recognized at the time of enrollment.
- (b) The above revenue is on cash basis and matched with the related expenditure.
- (c) Interest income is accrued on a time basis.

### **4.3 Accounting for Government Grants**

Grants that compensate the Board for expenses incurred are recognized as revenue in the statement of comprehensive income in the same period in which the expenses are recognized. Grants that compensate the Board for the cost of an asset are recognized in the statement of comprehensive income on a systematic basis over the useful life of the related asset.

#### **4.4 Expenditure**

All expenditure incurred in the operation of the fishermen's pension insurance scheme activities and in maintaining the capital assets in state of efficiency has been charged to revenue on an accrual basis in arriving at the surplus or deficit for the year.

The indirect expenses of the board apportioned on the following rates by the Board Paper No.401/04. The rates are as follows;

<b>Expenditure</b>	<b>Rates</b>
Rent, Telephone	5%
Postage, Water Charges	5%
Electricity	5%
Head Office Equipment	5%
Main. Building	5%
Main M/V	3%
Fuel	2%
Stationery	2%
Uniform	2%
Security	5%
Computer Expenses	5%

#### **5 Cash Flow Statement**

The cash flow statement of the scheme has been presented using the indirect method, in accordance with the LKAS 7.

#### **6. Events After the Reporting Date**

The materiality of events occurring after the reporting date has been considered and appropriate adjustments, wherever necessary, have been made in the accounts.

## 7. Related Party Transactions

Famers Pension Scheme and the Agricultural Insurance Scheme are considered as related parties of Fisheries Pension Scheme. The transactions carried out with these related parties are been disclosed based on fair value. Fisheries Pension Scheme has granted a loan amounting to Rs. 518,000,000 to Farmers Pension Scheme.

## 8. Contingencies

### Receivable Interest

The board has field a case in District Court Colombo, against the Bank of Ceylon for the loss of interest on investment on treasury bills in 1996.

The details as follows.

Case No	Amount (Rs)
MR 21843	1,454,670.84
MR 21844	1,172,602.46
MR 21845	2,784,657.55

The Appeal was dismissed with costs.

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**  
**FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note - 01**

PLANT, PROPERTY & EQUIPMENT AS AT 31 DECEMBER 2019

Description	Office	Welfare	Furniture	Computers	Total
	Equipment	Equipment	& Fittings		
Cost of as at 1 <sup>st</sup> Jan. 2019	528,648.50	1,325.00	78,876.92	264,945.00	873,795.42
Add. Addition	-	-	-	-	-
<b>Total Cost as at 31<sup>st</sup> Dec. 2019</b>	<b>528,648.50</b>	<b>1,325.00</b>	<b>78,876.92</b>	<b>264,945.00</b>	<b>873,795.42</b>
Depreciation Rate	10%	10%	10%	20%	
Accumulated Dep. As at 1 January 2019	403,552.96	1,325.00	61,064.42	261,870.92	727,813.30
Depreciation for the year	14,792.00	-	2,850.00	1,994.00	19,636.00
<b>Total Depreciation</b>	<b>418,344.96</b>	<b>1,325.00</b>	<b>63,914.42</b>	<b>263,864.92</b>	<b>747,449.30</b>
<b>Net Book Value</b>	<b>110,303.54</b>	<b>-</b>	<b>14,962.50</b>	<b>1,080.08</b>	<b>126,346.12</b>

Property Plant & Equipment include fully depreciated assets that are still in use having a historical cost amounts to 686,080.42 as at 31<sup>st</sup> December 2019.

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**  
**FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT 31.12.2019**

	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
	Rs. Cts.	Rs. Cts.
<b><u>NOTE 02 - STOCKS</u></b>		
Printing Materials	105,756.95	160,745.22
	<b><u>105,756.95</u></b>	<b><u>160,745.22</u></b>
<b><u>NOTE 03 - RECEIVABLES</u></b>		
Farmers Pension Loan	564,335,972.90	613,222,811.96
Death Gratuity Advance	50,000.00	50,000.00
	<b><u>564,385,972.90</u></b>	<b><u>613,272,811.96</u></b>
<b><u>NOTE 04 -</u></b>		
<b><u>FINANCIAL INSTRUMENTS HELD TO MATURITY</u></b>		
Treasury Bills - B.O.C	133,916,454.67	95,698,669.85
	<b><u>133,916,454.67</u></b>	<b><u>95,698,669.85</u></b>
<b><u>NOTE 05 - CASH AT BANK</u></b>		
A/C No. 164790 BOC Union Place	324,626.90	399,609.07
A/C No. 164795 BOC Union Place	507,735.60	735,036.82
Collection Accounts	175,244.00	92,633.00
	<b><u>1,007,606.50</u></b>	<b><u>1,227,278.89</u></b>
<b><u>NOTE 06 - FISHERMEN'S PENSION ACCUMULATED FUND</u></b>		
Balance B/F	(2,947,929,044.87)	(2,656,607,634.50)
<u>Addition during the year</u>		
Total Surplus/(Deficit) for the year	<u>(341,011,663.10)</u>	<u>(291,321,410.37)</u>
	<b><u>(3,288,940,707.97)</u></b>	<b><u>(2,947,929,044.87)</u></b>
	<b><u>(3,288,940,707.97)</u></b>	<b><u>(2,947,929,044.87)</u></b>

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**  
**FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31.12.2019**

