

Annual Report

2013



Agricultural and Agrarian Insurance Board

No. 117, Subhadrarama Road, Gangodawila

Nugegoda

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கமத்தொழில் மற்றும் கமநலக் காப்புறுதிச் சபை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

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தந்தி } ரக்ஷண
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117-Subadrarama road, Gangodawila

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எமது இலக்கம்
My Ref. No.

AAIB/8/E

ඔබේ අංකය
உமது இலக்கம்
Your Ref. No.

திகதி
Date

Secretary,
Ministry of Agriculture,
"Govijana Mandiraya"
80/5, Rajamalwatta Lane
Battaramulla

Secretary,

Annual Report -2013

The Agrarian and Agricultural Insurance Board, established under Agrarian Insurance Law No. 27 of 1973 for the introduction of agricultural insurance as a formal risk management method to the agricultural sector of Sri Lanka with the aim of ensuring the protection of agricultural loans granted by financial institutions to strengthen the flagship "Waga Sangria" cultivation programme implemented by the state from the beginning of decade of 70 to uplift the local agriculture and for making agriculture a reliable profession, completed 40 years of service to the nation in the year 2013. Hence the year 2013 was an important landmark in the history of the Board.

In order to fulfill the responsibility entrusted to the Board to safeguard local agriculture and the agriculturalist, which was the prime objective of establishing this Board, action was taken during the year 2013 to implement a host of insurance schemes throughout the island giving priority to agricultural insurance and the premium income made by the Board through these schemes was Rest 93.32 million.

I am submitting 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 2013.

Yours faithfully,

P. Sydney Kumara Lawrence Gajanayake
Chairman
Agricultural and Agrarian Insurance Board

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தொலைபேசி
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தலைவர்
Chairman
448693 / 448694
449316

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பொது முகாமையாளர்
General Manager
438607
438607

ප්‍රධාන කාර්යාලය
தலைமையகம்
Head Office
448691-2 / 438606 / 430058

Agricultural and Agrarian Insurance Board

Vision

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

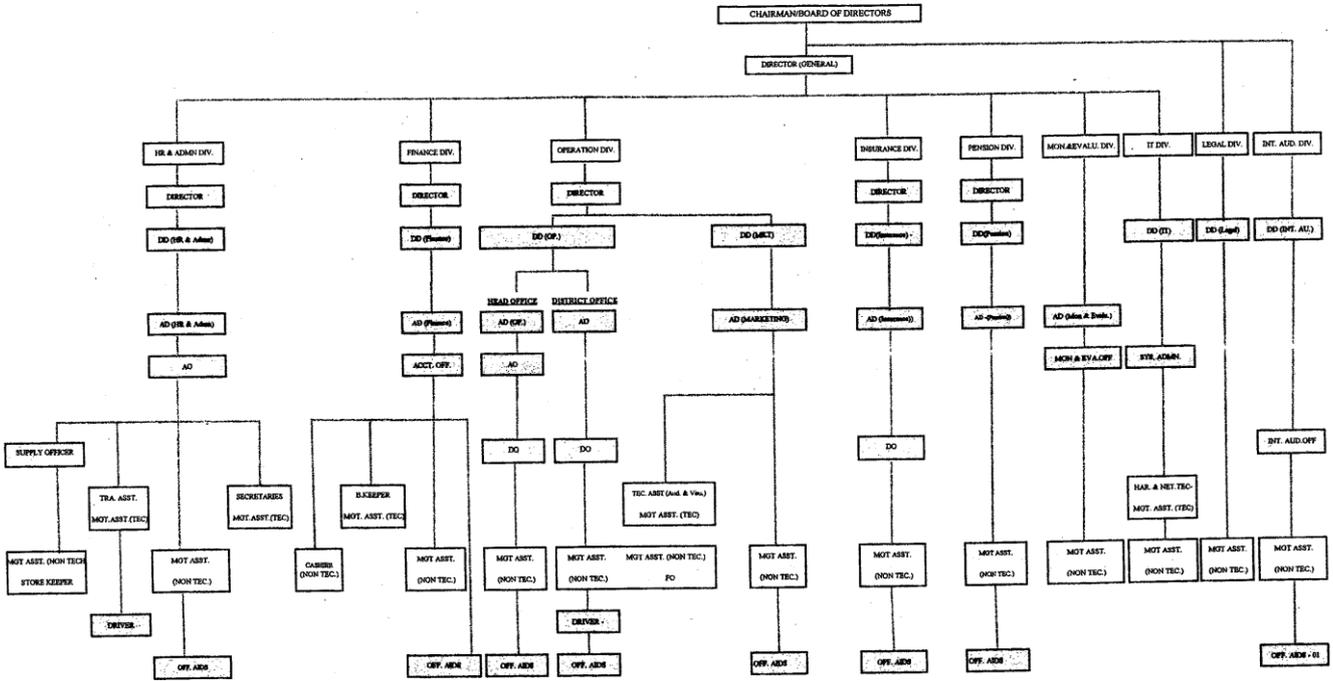
Mission

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 -2013

<p>Mr. P.A. Abeysekara, Deputy Secretary General Treasury</p>	}	Chairman (Up to 26.02.2013)
<p>Mrs. Dhamitha de Soysa Secretary Ministry of Productivity Promotion</p>	}	Chairperson (Up to 09.03.2013)
<p>1. Mrs Damitha Ratnayake Director Treasury Operations Department General Secretary Colombo 01</p>		Member
<p>2. Mr.M.A.S. Weerasinghe Commissioner General of Agrarian Development Department of Agrarian Development Colombo 07</p>		Member
<p>3. Mr. T.H.C.S. Perera Director- Social and Economic Planning Department of Agriculture Peradeniya</p>		Member
<p>4. Dr. B. Sivayoganathan Additional Director General Animal Products and Health Department Peradeniya</p>		Member
<p>5. Mr.A. Lakkathas Senior Assistant Secretary (Admin) Ministry of Fisheries and Aquatic Resources Colombo 10</p>		Member
<p>6. Mr. W.A.C. Tissera Asst General Manager Bank of Ceylon</p>		Member
<p>7. Dr. D.M.N. Dissanayake Additional Secretary (Development) Ministry of Agriculture Baattaramulla</p>		Member

ORGANIZATIONAL STRUCTURE AGRICULTURAL & AGRARIAN INSURANCE BOARD



Forward

The Agrarian and Agricultural Insurance Board, established under Agrarian Insurance Law No. 27 of 1973 for the introduction of agricultural insurance as a formal risk management method to the agricultural sector of Sri Lanka with the aim of ensuring the protection of agricultural loans granted by financial institutions to strengthen the flagship “Waga Sangria” cultivation programme implemented by the state from the beginning of decade of 70 to uplift the local agriculture and for making agriculture a reliable profession, completed 40 years of service to the nation in the year 2013. Hence the year 2013 was an important landmark in the history of the Board.

In order to fulfill the responsibility entrusted to the Board to safeguard local agriculture and the agriculturalist, which was the prime objective of establishing this Board, action was taken during the year 2013 to implement a host of insurance schemes throughout the island giving priority to agricultural insurance and the premium income made by the Board through these schemes was Rest 93.32 million.

Premium income from 2007 to 2013

Insurance scheme	2007 (Rest Mn)	2008 (Rs Mn)	2009 (Rs Mn)	2010 (Rs Mn)	2011 (Rs Mn)	2012 (Rs Mn)	2013 (Rs Mn)
Crop insurance	12.08	47.41	55.35	79.69	119.07	99.9	82.16
Livestock insurance	8.76	14.24	14.52	12.77	18.24	15.8	8.89
Stores agro-equipment insurance	-	0.96	1.54	3.4	5.93	6.5	1.53
Suwasetha and emergency insurance	7.41	7.88	9.01	9.62	14.23	2.5	0.74
Total	28.25	70.49	80.42	105.48	157.47	124.7	93.32

Restrictions imposed by financial institutions on agricultural loans in the wake of the failure of farmers to repay agricultural loans obtained from those institutions following widespread damages to their crops caused alternately by floods and droughts in many areas of the country over the past few years and in particular due to the non-cultivation of many farming lands as a result of not receiving sufficient water due to the prolonged drought that affected all major agricultural districts of the island at the beginning of the Yala season of 2013 served as major obstacles in reaching the expected targets from insurance activities in the year 2013. This also has had an adverse impact on overall growth in income generation in the year 2013.

Floods caused extensive damages to insured crops during the 2012/13 Maha season and 2013 Yala season and the Board had to pay compensation amounting to Rs 143.2 million for 18,783 acres affected by floods. Though the Board discharged its statutory duties and responsibilities to the fullest in providing stabilizing effect on the economy of farmers, it further drained the Insurance Fund of the Board.

Taking into consideration the competitive market situation created by external insurance institutions, measures were also taken by the Board in the year 2013 to reduce the premium rates of the livestock insurance and operative surplus. Accordingly, the Board was able to stabilize its market share through livestock special promotional programme implemented

island-wide from 01/08/2013 and it is expected that this will result in an increase in the livestock insurance premium income in the future. The total amount paid as compensation under the livestock insurance scheme in the year 2013 was Rs. 682,1637/-.

In addition, measures were also taken in the year 2013 to expand the maize, export crops, stores, tractors and agro-equipment and other insurance schemes in the relevant districts. As a result of the Board being forced to suspend the payment of farmers' pension since 2012 upon the fund reaching zero, people as well as the officials of external organizations lost their faith in the Board and insurance schemes such as 'Suwasetha' and many general insurance schemes implemented with their direct intervention too experienced setback in the year 2013. However, through the budget proposals for 2014 presented to Parliament by his Excellency the President in November 2013, a sum of Rs 1,000 million was allocated for the resumption of the payment of farmers' pension and as a result the Board is now in a position to redeem its lost reputation.

The support extended and guidance provided by the Ministry of Finance and Planning in setting the stage for the Board to revive its fortunes should really be appreciated.

No new officials were recruited to the Board in 2013. Though the approved cadre for the Board is 421 according to the organizational structure, the total number of employees at present is 295. Hence the number of vacancies is 126.

Thus the significant achievements of the Agricultural and Agrarian Insurance Board in its performance for the year 2013 while fulfilling the responsibility entrusted to it to safeguard local agriculture and the agriculturalist are present in this report.

Operations Division

Operations Division

In order to fulfill the responsibility entrusted to the Agrarian and Agricultural Insurance Board as the flagship public sector institution in agricultural insurance with the aim of ensuring the protection of agricultural loans granted by public and private sector financial institutions concurrent to special agricultural projects implemented by the government to uplift local agriculture and for making agriculture a reliable profession, the Operations Division initiated action in the year 2013 to operate the insurance schemes of the Board island-wide.

In expanding these insurance schemes, various areas of the island were categorized based on the agricultural distribution as main agricultural zones and semi-agricultural zones for the operation of insurance activities. In the year 2013, a higher premium income could be generated by giving insurance cover to export oriented cultivations such as paddy, maize, supplementary crops in main agricultural zones and agricultural equipment including tractors. In semi-agricultural areas, the emphasis was laid on the livestock insurance scheme, accident insurance, 'Suwasetha' insurance scheme and general insurance.

The Operations Division also took measures to review monthly progress in achieving annual financial targets through the expansion of insurance schemes in each district as per the annual action plan submitted by the district offices at the beginning of the year and to brief and guide the field staff including Deputy/ Assistant District Directors with a view to increasing the income accordingly.

Deploying officers required for programmes organized directly by the district offices and head office, providing additional fuel, subsistence allowances and transport allowances for the district offices, providing propaganda material and stationary, coordination of publicity and mobile service programmes and making available necessary banners, cutouts, brochures etc for such programmes and enlisting the support of external institutions connected with each insurance scheme by coordinating with them are the major functions performed by this division.

In particular, steps were taken to update the Memorandum of Understanding with state banks and accordingly the greater percentage of the income in the year 2013 was earned through crop cultivation schemes implemented under agricultural loans.

However, due to the impact of the host of diverse factors the insurance premia income recorded a decline in the year 2013 as against the year 2012. The drop in premia income consequent to the restrictions imposed by financial institutions on agricultural loans in the wake of the failure of farmers to repay agricultural loans obtained from those institutions following widespread damages to their crops caused by floods and droughts over the past few years and the non-cultivation of many farming lands as a result of not receiving sufficient water at the beginning of cultivation seasons, had a negative impact on the annual income growth. Similarly, the income expected to be earned from semi agricultural zones through 'Suwasetha' and accident insurance schemes which are operated directly with the

participation of the farmer community and the support of the officials of the external organizations too had recorded a steep decline during this year.

Due to the suspension of payment of pensions under the farmers' pension scheme from the year 2011 which resulted in farmers and officials of external organizations losing the faith reposed on the Board was a major contributory factor for this situation. In addition, the general shortage of field staff in all districts and which is quite acute in the North and East too weighed against the expansion of insurance schemes.

The Operations Division made arrangements within a short span of time for computation of indemnity payable in respect of crops damaged by extensive flooding during the Maha season of 2012/13 in the main agricultural zones by deploying officers from other districts in addition to the field staff attached the affected districts.

On account of the crop damages resulting from unfavourable climatic and weather conditions prevailed consistently over the past few years, the Board was compelled to pay a huge amount of compensation and in the 2012/13 Maha season alone, the amount paid as indemnity amounted to Rs. 139 million. Consequently, the Board is faced with the risk of the exhaustion of the insurance fund forcing it to be more circumspect in issuing crop insurance covers. Accordingly, the Board was able to restrict the amount paid as indemnity in the Yala season of 2013 to Rs. 4.2 million.

Marketing and Propaganda Activities

1. In line with the memorandum of understanding reached with the state banks, a special discussion was held with the Additional General Manager -Production and Development banking activities of Bank of Ceylon and the Deputy General Manager –Cooperative and Development banking activities of People's Bank with a view to further expanding crop insurance activities under agricultural loans and all regional managers were briefed through them to have all insurance activities under agricultural loans operated through this Board.
2. Discussions were held with the director of 'Gemi Diriya' project implemented under the Ministry of Economic Development and the General Manager of the Coconut Cultivation Board to secure the support of officials of the relevant institutions to insure cattle given under the livestock development projects implemented under the two institutions.
3. At a programme held on 12/02/2013 to raise awareness among farmer representatives of the Sewagama agrarian service area in the Polonnaruwa district, steps were taken to educate farmer representatives on crop insurance and insurance schemes of the Board through the Assistant Director, Polonnaruwa and to extend financial assistance for lunch on that day.

4. Financial sponsorship was extended for the printing of 05 digital banners for the use of awareness programmes on tractor insurance programme implemented throughout the Kegalle district jointly with Brown's Company under the 'Divi Negumai- Govi Saviyayi' programme.
5. An awareness programme was conducted and a friendly cricket match was played at Mahiyangana on 18/05/2013 with a view to securing the assistance of officials of People's Bank to further expand insurance activities operated under cultivation loans.
6. Held a discussion with the Director General of the Animal Products and Health Department regarding the livestock insurance promotional programme implemented island-wide from 01/08/2013 and enlisting the support of all veterinarians for the programme.
7. Providing handbills printed in Sinhala and Tamil languages in respect of the above programme to all district offices.
8. Sponsoring the annual meetings of animal development instructors in the districts of Kandy and Kurunegala held respectively on 02/11/2013 and 09/11/2013 in the two districts and creating awareness among these officials about the livestock insurance promotional programme and seeking their support for the success of this programme.
9. Participation of the General Manager and other officials in the all night pirith chanting organized by the Polonnaruwa district office to and held at the office premises on 18/07/2013 to invoke blessings on the government, the staff of the Board, the entire farmer community and all Sri Lankans to coincide with the 40th anniversary of the Board.
10. A special discussion with a view to regularizing export crop insurance was organized and held under the patronage of Minister of Minor Export Crop Promotion Hon. Reginald Cooray and with the participation of the Director General and the staff of the Export Agriculture Department and the Director General and the staff of the Agricultural and Agrarian Insurance Board on 13/08//2013 at the Ministry.
11. 2500 brochures on the Export Crop Insurance Scheme were printed and distributed among district offices to be used at promotional programmes.
12. At the exhibition organized by the Animal Products and Health Department of the Southern Provincial Council and held on 03,04, 05 December 2013 at Kekunadura

Animal Husbandry Training Centre, measures were taken to run a stall through the Deputy Director of the Matara District.