	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
	Rs. Cts.	Rs. Cts.
<b><u>NOTE 7 - DEATH GRATUITY FUND</u></b>		
Balance B/F	26,661,514.70	25,315,774.70
<u>Add:</u>		
Contribution for the year	1,769,100.00	1,775,740.00
<u>Less:</u>		
Death Gratuity Payments	<u>(368,000.00)</u>	<u>(430,000.00)</u>
	<u>(368,000.00)</u>	<u>(430,000.00)</u>
	<b><u>1,401,100.00</u></b>	<b><u>1,345,740.00</u></b>
	<b><u>28,062,614.70</u></b>	<b><u>26,661,514.70</u></b>
<b><u>NOTE 08 - PAYABLES</u></b>		
Payable - Pension Payment	254,423.00	2,793,811.00
Payable - Agricultural Insurance scheme	40,070,084.53	34,353,102.71
Payable - Refundable Contribution	90,746.00	32,195.00
Payable - Death Gratuity	98,000.00	58,000.00
Payable - Incentivemen	325.00	325.00
Payable - Refund interest on Contributions	122,596.00	35,219.46
Payable - EPF / ETF	-	-
Payable F.P.S.	<u>91,367.00</u>	<u>                    </u>
	<b><u>40,727,541.53</u></b>	<b><u>37,272,653.17</u></b>
<b><u>NOTE 9 - ACCRUED EXPENSES</u></b>		
Printing Charges	570,092.50	590,000.00
Legal Fees	17,000.00	17,000.00
Provision for Audit Fees	1,432,702.00	1,232,702.00
	<b><u>2,019,794.50</u></b>	<b><u>1,839,702.00</u></b>

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD**  
**FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31.12.2019**

	<b>31.12.2019</b>		<b>31.12.2018</b>	
	Rs.	Cts.	Rs.	Cts.
<b>NOTE 10 - ADMINISTRATION EXPENSES</b>				
Salaries & Wages	2,661,894.51		2,454,758.47	
Contribution E.P.F.	316,414.29		278,793.14	
Contribution E.T.F.	79,106.06		69,649.20	
Special Allowances	418,404.00		449,034.00	
Gratuity	207,637.66		149,926.31	
Fuel	167,564.76		171,625.53	
Stationery	161,870.74		155,980.75	
Printing	223,420.27		137,023.95	
Leegal Fees	409,000.00		401,500.00	
Staff Uniform	6,132.96		6,200.43	
Rent	709,113.52		726,273.64	
Telephone	281,963.76		363,424.68	
Postage	133,780.10		120,175.93	
Water Bill	23,064.46		24,498.07	
Security	46,835.00		47,997.50	
Electricity	161,905.57		174,748.84	
Main. of Motor Vehicle	385,022.09		303,568.08	
Main. of Building	73,530.96		27,305.90	
Main. of Office Equipment	21,027.79		20,837.61	
Computer Expenses	291,693.75		94,259.95	
Depreciation	19,636.00		19,636.00	
Audit Fees	200,000.00		150,000.00	
	<b>6,999,018.25</b>		<b>6,347,217.98</b>	
<b>NOTE 11 - FINANCE CHARGES</b>				
Bank Charges	7,500.00		-	
	<b>7,500.00</b>		<b>-</b>	

My No: AGL/E/AAIB/01/19/15

Date: 28<sup>th</sup> August 2020

Chairman  
Agricultural and Agrarian Insurance Board

Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 March 2019 of Agricultural and Agrarian Insurance Scheme

---

The above report is sent herewith.

.....  
W.P.C. Wickremaratne  
Auditor General

Copies : (1) Secretary- Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Aquatic Resources Development

(2) Secretary- Ministry of Finance & Media

Chairman  
Agricultural and Agrarian Insurance Board

Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 March 2019 of Agricultural and Agrarian Insurance Scheme

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## **1. Financial Statements**

### **1.1 Opinion**

The audit of the financial statement of Agricultural and Agrarian Insurance Board for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, 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 provisions of the National Audit Act, No. 19 of 2018 and Finance Act No.38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in the basis for qualified opinion of my report, the accompanying financial statements give a true and fair view of the financial position of the Scheme as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **1.2 Basis for the qualified opinion**

- (a) According to paragraph 59 of Sri Lanka Accounting Standards 37, although active contributor identification and actuarial assessment should be carried out periodically, but without doing so, an allocation of Rs.19,016,134 for the Farmers' Death Gratuity Fund as at 31 December 2019 has been mentioned in the financial statements.
- (b) The value of 76.6 perches of land belonging to the official quarters scheme maintained in Mahiyanganaya, Embilipitiya and Anuradhapura districts had not been assessed and taken into account. Also, the value of the buildings at the Embilipitiya official residence, which was leased out by the National Housing Development Authority in 1986, had not been assessed and accounted.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **1.3 Responsibilities of management and those charged with governance for the financial statements**

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

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

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities of the scheme, to enable annual and periodic financial statements to be prepared.

### **1.4 Auditor's Responsibility in Auditing Financial Statements**

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the Management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the scheme’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have communicated with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

## **2. Report on other legal and regulatory requirements**

Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018.

- In terms of the requirements of section 12 (a) of the National Audit Act No. 19 of 2018, except for the effects of the matters described in the section on the ‘Basis for the Audit Opinion’ of this report, I obtained all information and explanations required for the audit and as far as it appears from my inspection, the scheme had maintained proper financial reports.
- In terms of the requirement indicated in Section 6(1)(d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the scheme presented are consistent with the preceding year.
- In terms of the requirement indicated in Section 6(1)(d) (iv) of the National Audit Act No. 19 of 2018, except for the observations indicated in paragraphs 1.2.1(a) and (b) of this report, the recommendations made by me in the previous year have been included in the submitted financial statements.

On the basis of the procedures followed and evidence obtained and being restricted within the material matters, nothing that warrants the making of the following statements did not come to my attention.

- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether any member of the governing body of the scheme has any interest, direct or otherwise, outside normal business status in any contract entered into by the scheme.
- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether the scheme has not complied with any applicable written law, or other general or special directions issued by the governing body of the scheme;

- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, whether the scheme has not performed according to its powers, functions and duties, except for the following observations.
- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, except for the following observations, whether the resources of the scheme had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

### **3. Other Audit Observations**

- (a) The official quarter situated at Embilipitiya has been in idling for over 21 years without being repaired.
- (b) Although lands had been acquired by the respective divisional secretariats to construct district offices of Agricultural and Agrarian Insurance Board in the districts of Kandy, Ampara, Manampitiya and Mahawa without taking steps to construct buildings in those lands, the offices had been maintained in the rented out buildings for 2-12 years from the said date.
- (c) The Board had paid Rs.565,800 to the Land Reclamation and Development Corporation of Sri Lanka on 04 June 2008 for the construction Plan of an office building. Although the institution had been informed that the money could not be repaid, the amount paid due to the abandonment of the project was non-economic, but it was shown as a capital advance under current assets.
- (d) Employees' loans and advances remained from 5 to 25 years totaling Rs. 692,302 are being carried forward in the accounts without any timely recovery from the employee gratuity or guarantors.
- (e) Salary, salary advances and mixed debtor balances totaling Rs.708,347 which has to be reimbursed had been carried forward for a period of 5-15 years in the accounts without settling in the accounts.
- (f) It was planned to build a centralized agricultural information system through the Agriculture and Agrarian Insurance Board under the Digital Economic Strategy Development Project for Sri Lanka implemented by the Ministry of Agriculture. The pilot project was implemented to develop a database of farmer information based on Gampaha and Badulla districts, identify farm lands for Sri Lanka and computerize them. Although it was hoped to use the database prepared by the Department of Agrarian Development for the Gampaha District, the Board identified weaknesses in the inability of the database to be directly applied during the implementation of the project. Due to protests and financial difficulties caused by the Agricultural Research Officers, only 10,825 plots and 9,955 plots could be mapped out of 27,139 plots of 80,006 plots in 26 Agrarian Service Centers and 10 Agrarian Service Centers in the Gampaha and Badulla

districts respectively. It is observed that this project operated for only 07 months and stopped halfway. If this project is not implemented in the future, the expenditure of Rs. 9,610,720 that incurred for this project may be a futile expenditure.

- (g) Due to the delay in releasing imprest by the General Treasury for the payment of crop damage compensation to farmers who are insured under the free insurance, the payment of crop damage compensation for the 2017/2018 Maha and Compensation for crop damage in the 2018 Yala season was delayed for a year and was paid only in the 2019 Yala season. Also, compensation of Rs. 598,972,934 for 20,100 farmers who lost their crops for the 2018/2019 Maha season had been paid in February 2020, that was during the 2019/2020 Maha season. Thus some inefficiency was observed in the free insurance program. Field inspections in the Polonnaruwa, Anuradhapura and Kurunegala districts further revealed that farmers' trust in the Agriculture and Agrarian Insurance Board had been eroded due to non-receipt of timely compensation.
- (h) Although the Agriculture and Agrarian Insurance Board has entered into an agreement with the International Monetary Fund (IMF) affiliated to the World Bank to formulate and administer an insurance scheme based on indicators in 6 districts between May 05, 2016 and May 2019, During the 2018/2019 Maha season, it was implemented on trial basis in Vavuniya, Anuradhapura, Kilinochchi and Mullaitivu districts. Although it was hoped to introduce modern methods of damage assessment through the implementation of the index-based insurance scheme, compensation was calculated under this scheme only in the Vavuniya District.
- (i) Although the reinsurance value is Rs. 3,500,000,000 for the maximum insurance liability amount which is likely to be about Rs. 5,000,000,000 to provide free insurance for mandatory 06 crops for the period between 01st April 2018 to 31st March 2019 due to the incorrect application of the Central Bank Report the said insurance liability has been determined as Rs. 7,500,000,000 and the institution has entered in to a reinsurance liability of Rs.5,315,000,000. Thereby there was Rs. 675,000,000 had to be paid as reinsurance premium. Up to Rs. 2,185,000,000 / - from the damage value reported under the reinsurance Agreement is entitled to go for reinsurance after payment by the Agricultural Insurance Board. However, the total compensation recorded for 2018 Yala and 2018/19 Maha was only Rs. 1,016,824,823 and the Board was unable to obtain any compensation from the reinsurance. It was observed that if the total insurance liability value had been approximately assessed according to the previous damaged data, the amount paid to the foreign insurance the institution could have been reduced by Rs.473,032,000.

- (j) The total amount of compensation that could be recorded for the 2019 Yala season is Rs. 613 million from the Insurance Trust Fund for the first payment of Rs. 10,000 out of Rs. 1,284 million. According to the Reinsurance Agreement with the Insurance Trust Fund for the 2019 Yala Season, the Board had not yet taken action to recover the remaining Rs.312 million from the Insurance Trust Fund after the Rs. 359 million in liabilities had been removed.
- (k) Out of 421 approved staff posts at the end of the year under review, there were 139 vacancies in 19 staff grade posts, 98 non-staff posts and 22 junior grade posts. This shortage of officers was an impediment to the efficient and timely implementation of office and field duties in the Head Office and District Offices. As a result, the Board has recruited 13 Contract Officers and 48 Daily Allowed Training Officers to perform the role of Permanent Staff.

**W.P.C. Wickremaratne**  
Auditor General

My No: AGL/E/Farmers/1/19/02

Date: 17<sup>th</sup> July 2020

Chairman  
Agricultural and Agrarian Insurance Board

Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 March 2019 of Farmers' Pension and Social Security Benefits Scheme

---

The above report is sent herewith.