13. Running a stall off the Board at the “Jana Sethata Jana Havula” community mobile service programmes held on 07,08,14 September 2013 in the Polonnaruwa District and on 28,29 September 2013 in the Badulla district under the guidance of the Ministry of Public Relations and Public Affairs and providing the necessary leaflets, banners and cutouts for the stall.
14. A special seminar titled “Ekwa Rekemu- Sema Surakemu” was held at the auditorium of the Ministry of Agriculture on 17/08/2013 with the participation of the entire staff of the head office and the district offices with a view to enhancing the motivational levels of employees to achieve greater success through attitudinal change of employees.
15. A series of lectures to create awareness among the entire staff of the head office were conducted by heads of divisions from 02 to 06 September 2013 on the roles assigned to each division of the head office and support required to be extended by other divisions in executing duties of each division.
16. A seminar to create awareness among drivers and KKSs on the contribution they could make in the implementation of the future plans of the Board was held on 05/10//2013 with the participation of all drivers and KKSs of the head office and district offices.
17. At the meeting of the executive officers held on 11/10/2013, special lecture titled “Development leadership qualities and enhancing productivity” was delivered by the Directress of the Sri Lanka Productivity Secretariat with the aim of improving work efficacy of officers.
18. Publicity campaigns were conducted at the district level with the participation of political authority and bank officials in order to raise awareness regarding the benefits in respect of the insurance schemes of the Board and measures were taken to give them publicity through the print and electronic media.

Insurance Division

Insurance Division

Indemnity payment activities

Sweeping floods caused severe damage to insured cultivations during the 2012/13 Maha season. The number of applications received for compensation was 6698 and the acreage affected was 18149. Compensation for the damaged cultivations was computed and necessary funds were released. The total amount of compensation paid was Rs. 139 million.

In the Yala season too, insured cultivations were extensively damaged by floods and the number of acres affected was 634. The compensation paid was Rs. 4.2 million.

In both seasons, measures were taken to release compensation within a short period of two weeks.

Payment of livestock indemnity

In the year 2013, amount of compensation paid for 251 animals was Rs. 6,821,637.

Underwriting activities

1. Measures were taken to extend and operate insurance covers for new varieties of rice and potatoes introduced to the Jaffna district.
2. A special sales promotion campaign was conducted with effect from 01/08/2013 under the livestock insurance scheme. Taking into account the competitive market situation, premia rates and operational surplus were amended and the promotion programme was conducted for a period of 6 months. This enabled the Board to recapture some of the lost market share. In order to further stabilize the market, this programme was conducted for a further period of 6 months.
3. The district offices were instructed to implement a subscription programme for general insurance activities, Suwasetha scheme and accident insurance scheme at compensation paying programmes.
4. Steps were taken to make a direct contribution to the staff awareness programmes conducted in the year 2013 and encouraged the participation of the staff in such programmes.
5. In December 2013, as per the instructions of the senior management, all staff members of the Division were deployed for special duties related to payment of farmers' pension thus rendering the contribution of the Division to prepare the necessary groundwork for the efficacious execution of the tasks associated with this subject.

Farmers' Pension Division

Farmers' Pension and Social Security Benefit Scheme

And

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

Farmer's Pension and Social Security Benefit Scheme

By the year 2013, the total number of farmers who have subscribed to the farmers' pension and social benefit scheme launched under the Farmers Pension and Social Security Benefit Scheme Act No. 12 of 1987 was 959,254.

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 contributors. Up to the year 2012, the amount credited to the fund of the scheme as subscriptions was Rs. 3228 million and the amount paid as pension was Rs. 8314 million. When the payment of pension was suspended in the year 2012, the total number of beneficiaries who were receiving pension from the scheme was 90,573. (Note1)

A restructuring to 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 increased benefits corresponding to the new scheme.

Accordingly, steps were taken to pay pension entitlements from January 2014 up to now to 128,6599 contributors who have become entitled to pension upon reaching the age of 60 as at 31 December 2013.

Payment of Death and Disablement Benefits

Though the payment of pension was suspended from January 2012 due to the financial crisis with regard to the payment of farmers' pension, the Board took necessary measures to ensure continuity of death and disablement benefits and paid Rs. 9,140,504/- as death gratuity and Rs. 124,750/- as disablement benefits in the year 2013 to those contributors who having contributed to the scheme, died or became disabled subsequently. (Note 2)

Fishermen's Pension Scheme

By the end of 2013, the total number of fishermen registered with the Scheme was 68,560 and a sum of Rs. 30,068,226/= was paid as pension to 2544 pension beneficiaries. These payments were made through 390 post offices. (Note 3)

Payment of Death and Disabled Benefits

A sum of Rs. 730,714/= was paid as death gratuity to 50 contributors of the Fishermen's Pension Scheme who died during the year and a sum of Rs. 40,000/= was paid as disability benefits to one contributor. (Note 4)

Farmers' Pension and Social Security Benefit Scheme

Payment of Disabled Benefits from January to December 31, 2013

	District	No of deaths	Amount paid	No of disabled	Amount Paid –	Total of persons	Total
		Number	Rs		Rs.		(Rs)
1	Colombo	06	156,687.00			06	156,687.00
2	Gampaha	25	346,166.00			25	346,166.00
3	Kalutara	18	358,878.00			18	358,878.00
4	Kandy	28	474,294.00			28	474,294.00
5	Matale	12	272,848.00			12	272,848.00
6	Nuwraeliya	11	219,776.00			11	219,776.00
7	Galle	28	588,416.00			28	588,416.00
8	Matara	19	372,874.00			19	372,874.00
9	Hambantota	24	356,193.00	1	42,218.00	25	398,411.00
10	Jaffna	18	401,151.00	-	-	18	401,151.00
11	Mannar	00	-	-	-	-	-
12	Vavuniya	10	192,821.00	-	-	10	192,821.00
13	Mulativu	00	-	-	-	-	-
14	Batticaloa	12	243,034.00	-	-	12	243,034.00
15	Ampara	00	-	-	-	-	-
16	Trincomalee	00	-	-	-	-	-
17	Puttalam	14	277,756.00	-	28,642.00	15	306,398.00
18	Kurunegala	45	929,447.00	-	-	45	929,447.00
19	Maho	00	-	-	-	-	-
20	Anuradhapura	56	1,158,235.00	-	-	56	1,158,235.00
21	Polonnaruwa	17	314,443.00	-	29,495.00	18	161,441.00
22	Monaragala	25	548,503.00	-	-	25	548,503.00
23	Badulla	17	409,022.00	1	30,000.00	17	409,022.00
24	Ratnapura	19	394,131.00	-	-	19	394,131.00
25	Keglle	28	559,725.00	-	-	28	559,725.00
26	Mahaweli H	08	169,751.00	1	24,215.00	9	193,966.00
27	Mahaweli B	13	335,157.00	-	-	13	335,157.00
28	Mahaweli C	00	-	-	-	-	-
29	Mahaweli G	00	-	-	-	-	-
30	Udawalawa	03	61,196.00	-	-	3	61,196.00
		456	9,140,504.00	4	124,570.00	460	9,265,074.00