.....  
W.P.C. Wickremaratne  
Auditor General

- Copies : 1. Secretary- Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Aquatic Resources Development
2. Secretary- Ministry of Finance & Media

**Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 March 2019 of Farmers' Pension and Social Security Benefits Scheme**

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the of Farmers' Pension and Social Security Benefit Scheme for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income , statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the basis for qualified opinion of my report, the accompanying financial statements give a true and fair view of the financial position of the Scheme as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**1.2 Basis for the qualified opinion**

**(a) Non-compliance with Sri Lanka Accounting Standards**

The actuarial assessment relating to the contribution for the pensions of the active contributors and farmer pensioners should be carried out in a timely manner in terms of Section 59 of the Standard 37. However, without carrying out such an actuarial assessment , the liability for the pensions as at 31 December 2019 had been shown as Rs. 70,252,869,112 in the financial statements.

**(b) Going Concern of the Scheme**

The net assets of the Board amounted to a negative balance of Rs. 74,347,975,129 as at the end of the year under review and the current liabilities had exceeded the current assets by a sum of Rs. 5,098,968,963. Further, pensions had been paid since 01 January 2014 in accordance with the directives published in the Gazette Extraordinary, No. 1853/49, dated 14 March 2014 relating to the Farmers' Pension and Social Security Benefit Scheme, but contributions had been recovered by following the method published in the Gazette, No. 452/12, dated 07 May 1987. Accordingly, the contribution of farmers for the years 2018 and 2019 totaled Rs. 24,552,961 and Rs. 21,495,773 respectively whereas the payment of pensions totaled Rs. 3,059,370,767 and Rs. 3,217,332,522 respectively. Due to increase in the payment of pensions, sums of Rs. 2,725,000,000 and Rs. 3,065,000,000 had been received from the Treasury in the years 2018 and

2019 respectively and the Scheme is in a situation where it cannot be maintained without contributions from the Treasury.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **1.3 Responsibilities of management and those charged with governance for the Financial Statements**

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

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

Those charged with governance are responsible for overseeing the Farmer's pension and social security benefit scheme's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the scheme is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the scheme.

### **1.4 Auditor's responsibility of auditing the financial statements**

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have communicated with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

## **2. Report on other legal and regulatory requirements**

Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018.

- In terms of the requirements of section 12 (a) of the National Audit Act No. 19 of 2018, except for the effects of the matters described in the section on the 'Basis for the Audit Opinion' of this report, I obtained all information and explanations required for the audit and as far as it appears from my inspection, the scheme had maintained proper financial reports.
- In terms of the requirement indicated in Section 6(1)(d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the scheme presented are consistent with the preceding year.

- In terms of the requirement indicated in Section 6(1)(d) (iv) of the National Audit Act No. 19 of 2018, except for the observations indicated in paragraphs 1.2 (a) and 1.2 (b) of this report, the recommendations made by me in the previous year have been included in the submitted financial statements.

On the basis of the procedures followed and evidence obtained and being restricted within the material matters, nothing that warrants the making of the following statements did not come to my attention.

- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether any member of the governing body of the scheme has any interest, direct or otherwise, outside normal business status in any contract entered into by the scheme.
- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether the Company has not complied with any applicable written law, or other general or special directions issued by the governing body of the scheme;

Reference to Laws, Rules Regulations etc.	Description
Farmers Pension And Social Security Benefit Scheme Act, No. 12 of 1987 (a) Section 04	The objectives of the Scheme included : to make a payment for the farmers engaged in farming who are not less than 18 years and not older than 59 years in case of a partial or permanent disablement, paying a death gratuity, and to pay a periodical pension upon completion of the age of 60. However, no member had been entitled to the Scheme during the period of 2012-2019.
(b) Sections 15 (2), (3)	Where any contributor has forfeited the benefits under the policy issued to him, it should be conveyed to the contributor through a notice. As a result of a contributor being deprived of the opportunity to get his policy validated due to the failure to send such notice, pensions had not been given to 1,863 persons aged 60 years who had submitted applications for pensions believing that they had been entitled to the pension scheme.
(c) Section 20	The Advisory Committee should comprise 12 members including 06 ex officio members and 06 nominated members. However, appointment of all the members had not been completed even by 06 December 2019. Hence , the Advisory Committee had not assembled during the year under review whereas the said Committee had last assembled on 03 November 2006. As such, the Advisory Committee had not held for a period of 03 years.

- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, whether the scheme has not performed according to its powers, functions and duties, except for the following observations.
- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, except for the following observations, whether the resources of the scheme had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

### 3. Other audit observations

- (a) Pensions should be paid to the members upon completion of 60 years of age in terms of the Farmers Pension And Social Security Benefit Scheme Act, No. 12 of 1987. Nevertheless, the institution had made payments since the date of computation of the pension. Hence, pensions totaling Rs. 584,359,397 remained in arrears with respect to 27,049 farmers relating to the period from April 2017 to 31 December 2019. Furthermore, due to financial difficulties, pensions totaling Rs. 3,033,329,200 payable to 90,573 farmers had not been paid during the period 2012-2013.
- (b) As of the end of the year 2012, there had been 959,254 active contributors to the scheme. Following the year 2012 however, information relating to those who left the scheme, became disabled, deceased, and removal due to defaulting on the installments, had not been maintained in an up-to-date manner. As such, it was not possible for the scheme to identify the number of active members at the end of the year under review, the contribution being added annually, and the accurate amount of pensions to be paid.
- (c) It was stated in the report of the Advisory Committee meeting held on 25 August 2015 that the information system should be updated by entering the bio-data of the farmer contributors subscribed to the new pension scheme that had become effective from January 2014. Accordingly, surveys had been conducted covering only 08 districts by spending a sum of Rs. 1,726,875. Due to failure of the Board to promptly conduct the survey on the other districts thereby updating the information system, the expenditure incurred thereon had become fruitless.
- (d) The committee of experts assembled on 01 July 2019 with a view to introducing a new pension scheme replacing the existing scheme. It was decided that the committee should be responsible for : preparation of computational reports relating to the 04 alternative proposals presented by the farmers' pension scheme, to submit the information relating to the implementation of the scheme selected out of the said 04 schemes to the committee of experts, to prepare detailed reports on those schemes and furnish to the Department of Treasury in the month of August thus obtaining approval thereon, and coordination. However, the scheme was not implemented even up to the end of the year under review.

- (e) According to the letter, dated 07 July 2015 relating to the payment of farmers' pensions issued by the Post Master General to the post masters and sub post masters belonging to the district accounting offices with a view to updating the unpaid pensions and particulars of the deceased pensioners, the post masters and sub post masters mentioned above should submit a monthly report on particulars relating to the pensioners whose pensions had not been paid, to the Agricultural and Agrarian Insurance Board through the email address given by the Board. However, due to failure of the district accounting offices in Matara and Colombo in doing so, sums ranging from Rs. 1,000,000-Rs. 1,700,000 and Rs. 100,000-Rs. 300,000 belonging to the offices in Matara and Colombo respectively remained being remitted throughout the year between the Agricultural and Agrarian Insurance Board and the district accounting offices.
- (f) No legal action had been taken with respect to 117 cheques relating to 03 bank accounts of the farmers' pension scheme valued at Rs. 1,179,624 and continued to exist since 1992 without being realized although deposited.

**W.P.C. Wickremaratne**  
Auditor General

My No: AGL/E/Fish/01/19/02

Date: 17<sup>th</sup> July 2020

**Chairman  
Agricultural and Agrarian Insurance Board**

The summary report of the Auditor General in terms of Section 11(1) of the National Audit Act No.19 of 2018 on the financial statements for the year ended 31 December 2019 of Fishermen's Pension and Social Security Benefit Scheme

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The above report is submitted herewith.

**W.P.C. Wickremaratne**  
Auditor General

Copies : (1) Secretary- Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Aquatic Resources Development  
(2) Secretary- Ministry of Finance & Media

**Chairman  
Agricultural and Agrarian Insurance Board**

**The summary report of the Auditor General in terms of Section 11(1) of the National Audit Act No.19 of 2018 on the financial statements for the year ended 31 December 2019 of Fishermen's Pension and Social Security Benefit Scheme**

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**1. Financial statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the of Fishermen's Pension and Social Security Benefit Scheme for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income , statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the basis for qualified opinion of my report, the accompanying financial statements give a true and fair view of the financial position of the Scheme as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**1.2 Basis for Qualified Opinion**

**(a) Non-compliance with Sri Lanka Accounting Standards**

Although the actuarial assessment should be done for the pension liability of active contributors and fishermen pensioners in a timely manner in terms of Paragraph 59 of Sri Lanka Accounting Standards 37, it had not been done after the year 2007. Even though the provisions for pension liability related to the year 2007 was Rs.1,242,006,539, provisions for pension liability had been stated as Rs.3,915,569,738 in financial statements as at 31 December 2019 without doing such an actuarial assessment.

## **(b) Accounting deficiencies**

Unpaid pensions totalling to Rs.3,685,792, entitled by 121 fishermen, who had requested pensions for the period starting from January 2011 to December 2016 had been removed from the payable account considering that the amount had been paid. Owing to this, the payable account had been understated by this amount

## **(c) Going Concern of the Scheme**

The Pension Liability of the Scheme as at the closing date of the year under review was Rs.3,915,569 which was an increase of 9.04 per cent as against the previous year. Similarly, the negative status of the Accumulated Fund had increased up to Rs. 3,288,940,708, viz. 11.58 per cent than the previous year and as a result, it had an unfavourable effect on Going Concern status of the Scheme. Though this position could exacerbate further in the coming years, the Institution has not taken steps to restructure the scheme and to operate it with financial feasibility.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

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

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

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Scheme.

### **1.4 Auditor's responsibility of auditing the financial statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have communicated with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

## **2 Report on other legal and regulatory requirements**

Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018.

- In terms of the requirements of section 12 (a) of the National Audit Act No. 19 of 2018, except for the effects of the matters described in the section on the 'Basis for the Audit Opinion' of this

report, I obtained all information and explanations required for the audit and as far as it appears from my inspection, the scheme had maintained proper financial reports.

- In terms of the requirement indicated in Section 6(1)(d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the scheme presented are consistent with the preceding year.
- In terms of the requirement indicated in Section 6(1)(d) (iv) of the National Audit Act No. 19 of 2018, except for the observations indicated in paragraphs 1.2.1(a),(b) 1.2.2(b) and 1.2.3 (a), (b) of 1.2 of this report, the recommendations made by me in the previous year have been included in the submitted financial statements.

On the basis of the procedures followed and evidence obtained and being restricted within the material matters, nothing that warrants the making of the following statements did not come to my attention.

- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether any member of the governing body of the scheme has any interest, direct or otherwise, outside normal business status in any contract entered into by the scheme.
- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether the Company has not complied with any applicable written law, or other general or special directions issued by the governing body of the scheme;

Reference to Laws, Rules Regulations etc.	Description
Fishermen's Pension and Social Security Benefit Scheme Act, No. 23 of 1990 (i) Section 16	Prior to the cancellation of the membership of 72 members who had failed to pay installments by 31 December 2019, action had not been taken in terms of the Act to inform them of the cancellation. As a result, contributors had been deprived of the right to revalidate an invalidated policy. A sum of Rs. 1,293,842 had been paid as net installments and interest to contributors whose subscription had been cancelled.
(ii) Section 20	Even though all the members of the Advisory Committee of the Board had been appointed for the year 2019, no meeting had been conducted after 03 November 2016.

- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, whether the scheme has not performed according to its powers, functions and duties, except for the following observations.
- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, whether the resources of the scheme had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

### **3 Other Audit Observations**

- (a) Even though it had been planned to procure contributions amounting to Rs.307,000 by recruiting 100 contributors during the year under review, not a single member had been recruited to the Scheme during the year under review and 96 contributors had been removed from the Scheme due to deaths, disabilities and non-payment of installments.
- (b) Even though the total contribution of the Scheme for the year under review was Rs. 340,189, a sum of Rs.64,668,352 had been paid from the Scheme exceeding the contribution received since the total pension payments were Rs. 63,346,699 and net instalment payments was Rs. 1,293,842 and death and disabilities benefit payments were Rs. 368,000.
- (c) Even though pensions should be paid from the date of completing the age of 60 years, pensions amounting to Rs.3,940,215 entitled by 129 fishermen had been accrued even by the end of the year under review as the Scheme had made payments from the date of its formation.

**W.P.C. Wickramaratne**  
Auditor General

## **Agricultural and Agrarian Insurance Board**

Audit Superintendent  
Auditor General's Department,  
Colombo

### **Responding to audit queries**

**The replies for the Auditor General's report presented in terms of Section 12 of the National Audit Act No. 19 of 2018 on the financial statements for the year ended 31 December 2019 of the Agricultural and Agrarian Insurance Scheme are submitted herewith.**

This has reference to the report of the Auditor General bearing No: AGL/E/AAIB/01/19/15 dated 11.06.2020 presented in respect of the Agricultural and Agrarian Insurance Scheme in terms of section 12 of the National Audit Act No. 19 of 2018 and forwarded to me.

The reply report prepared as regards the matters contained in the said report is submitted herewith.

However, we wish to inform you that we have paid our full attention to the matters contained in the relevant audit report and that measures will be taken to overcome such deficiencies.

### **Chairman**

Agricultural and Agrarian Insurance Board

**Replies for the Report of the Auditor General presented in terms of section 12 of the National Audit Act No. 19 of 2018 on the financial statements of the Agricultural Insurance Scheme for the year ended 31 December 2019**

**1. Financial Statements**

**1.1 Opinion**

**1.2 Basis for the qualified opinion**

- (a) The allocation for the payment of death and disability benefits of farmers is calculated by the Farmers' Pension Fund and credited to the Farmers' Death and Disability Gratuity Fund and details relevant thereto have been disclosed by Journal Notes No. 12. Since the Farmers' Pension Scheme is currently being operated without recruiting new contributors, an actuarial assessment has not been done and actuarial assessment is expected to be carried out with the restructuring of the pension scheme in the future.
- (b) Necessary work has been initiated in consultation with the District Deputy / Assistant Directors regarding the valuation of lands in Mahiyanganaya, Embilipitiya and Anuradhapura and the value of the Embilipitiya official quarters and action will be taken to finalize and estimate the valuation expeditiously and bring into accounts.

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

**1.4 Auditor's responsibility of auditing the financial statements**

**2. Report on other legal and regulatory requirements**

**3. Other audit observations**

- (a) Arrangements have been made to effect necessary repairs to the official quarters at Embilipitiya in the year 2021 and bring it to usable condition.
- (b) Since there was a problematic situation regarding the land in Kandy, necessary measures have been taken to have the land re-surveyed by the Department of Survey and proceed with relevant activities thereafter. Plans have been made to reexamine the lands acquired in the Ampara, Manampitiya and Maho areas and carry out future activities.
- (c) Plans are afoot to build the head office of the board within the next year and the Sri Lanka Land Reclamation and Development Corporation has undertaken to carry out the initial preparation and development of the land. It has been shown as a capital advance until the work is done.

- (d) Letters of demand have been sent to recover loan balances and interest of the retired / Resigned officers from the Board and If the payment is not made accordingly, legal action is to be constituted in due course. Further, the loan balances of many of these defaulted officers were recovered when they came to the Board to obtain the necessary documents to obtain the Employees Provident Fund, and action is being taken to recover the loan balances of other officers through guarantors.
- (e) Action is being pursued to recover this balance of Rs. 708,347 receivable to the Board from various parties.
- (f) These projects have not been halted and it is expected to conduct this programme island-wide on the basis of the feasibility studies conducted in the Gampaha and Badulla districts. The project proposals needed for this purpose have already been submitted to the Ministry as of now.
- (g) Requests for funds have been made to the General Treasury for the payment of compensation expeditiously and no sooner the funds are received, action will be taken to release compensation to farmers. Except for compensation of farmers whose compensation was rejected in the Maha season of 2019/20, the payment of compensation for previous cultivation seasons have been completed by July 2020.
- (h) Compensation calculation has already commenced in Gampaha and Hambantota districts under the index based insurance scheme. Also, plans have hitherto not been made to issue farmer identity cards under the index based insurance scheme. Discussions are underway to issue a formal Farmer Identity Card in the future.
- (i) Reinsurance has been obtained as there was a high risk due to the climatic condition prevailed at the time and as there was a high risk when compared to past seasons under the same conditions. This reinsurance was based on a liability projected as per the insurance procedure. If damages were caused as expected, the reinsurance could have been used for indemnification. In obtaining this reinsurance facility it has been done through a tender board approved by the Cabinet of Ministers and a technical committee comprising experts in this field according to the insurance procedure and therefore this installment cannot be identified as a futile expenditure. Due to the inability to make a more accurate forecast of weather and causes of other damages which are beyond the control of the Board since damages were not reported as expected, the expected benefits of reinsurance did not materialize.
- (j) They have been informed in writing as well as orally on a number of occasions to grant insurance compensation due under the reinsurance for the 2019 Yala season and this has been discussed with the Treasury and the National Insurance Trust Fund. We have been informed that necessary steps will be taken in this regard in the future.