Progress report on the payment of pension as at 31/12/2013

	District	Total No of Pensioners as at 30.10.2011	Amount paid to all pensioners	Amount paid from 1992 up to now	No of Post Offices
1	Colombo	3606	3,671,498.00	257,057,499.00	167
2	Gampaha	6985	7,150,325.00	508,813,182.00	267
3	Kalutara	5882	5,977,524.00	435,104,209.00	165
4	Kandy	8850	9,042,635.00	702,995,185.00	382
5	Matale	2392	2,465,610.00	180,284,097.00	112
6	Nuwaraeliya	2498	2,567,154.00	183,363,987.00	127
7	Galle	8760	8,966,913.00	744,928,857.00	261
8	Matara	5837	5,954,299.00	433,463,775.00	240
9	Hambantota	4438	4,558,663.00	311,045,693.00	136
10	Jaffna/ Kilinochchi	1544	1,622,609.00	136,906,922.00	147
11	Mannar	32	33,019.00	1,518,697.00	9
12	Vavuniya	235	246,579.00	23,469,774.00	42
13	Mulaitivu	59	61,942.00	7,448,883.00	14
14	Batticaloa	588	613,130.00	51,680,431.00	69
15	Ampara	2426	2,513,944.00	194,418,169.00	111
16	Trincomalee	531	547,043.00	42,610,286.00	45
17	Kurunegala-Maho	10094	10,357,950.00	716,418,299.00	364
18	Puttalam	3075	3,176,364.00	226,819,681.00	135
19	Anuradhapura/Mahaweli-H	3941	4,078,390.00	293,140,935.00	213
20	Polonnaruwa- B G	3031	3,127,218.00	231,769,380.00	203
21	Badulla/Mahaweli C	3650	3,743,157.00	278,656,007.00	216
22	Monaragala	2746	2,861,553.00	216,690,559.00	94
23	Ratnapura/Udawalawa	4162	4,269,904.00	317394528.00	211
24	Kegalle	5211	5,306,231.00	372349356.00	235
	Total	90573	92,913,654.00	6868348391.00	3965

(No pension has been paid from January 2012 to 31December 2013)

**Fishermen's Pension and Social Security Benefit Scheme
Enrollment as at 31.12.2013**

District Fisheries Extension Division	No of contributors as per age						Total No. of contributors-2013
	18-29	30-35	36-45	46-50	51-54	55-59	
Kalutara	1213	721	772	197	105	59	3067
Galle	1082	676	840	221	118	95	3032
Mahawewa	3251	1701	2036	612	254	240	8096
Matara	1747	973	1226	345	197	164	4652
Colombo	576	359	478	140	63	38	1654
Tangalle	2508	1386	1625	409	198	166	6292
Puttalam	2166	1156	1222	255	107	61	4967
Negambo	2538	1598	2159	733	416	376	7820
Batticaloa	2245	1340	1630	555	265	264	6349
Trincomalee	654	516	550	129	81	78	2008
Mannar	2035	1211	1307	409	205	227	5394
Kalmunai	1565	1109	1515	479	242	206	5116
Mullaitivu	88	79	141	50	27	44	429
Kilinochchi	519	340	540	250	185	183	2017
Jaffna	2105	1056	1398	648	381	586	6174
Inland Fisheries							67067
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
Kegalla	1	1	2				4
Badulla	59	33	33	3		3	131
Vavuniya	59	33	41	15	4		152
Batticaloa-Inland	84	52	67	27	20	25	275
Total							1493
Sum Total	24873	14613	17831	5525	2886	2832	68560

No of fishermen's pension recipients as at 31/12/2013*- 2544

**Fishermen's pension and social security benefit scheme
Payment of death/ disability gratuity during the year 2013**

District fisheries expansion division	Payment of death gratuity		Payment for disability		
	No of contributors	Amount	Total	Partial	Amount
Klutara	1	10,000.00			
Galle					
Mahawewa	3	29,000.00			
Matara					
Colombo	2	16,000.00			
Kegalle			1		40,000.00
Puttalam					
Negambo	7	93,000.00			
Batticaloa	5	73,000.00			
Trincomalee	1	15,000.00			
Mannar	2	18,000.00			
Kalmunai	2	16,000.00			
Mulativu	1	8,000.00			
Kilinochchi	19	289,000.00			
Jaffna	6	143,714.00			
Fresh water reservoirs					
Nuwaraeliya					
Polonnaruwa					
Ratnapura					
Monaragala					
Kurunegala					
Anuradhapura					
Matale					
Kandy					
Kegalle					
Badulla					
Vavuniya					
Batticaloa (fresh water)	1				
Total	50	730,714.00	1		40,000.00

Administration and Human Resources Division

Administration and Human Resources Division

Staff

The staff of the Agricultural and Agrarian Board was as follows as at 31.12.2013

Composition of the Staff

Service Category	Designation	Approved Cadre	Existing Cadre	Vacancies
Senior Management				
HM	Director General	1	1	-
HM	Director	5	1	4
Management				
MM	Deputy Director / Assistant Director	45	33	12
Junior Management				
JM	Administrative Officer	2	-	2
	Systems Administrator	1	-	1
	Financial Officer	1	-	1
	Planning Officer	1	-	1
Associated Officer				
ASS.O	Development Officer	55	33	22
	Supplies Officer	1	1	-
	Internal Audit Officer	1	-	1
Management Officer (Technical)				
MA - Tech	Transport Assistant	1	1	-
	Secretary	1	-	1
	Book Keeper	4	1	3
	Software /Hardware Technician	1	-	1
	Technician (Audio/Visual)	1	-	1
Management Assistant (Non-technical)				
MA-Non Tech	Management Assistant	220	171	49
Primary (Technical)				
PL - Skilled	Driver	38	21	17
Primary (Non Technical)				
PL - Non Skilled	Office Assistant	42	32	10
		421	295	126

Employee Training and Academic Activities

Deputy Director (Internal audit) Mr. I.J.A.Jayawardane and Director (Finance) Mr. I.U.K. Kaluarachchi participated in the one-day workshop on the “Preparation of financial statements as per new accounting standards” during the year 2013 conducted by PRAG institute on 02.10.2013. In addition, Management Assistant Mrs. W.A.Yasawathi, Management Assistant Mrs. Chandrika Kularatne and Management Assistant W.Chandani Senarath participated in the course on “ Salary management and salary conversion” conducted by the same institute on 10.10.2013. Supplies Officer of the Board, Mr. W.A. Ranjth and Stores Keeper Mr. U.D. Pathmasiri participated in the one-day training programme organized by ICTAD on “ Proper organization and systematic purchasing”.

In addition, an awareness programmes for officers on the new trends of the Board organized by the Operations Division of the Board was held at the auditorium of the Ministry of Agriculture on 17.08.2013 and a parallel programme for the junior staff was conducted on 05.10.2013 at the head office.

Employee Welfare

The programme of supplying morning and evening tea and the medical insurance scheme for the staff of the Board continued this year too as was done during the previous year. In addition the cricket club of the Board organized and played a friendly match with the cricket team of the Employee Welfare Society of the Peradeniya Botanical Gardens.

Procurement and Transport

In 2013 too, the Board continued to purchase, as was done during the past several years, office equipment, capital goods, and stationary to meet the requirements of the Head Office and the District offices. Routine repairs and services of the vehicles of the vehicle pool of the Board were carried out and no new vehicles were purchased during the year.

Office Buildings

The Head Office of the Board was maintained at No. 117, Subhadrarama Road, Gangodawila, Nugegoda as in the year 2012. The Board maintains 25 Regional Offices of which six are housed in buildings owned by the Board. Other offices are housed in rented buildings which belong either to the government or private parties.

Employee Disciplinary Activities

The following is the status with regard to the cases filed by the Board and against the Board in the year 2013.

Case No. B/520/03 filed against K.A. Sudath Bandara, Clerk and Case No,B/2171/2 filed against K.A.Heenbandara, Field Officer, filed in the Magistrate's Court, Anuradhapura are pending.

Case No B/3012 filed in the Magistrate's Court, Kandy, in respect of the fraud of farmers' pension premia at the District Office is pending.