- (k) Steps are being taken to fill all these vacancies after the Parliamentary Elections and the approval of the Chairman of the Election Commission has been obtained to publish newspaper advertisements for the speedy recruitment of staff grade posts and arrangements are being made to publish newspaper advertisements regarding the vacancies.

**The replies for the Auditor General's report presented in terms of Section 12 of the National Audit Act No. 19 of 2018 on the financial statements for the year ended 31 December 2019 of the Farmers' Pension and Social Security Benefit Scheme are submitted herewith.**

**1. Financial Statements**

**1.1 Qualified Opinion**

**1.2 Basis for the qualified opinion**

**(a) Non-compliance with Sri Lanka Accounting Standards**

The liability for pensions has been brought to accounts based on the actuarial assessment carried out in the year 2007 with respect to the farmers pension scheme. As this pension scheme is not a self-financing scheme, it will be restructured in due course thereby properly assessing the liability.

Discussions are underway at present to obtain a fair contribution from the contributors through the improvement of pension scheme. It is thus expected that, in the future, a new pension scheme will be formulated in a more formal manner.

**(b) Going Concern of the Scheme**

Action had been taken to revise the farmers' pension scheme through the Gazette Extraordinary, No. 153/49, thus introducing a new pension scheme that could be maintained on a self-financing basis. Although the Farmers' Pension Fund showed a zero balance, action had been taken to obtain Treasury provisions for the payment of pensions. A report has already been submitted to the Treasury to establish the Fund in relation to the increased liability for pensions. It is expected to take necessary action once Treasury approval is received.

**1.3 Responsibilities of management and those charged with governance for the Financial Statements**

**1.4 Auditor's responsibility of auditing the financial statements**

**1. Report on other legal and regulatory requirements**

**Reference to laws, rules and regulations**

**(a) Section 4**

Although pensions had been paid in accordance with the Gazette Extraordinary relating to pensions to the eligible persons not younger than 18 years, the contribution payable under this Scheme was higher. As such, the Secretary to the Ministry of Finance was requested for instructions in that connection

following the discussions held on the said matter. Accordingly, entitlement to the Scheme had to be delayed. In the wake of the changes in Government policies that took place in the year 2015, the Board was instructed to introduce a new farmers' pension scheme. Accordingly a new farmers' pension scheme was formulated and forwarded to the Ministry of Agriculture to be referred for the cabinet approval. It was decided that the said scheme should be referred to a panel of experts to seek its advice. Since the introduction of a new farmers' and fishermen's pensionscheme has been proosed as per the manifesto "Vistas of Prosperity and Splendour" of the new Government that came into power in the year 2019, action is expected to enroll new subscribers to the farmers' and fishermen's pension scheme in future in line with the policy of the new government.

**(b) Sections 15 (2) (3)**

In case of contributors defaulting on 05 consecutive installments payable to the farmers' pension scheme, their entitlement to the scheme will be cancelled, and the farmers are apprised in in that connection at the time of their subscription. This is also clearly stated in the notebook given to them to record the installments and the certificate as well. As for the installments already paid by the farmers whose entitlement has been cancelled, action will be taken to reimburse such monies to them together with the interest when they turn 60 years of age.

**(c) Section 20**

It is expected to take action to appoint members for the Advisory Committee of the farmers' pension scheme and assemble the Committee with immediate effect.

**2. Other Audit Observations**

- (a) As more than 20,000 farmers remained in the waiting list for receiving pensions, necessary measures were taken to include them in the register of pensions to ensure prompt payment of pensions. As such, pensions could be paid to 20,503 farmers who were in the waiting list. Action is being taken to include the names in the pensions register at the time of entitling to the pension scheme thereby avoiding any arrears in the future. Action will be taken to pay the said arrears gradually in due course utilizing provision obtained from the Treasury. The pension in arrears have been shown in the financial statements as pensions payable and that will be removed at the time of payment.
- (b) Computerization of subsequent premiums has been commenced in order to identify the active members of the scheme. It is planned to continuously proceed with the computerization process of subsequent premiums in the future. At present, 03 apprentices have been assigned full-time to computerize the subsequent premiums. It is expected to further enhance the capacity of inputting such data. Action has been taken to update the information relating to the contributors who had left the scheme, become disabled, or been deceased.
- (c) A lesser number of farmers had furnished information with respect to the programme to update the contributors' information of the farmers' pension scheme, but action was taken to input the

received information district wise, thus updating the system. As farmers had not furnished information for the survey contrary to the Board's expectation, the relevant targets could not be achieved. It is expected to follow a suitable methodology in due course to update such information.

- (d) The committee of experts appointed to introduce a new pension scheme for farmers and fishermen had decided that it would be suitable to formulate a pension scheme for the said communities under the investment rate of 9 per cent. It was further decided to find out methodologies to compute income for the scheme. It was primarily observed that the cultivation tax fund and the income from the Govisetha lottery could be made use of therefor. A new pension scheme for farmers is mentioned in the policy framework of the new Government – Vistas of Prosperity. As such, action will be taken in due course in line with that policy.
- (e) Action was taken to apprise the Post Master General on the observation made by the Auditor General that the district accounting offices had not complied with the letter, dated 07 July 2015 issued by the Post Master General relating to the returning of the unpaid pensions. Accordingly, it was instructed that : pensions should be paid within 06 working days during the 07th day and 15th day of each month; it is necessary to make sure that summaries of all the farmers' pensions, particulars of pensioners whom pensions had not been paid to and the balance monies should be handed over to the Agricultural and Agrarian Insurance Board prior to the 10th day of the ensuing month, and action should be taken to avoid delays pointed out by the Audit by apprising the district accountants in that connection.

The district accountants in Matara and Colombo have been apprised by now thus taking action to collect the unpaid pensions and registers with immediate effect.

- (f) Those balances continued to exist over a period of 15-25 years. Action had been taken in the year 2003 and all the balances that could be rectified had been corrected whilst the balances that could not be so traced were brought forward. The most probable reason to this is that receipts were issued twice for the same cheque. Having continuously found out in that connection at special meetings held at the audit committees and the Treasury, approval was sought from the Treasury. It is expected that, once the approval is received, such balances would be written off from the accounts.

**Agricultural and Agrarian Insurance Board**

Audit Superintendent  
Auditor General's Department,  
Colombo

**Replying to the Auditor General's report presented in terms of Section 12 of the National Audit Act No. 19 of 2018 on the financial statements of the Fishermen's Pension and Social Security Benefit scheme for the year ended 31 December 2019.**

This has reference to the report of the Auditor General bearing No: AGL/E/Fish/01/19/02 dated 19.05.2020 presented in respect of the Fishermen's Pension and Social Security Benefit Scheme in terms of section 12 of the National Audit Act No. 19 of 2018 and forwarded to me.

The reply report prepared as regards the matters contained in the said report is submitted herewith.

**Chairman**  
Agricultural and Agrarian Insurance Board

**Replying to the Auditor General’s report presented in terms of Section 12 of the National Audit Act No. 19 of 2018 on the financial statements of the Fishermen’s Pension and Social Security Benefit scheme for the year ended 31 December 2019.**

**1. Financial Statements**

**1.1 Qualified Opinion**

**1.2 Basis for Qualified Opinion**

**(a) Non-compliance with Sri Lanka Accounting Standards**

The liability for pensions has been brought to accounts based on the actuarial assessment carried out in the year 2007 with respect to the fishermen’s pension scheme. As this pension scheme is not a self-financing scheme, it will be restructured in due course thereby properly assessing the liability.

Discussions are being held with the Ministry of Fisheries and the Board in relation to obtaining a fair contribution from the contributors to the pension by broadening the Pension Scheme. Accordingly, it is expected that a new Fishermen’s Pension Scheme can be formulated in a systematic manner in the future.

**(d) Accounting Deficiencies**

Necessary action has been taken to rectify the accounting error pointed out by the Audit.

In formulating the proposed new pension scheme, technical and internal controls required to overcome these errors are expected to be implemented.

**(e) Going Concern of the Scheme**

The panel of experts appointed for the introduction of a new pension scheme for the farming and fishing communities, had decided that it is appropriate to formulate a pension for the farmers and fishermen under the investment ratio of 9%. Further, it was decided to explore methods for computing income for these schemes. It was initially observed that cultivation tax fund and income from Govisetha Lottery can be used for this purpose.

Since a new farmers’ pension scheme has been introduced in the ‘Vistas of Prosperity and Splendour’ policy statement of the new government, action will be pursued in harmony with that policy.

**1.3 Responsibilities of management and those charged with governance for the Financial Statements**

**1.4 Auditor’s responsibility of auditing the financial statements**

## **2. Report on other legal and regulatory requirements Reference to laws, rules and regulations**

### **(i) Section 16**

At the time fishermen are enrolled to the scheme, they are informed that the subscription of contributors who fail to pay 10 consecutive premiums will be cancelled.

Further, such cancellation of subscription is conveyed by the Fisheries Department and the fishermen whose subscription is thus cancelled can subscribe again to the Fishermen's Pension Scheme as a new subscriber through the district offices of the Fisheries Department.

The Department of Fisheries, the Competent Authority in relation to the Fishermen's Pension Scheme has been notified to take relevant action to prevent the recurrence of issues pointed out in the audit query.

### **(ii) Section 20**

Measures are expected to be taken to appoint members of the Advisory Committee on Fishermen's Pension and to hold a meeting of the Advisory Committee expeditiously.

## **3. Other audit observations**

- (a) This Scheme is being implemented in partnership with the Department of Fisheries and the performance including the recruitment of members is carried out by the Department of Fisheries. It is expected to restructure this Scheme as a new Scheme with financial feasibility in future jointly with the Department of Fisheries and accordingly, it is expected to implement this Scheme in accordance with a more productive action plan.

At the time of recruiting contributors, they are informed that those who fail to duly pay installments would be removed from the scheme. Moreover, the payment of death gratuity and disability benefits in the event of death or disability has been included in the Scheme.

- (b) Since the Fishermen's Pension Scheme currently in force is a scheme without financial viability, new recruitments are not promoted. However, as farmers who have contributed to the scheme are entitled to pension upon reaching 60 years of age, there has been an increase in the amount paid as pension.

- (c) This situation has arisen due to the temporary suspension of the payment of pensions in arrears when making payments having inquired into the delays in paying pensions in arrears to fishermen of whom there had been lengthy delays in forwarding applications for farmers' pensions. Since inordinate delays were observed in applying for fishermen's pension in the war affected districts, action will be taken for the payment of pensions after getting the reasons for such delays confirmed through the relevant public officers including Grama Niladharis and Divisional Secretaries.