The petition of appeal in case No 23/KU/6833/98 filed by Mr. M.I.M.Illiyas, who had been dismissed from service, was ruled in favour of the complainant at the Civil Appellate High Court, Kurunegala. The Board filed an appeal in the Supreme Court challenging this ruling. The plaintiff too had filed a petition of appeal in the Appeals Court. The final hearing of the case has been fixed for 30 July, 2014.

The petition of appeal No. WP/HCCA/CO/312/2003 (f) filed by Bank of Ceylon against the joint order in Case No. 21843, 21844 and 21845 filed by the Board against Bank of Ceylon is pending in the Civil Appellate Court.

Case NO. 6E/7030/1/1 filed by Miss Maheshi Dilini Buddika in the Embilipitiya Labour Tribunal challenging the termination of her training by the Board is pending.

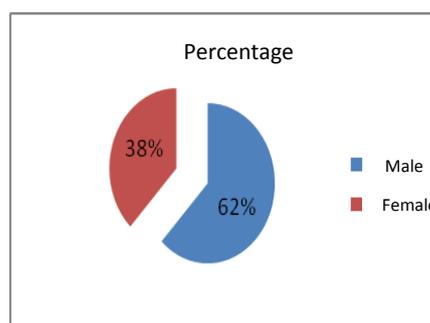
Case No. 05/20356/2013 filed by Mr. Terence Warsuavithana against the Board is pending before the Labour Tribunal, Badulla.

Case No 33/1124/2013 filed by Assistant Director K.S.H. Sanjeewa in the Labour Tribunal, Maharagama is pending.

Analysis of Staff as at 31.12.2013

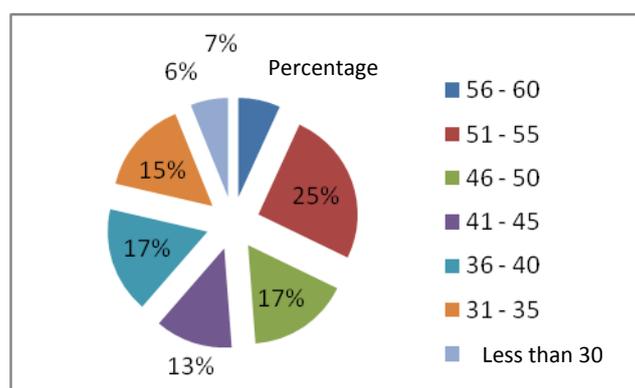
Staff- Gender Analysis

Male - 183
 Female - 112
 Total - 295



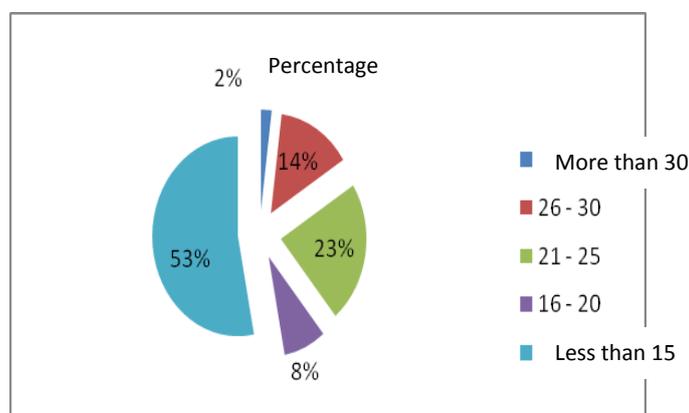
Age Analysis

Age Group	No of Employees	Percentage
56 - 60	22	7%
51 - 55	75	25%
46 - 50	48	17%
41 - 45	37	13%
36 - 40	51	17%
31 - 35	45	15%
Less than 30	17	6%
Total	295	100%



Analysis as per period of service

Years	No of employees	Percentage
Over 30	10	2%
26 – 30	71	14%
21 – 25	40	23%
16 – 20	25	8%
Below 15	149	53%
Total	295	100%



Retirement and vacation of posts in 2013

Male - 06
 Female - 05
 Total - 11

Recruitment and Promotions in 2012

External recruitment - None
 Internal recruitment -02
 Promotions -10

Internal Audit Division

Internal Audit Division

Performance Report

For the year 2013, internal audit activities were carried out in accordance with the internal audit plan prepared in respect of each division and district office and insurance schemes of the Board currently in operation.

Accordingly, 60 audits were conducted at the Head Office and District Office level in respect of schemes currently in operation by securing the assistance of trainees despite the geographical location of district offices (26) and limited human resources available. (Deputy Director, internal auditor, audit clerk, clerk)

Further, internal audits were conducted on existing schemes covering activities of all divisions and district offices of the Board under the following areas evaluating their quantity and operation.

Sending employees on retirement, absorption of employees as per the new recruitment procedure, attendance at district offices, maintenance of leave and inventory registers, releasing loans, recovering defaulted distress loan balances, payment of salary increments and placing in the relevant salary step, attendance and leave, submission of attendance/leave reports and investigations on settlement of advances were conducted for the Administrative Division.

In addition, audits were conducted in respect of the payment of overtime allowance, running charts, vehicle maintenance, purchasing fixed assets, stores activities and legal activities.

In respect of the Finance Division, audits on the Loans and Advance account under the inspection of cash books and bank reconciliation statements, Suwasetha insurance account, livestock insurance account, capital account, death and disabled compensation payment, farmers pension administration account, paddy cultivation insurance account, fishermen's pension payment account, pension and disability payment accounts, medical assistance account and supplementary crop insurance account were carried out.

Agricultural insurance administrative account, fishermen's pension administration account, fishermen's pension death and disability indemnity payment account, capital account, medical assistance scheme, Suwasetha insurance scheme, paddy cultivation insurance compensation account and supplementary crop compensation account were inspected under the examination of cash books and payment vouchers.

In addition the receipt of recurrent expenditure provisions, remitting of paddy cultivation insurance premia, issuing receipt books, and the remittance of the received livestock

insurance premia and the receipt of premia for supplementary crops were inspected. Further, audit on investment, audit on fixed assets and audits on receipt and banking of cheques, recovery of premia in arrears through agencies, gratuity payment, recovery of loan balances in arrears, loan repayments and settlement of advances were conducted. Under the district administrative account, audits were carried out at Manampitiya, Badulla and Badulla under the district office collection account.

Audits on levying and remitting livestock Insurance proposals and premia, charging and remitting insurance premia by lending agencies charging Suwasetha premia inspection of the issuance of receipt books were carried out covering the activities of the Insurance Division. In addition, audits on the payment of livestock insurance benefits (Nuwaraeliya, Kandy, Kegalle), payment of Suwasetha insurance benefits, paddy cultivation insurance compensation (Badulla, Batticaloa) and payment of compensation for gingely cultivation (Anuradhapura) were conducted.

Covering activities of operations division, submission of future programmes and execution of field activities, achieving targets, overall progress (in relation to action plan) were inspected.

Recouping unclaimed pensions of the fishermen's insurance scheme, payment of death and disabled benefits, recovering arrears of the farmers pension scheme (through agencies), inspection of individual accounts, payments of death gratuity and administrative expenses were audited in relation to the Pension Division.

Under the inspection of district offices, activities of the Badulla district offices were examined.

Finance Division

Finance Division – Accounts
Financial Summary

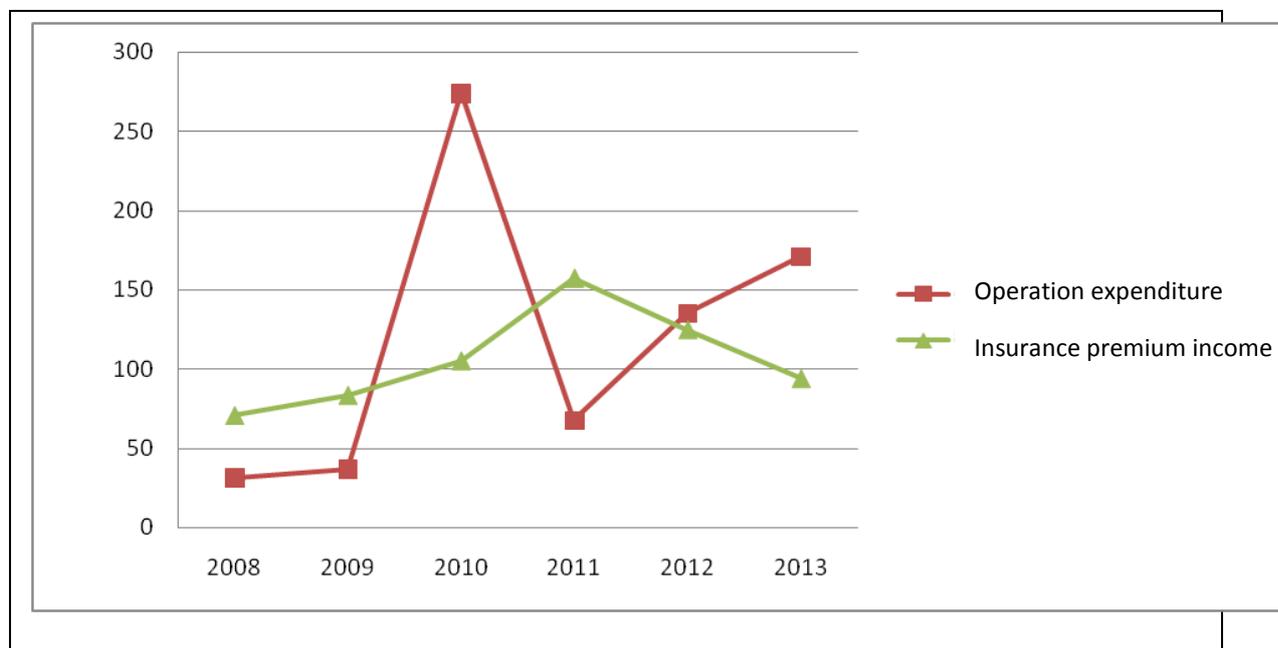
In comparison to the year 2012, a decrease has been registered in the income from the Agricultural Insurance Scheme in the year 2013. The premia income which stood at Rs 157.4 million in the year 2011 dropped to Rs 124.7 million in 2012. This year it slumped further to Rs 93.8 million. Further, as compensation amounting to Rs. 166.4 million had to be paid during the year, the scheme posted a net loss in the current year.

The Farmers' Pension Scheme and Social Security Benefit Scheme implemented by the Board too ran into crisis during the current year and due to the inability to secure funds, the payment of pension for the year 2013 had to be delayed.

However, through the budget proposals of 2014, it was proposed to formulate a new pension scheme increasing the minimum pension of farmers who have completed 63 years up to Rs. 1,250 and to grant a treasury bond of Rs.1000 million in addition to the income of the 'Govisetha' lottery to secure the funds required for this purpose.

Profitability

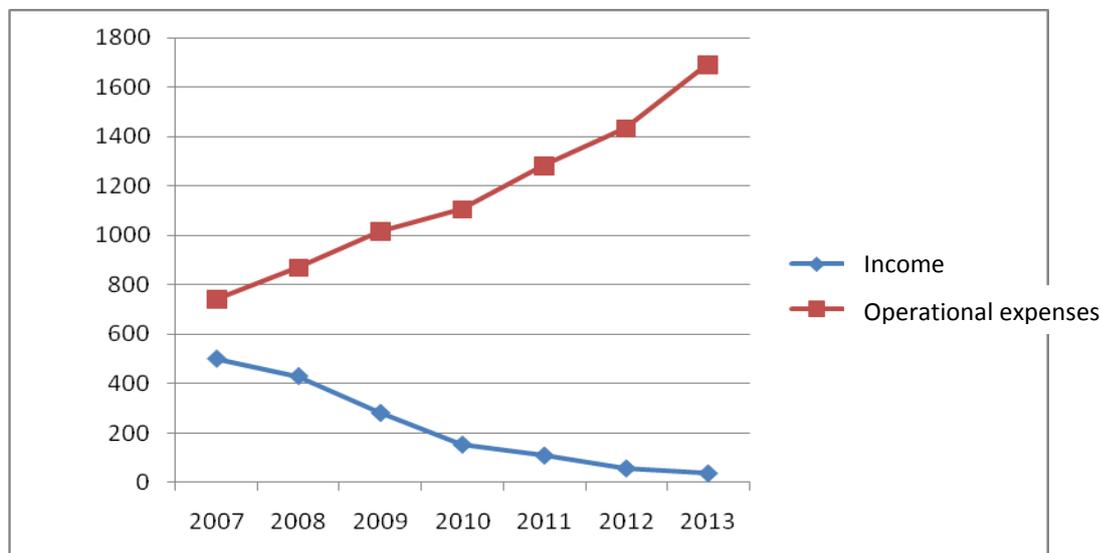
- Agricultural Insurance Scheme



	2008	2009	2010	2011	2012	2013
Operational Expenses (Rs Mn)	31.1	36.7	274.3	67.4	135.2	170.9
Insurance premia income (Rs Mn)	70.5	83.3	105.1	157.4	124.7	93.8

Owing to the payment of greater attention to the insurance activities in keeping with the restructuring programme implemented in the Agricultural and Agrarian Insurance Board since 2008, the income of Rs. 27.5 million from agricultural insurance in 2007, increased up to Rs. 70.5 million in 2008. Though the agricultural insurance scheme posted a record Rs 157 million in the year 2011 due to the continuation of this programme, the income of the Board dropped marginally to Rs 124.7 million in the year 2012 as a result the financial crisis faced by the institution and the downward trend continued in the year 2013 as well primarily due to unfavourable weather conditions and dropped further to Rs. 93.8 million.

Farmers Pensions and Social Security Benefits Scheme

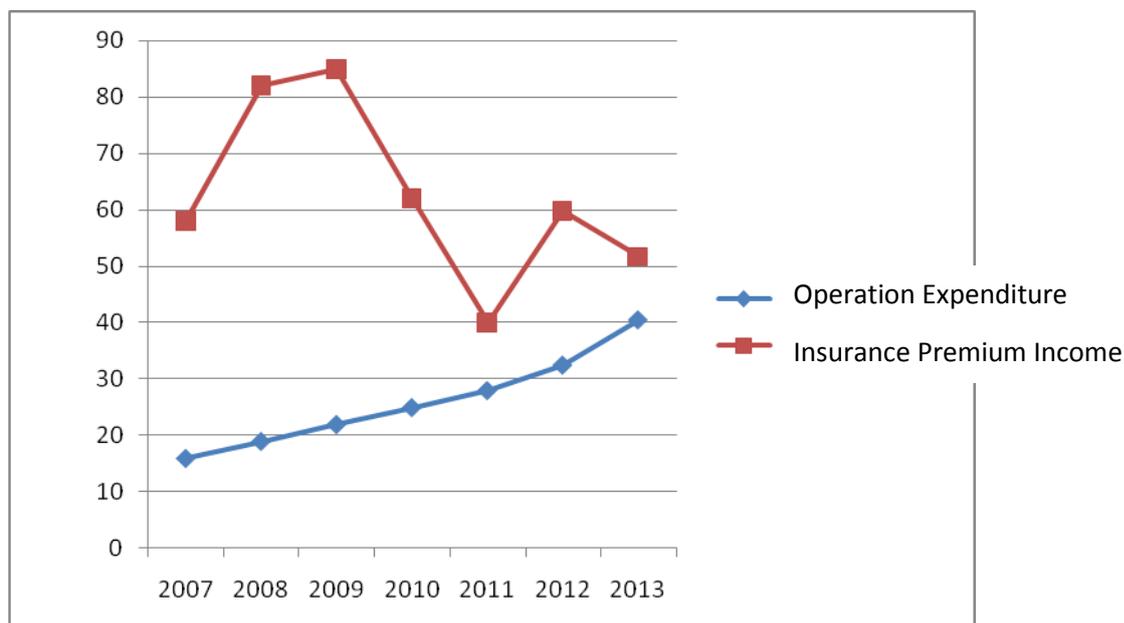


	2007	2008	2009	2010	2011	2012	2013
Income	501	431	282	154	110	58.1	38
Operational Expenditure	740	868	1016	1106	1282	1433	1693

Farmers Pensions and Social Security Benefits Scheme

From 2004 onwards, an income sufficient for covering the operations cost of the scheme has not been recorded. The major reasons for this situation are the raising of the minimum pension from Rs. 200/= to Rs. 1000/= without a corresponding rise in the income from premia and addition of around 15,000 new pensioners annually on reaching 60 years of age. However, the enlistment of contributors to the Farmers' Pension Scheme was not encouraged during the current year. As the promotion of a scheme without a proper financial feasibility study is likely to further aggravate the future problems, no publicity was given to the enlistment of members for this scheme. In August 2010, the Farmers' Pension Scheme Fund reached the zero level, however the Board continued to pay the Farmers' Pension utilizing the other funds available with the Board up to October this year. It has been estimated that the existing liability for farmers who have contributed to the Farmers' Pension Scheme amounts to Rs. 49.8 billion. In view of the difficulties experienced by the Board in securing funds, farmers' pension could not be paid in any month of the year 2013.

Fishermen's Pensions and Social Security Benefits Scheme



	2007	2008	2009	2010	2011	2012	2013
Operational Expenditure	16	19	22	25	28	32.5	40.5
Income	58	82	85	62	40	59.8	51.7

Fishermen's Pensions and Social Security Benefits Scheme

The liability of the Board towards the fishermen who have contributed to the Fishermen's Pensions Scheme around Rs. 2.3 billion and the Board has so far been able to sustain the Fishermen's Pensions Scheme with the available funds. However if the existing pensions scheme for fishermen is to be continued further, it is projected that by 2022 it will reach zero level.

**Overall Schemes and Consolidated Financial
Statements
For the year 2013**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD		
CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
FOR THE YEAR ENDED 31st DECEMBER 2013		
	2013	2012
<u>ASSETS</u>		
<i>Non Current Assets</i>		
Plant, Property & Equipments	12,347,745.48	16,808,881.64
<i>Current Assets</i>	399,620,308.22	468,652,106.15
TOTAL ASSETS	411,968,053.70	485,460,987.79
<u>EQUITY & LIABILITIES</u>		
<i>Capital & Reserve</i>		
AIB Accumulated (Deficit) / Surplus	(23,902,194.69)	57,219,657.79
Government Grant Capital	9,870,305.50	10,646,168.92
Government Grant	50,000,000.00	50,000,000.00
Farmer's Pension Fund	(53,971,641,745.77)	(48,945,122,405.64)
Group Insurance Fund - FPS	647,785,238.94	572,821,505.88
F.A.O. Grant	547,885.14	547,885.14
Group Insurance Contribution	1,000,000.00	1,000,000.00
Fishermen's Pension Fund	(1,711,866,161.54)	(1,529,127,538.52)
Staff Medical Insurance Fund	2,760,941.56	2,355,867.72
Group Insurance fund - FHS	20,210,079.70	19,198,329.70
Other Fund		
AAIB Reserve Fund	15,883,054.25	15,883,054.25
	(54,959,352,596.91)	(49,744,577,474.76)
<i>Non Current Liabilities</i>		
Fisheries Pension Liability	2,344,270,819.00	2,149,338,000.00
Farmers Pension Liability	49,802,609,120.27	46,513,730,000.00
Farmer's Tust Fund - Loan		1,381,000.19
Provision For Gratuity	67,044,615.00	63,086,037.60
	52,213,924,554.27	48,727,535,037.79
Current Liabilities	3,157,396,096.34	1,502,503,424.76
TOTAL EQUITY	411,968,053.70	485,460,987.79

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
FOR THE YEAR ENDED 31st DECEMBER 2013					
	AAIB	FARMERS	FISHERIES	2,013	2012
REVENUE					
Premier -Insurance	93,854,060	-	-	93,854,060	124,708,184
Farmer 's Pension Collection		36,196,017		36,196,017	55,475,042
Interest - AAIB	7,684,352			7,684,352	11,988,081
Interest - FPS		1,869,928		1,869,928	2,702,921
Fishermen's Pension Collection			2,904,747	2,904,747	3,442,393
Interest - FSH			52,346,551	52,346,551	59,813,431
	101,538,412	38,065,945	55,251,298	194,855,655	258,130,051
Less : Operating Expenditure					
Indemnity - AAIB	(166,484,278)			(166,484,278)	(126,627,940)
Operational expenses - AAIB	(4,484,693)			(4,484,693)	(8,600,361)
Pension payments & commission		(1,653,851,700)	(37,792,854)	(1,691,644,554)	(1,416,665,879)
Group Insurance Paid - FPS		(33,164,640)		(33,164,640)	(34,838,790)
Other Operational expenses - FPS		(1,280,219)		(1,280,219)	(1,323,095)
Refund of Contribution & Net Interest		(5,510,361)	(957,349)	(6,467,710)	(11,181,582)
Group Insurance Paid - FSH			(1,691,660)	(1,691,660)	(1,649,340)
Incentive of - FSH			(152,127)	(152,127)	(160,054)
	(170,968,970)	(1,693,806,920)	(40,593,990)	(1,905,369,880)	(1,601,047,042)
Operational surplus / (Deficit)	(69,430,558)	(1,655,740,975)	14,657,308	(1,710,514,225)	(1,342,916,991)
Increase Of pension Liability		(3,288,353,620)	(194,932,819)	(3,483,286,439)	(3,398,204,000)
Amotization Of Gov: Grant		711,443		711,443	1,320,949
ADD:					
Govt. Grant for Pension Payments		-		-	8,232,560
Govt. Grant for Admin Expenses	69,000,000	69,000,000	1,500,000	139,500,000	126,645,063
Farmers Contribution for Admin Exp.		2,033,861		2,033,861	2,953,050
Grant for Admin: Expenses - FSH				-	-
Other Income	7,811,131	4,460		7,815,591	1,790,047
	76,811,131	71,038,321	1,500,000	149,349,452	139,620,720
	7,380,574	(4,872,344,831)	(178,775,511)	(5,043,739,768)	(4,600,179,322)
Less : Expenses					
Admin Expenses	(89,103,139)	(80,145,819)	(3,955,612)	(173,204,570)	(167,659,763)
Finace & Others	(198,000)	(73,968,691)	(7,500)	(74,174,191)	(72,928,034)
	(89,301,139)	(154,114,509)	(3,963,112)	(247,378,761)	(240,587,797)
NET SURPLUS /(DEFICIT)	(81,920,566)	(5,026,459,340)	(182,738,623)	(5,291,118,529)	(4,840,767,119)
Less : Provision for A.A.I.B Reserve fund		-	-		-
Net Surplus (deficit) After Provision	(81,920,566)	(5,026,459,340)	(182,738,623)	(5,291,118,529)	(4,840,767,119)

Financial Statements as at 31 December 2013
Agriculture Insurance Scheme

AGRICULTURAL & AGRARIAN INSURANCE BOARD				
AGRICULTURE INSURANCE SCHEME				
STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2013				
		31.12.2013		Restated
		31.12.2012		
	NOTES	Rs.	Cts.	Rs. Cts.
ASSETS				
Non- Current Assets				
Plant, Property & Equipment	1	10,717,738.64		14,694,477.89
		10,717,738.64		14,694,477.89
Current Assets	2	827,514,961.87		827,680,527.87
TOTAL ASSETS		838,232,700.51		842,375,005.76
EQUITY & LIABILITIES				
Capital & Reserve				
Government Grant		50,000,000.00		50,000,000.00
A.A.I.B. Accumulated Fund	3	(23,902,194.69)		57,219,657.79
Government Grant - Capital	4	8,242,037.62		8,534,730.73
Other Funds				
A.A.I.B Reserve Fund	5	15,883,054.25		15,883,054.25
Farmers' Life Insurance Fund	6	647,785,238.94		572,821,505.88
Staff Medical Insurance Fund		2,760,941.56		2,355,867.72
		666,429,234.75		591,060,427.85
		700,769,077.68		706,814,816.37
Non - Current Liabilities				
Farmers' Trust Fund - Loan		525,500.27		1,381,000.19
Provision For Gratuity		31,380,692.50		29,575,370.10
		31,906,192.77		30,956,370.29
Current Liabilities	7	105,557,430.06		104,603,819.10
TOTAL EQUITY & LIABILITIES		838,232,700.51		842,375,005.76
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:				
.....				
Chairman		Member of Director Board		
Agricultural & Agrarian Insurance Board		Agricultural & Agrarian Insurance Board		

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
STATEMENT OF COMPREHENSIVE INCOME			
FOR THE YEAR ENDED 31st DECEMBER 2013			
		31.12.2013	
		31.12.2012	
REVENUE	NOTES	Rs.	Cts.
		Rs.	Cts.
PREMIUM - Insurance	8.01	93,854,059.76	124,708,183.94
Interest	8.02	7,684,352.45	11,988,080.83
T O T A L		101,538,412.21	136,696,264.77
Less: Operating Expenditure			
Indemnity	9.01	(166,484,277.58)	(126,627,940.19)
Operational Expenses	9.02	(4,484,692.54)	(8,600,361.39)
		(170,968,970.12)	(135,228,301.58)
Operational Surplus/(Dificit)		(69,430,557.91)	1,467,963.19
Add:			
Govt. Grant for Admin expenses		69,000,000.00	63,322,531.00
Other Income	10	7,811,131.44	1,773,296.82
		76,811,131.44	65,095,827.82
		7,380,573.53	66,563,791.01
Less: Expenses			
Administrative Expenses	11	(89,103,139.33)	(81,760,127.83)
Finance & Other Expenses	12	(198,000.06)	(224,259.65)
Other Expenses (LECO)		-	-
Total Expenses		(89,301,139.39)	(81,984,387.48)
NET SURPLUS / (DEFICIT)		(81,920,565.86)	(15,420,596.47)
Less : Provision For A.A.I.B Reserve Fund			
Net Surplus/ (Deficit) After Provision		(81,920,565.86)	(15,420,596.47)

AGRICULTURE & AGRARIAN INSURANCE BOARD					
AGRICULTURE INSURANCE SCHEME					
STATEMENT OF CHANGES IN EQUITY					
FOR THE 31st DEC. 2013					
	Govt. Grant for Capital	Accumulated Deficit	AAIB Reserve Fund	Life Insurance Fund	Staff medical Insurance fund
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31 Dec.2011	11,349	72,640	15,883	513,653	1,945
Balance transfer from F.P.S					
Add: Prior year adj.					
Adj: balance as at 31st Dec.2011					
Addition during the year:				59,168	410
Govt. Grant					
2012 Depreciation					
Amortization Gov. Grant Farmers Pension	(2,814)				
Net Surplus /(Deficit)		(15,420)			
Transfer to the reserve					
Balance as at 31 Dec.2012	8,535	57,220	15,883	572,821	2,355
Balance transfer from F.P.S					
Add: Prior year adj.		798			
Adj: balance as at 31st Dec.2013					
Addition during the year:				74,172	405
Govt. Grant	2,000				
2013 Depreciation					
Amortization Gov. Grant Farmers Pension	(2,292)				
Net Surplus /(Deficit)		(81,920)			
Transfer to the reserve					
	(292)	(81,122)	-	74,172	405
Balance as at 31st Dec. 2013	8,243	(23,902)	15,883	646,993	2,760

AGRICULTURAL & AGRARIAN INSURANCE BOARD		
AGRICULTURE INSURANCE SCHEME		
CASH FLOW STATEMENT		31.12.2013
FOR THE 31st DEC. 2013		Rs. Cts.
Cash Flows from Operating Activities		
Net Surplus / (Deficit)		(81,920,565.86)
Adjustment for		
- Depreciation		4,031,213.76
- Adjustments in respect of Prior year		798,713.38
		4,829,927.14
Profit / loss on disposal of Property, Plant & Equip.		(6,119,737.01)
Provision for Retiring Gratuity		2,898,259.90
Operating Surplus before working capital changes		(80,312,115.83)
(Increase)/ Decrease in Inventories		76,174.08
(Increase)/ Decrease in Receivables		(60,351,603.46)
(Increase)/ Decrease Receivable Premium		6,519,371.55
(Increase)/ Decrease in Deposits & Prepayments		47,008.00
(Increase)/ Decrease in Advances		135,677.79
Increase / (Decrease) Provision For Indemnity		1,945,000.00
Increase / (Decrease) Provision For Contingencies		-
Increase / (Decrease) Provision For Printing		74,015.00
Increase / (Decrease) Refundable Deposit		-
Increase / (Decrease) Pre-premium advance		(1,186,504.88)
Increase / (Decrease) Other Payables		(604,800.00)
Increase / (Decrease) Accrued expenses		725,900.84
		(52,619,761.08)
Cash Generated from Operations		(132,931,876.91)
Retiring Gratuity - Paid		(1,092,937.50)
Net Cash Flows from Operating Activities		(134,024,814.41)
Cash Flows from Investing Activities		
Government Grant for Capital expenditure		2,000,000.00
Medical Fund		405,073.84
Amortization of Government Grant		(2,292,693.11)
Disposal Assets		6,342,000.00
Life Insurance Fund		74,963,733.06
Farmers Trust Fund		(855,499.92)
Investments during the year		51,619,754.07
Purchases of Property, Plant & Equipment		(276,737.50)
Proceeds from sale of Property, Plant & Equipment		
Net Cash Flows from Investing Activities		131,905,630.44
Cash Flows from Financing Activities		
Proceeds from long term borrowings		-
Repayment of long term borrowings		-
Net Cash Flows from Financing Activities		-
Net Increase / (Decrease) in Cash & Cash Equivalents		(2,119,183.97)
Cash & cash equivalents at the beginning of the year		16,865,871.11
Cash & cash equivalents at the end of the year		14,746,687.14

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31ST DECEMBER 2013**

1. GENERAL POLICIES

1.1 Reporting entity

Agricultural and Agrarian Insurance Board of Sri Lanka was incorporated by Act No.20 of 1999 and is situated at 117, Subadharama Road, Gangodawila, and Nugegoda.

1.2 Principal activities and nature of operations

Provide insurance of Agricultural & Horticultural crops and Medicinal 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. To provide medical benefits and social security schemes for Agriculturists.

1.3 Basis of compliance

(a) Statement of compliance

The financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves, cash flow statement 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. These financial statements for the year ended 31 December 2013 are the first set of the financial statements that the board has prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) immediately effective from 1 January 2013. The effect of transition to SLFRS/LKAS on previously reported financial position and performance is given in the notes to the financial statement.

(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 on-going 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.

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.

(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) 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 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.

2.5 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

Provision for outstanding indemnity has been on the risk factors of crop & subject of insured following table shows provision for the year 2012.

	Provision For Indemnity
Paddy	75,111,000.00
Livestock	8,000,000.00
Suwasetha Insurance	800,000.00
Subsidiary Crops	11,834,000.00
	95,745,000.00

3.2 Provision for bad debts

Provisions for doubtful debts have been estimated on the basis of 10% of unrecoverable debtors balance.

3.3 Retirement Benefits

Provision have 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.1983 the liability to an employee arises only on completion of five years of continued service. The liability is not externally funded.

3.4 Taxation

The board is exempt from income tax in accordance with the Inland Revenue Act No.22 of 1990 and amendments there too.

3.5 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.

3.6 Grant

3.6.1 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. STATEMENT OF COMPREHENSIVE INCOME

4.1 Revenue

1. The revenue of the board represents the income from insurance premium, interest income from treasury bills and loans o employees, and other miscellaneous income.
2. All income has been recognized on as accrual basis.
3. Income from insurance premium collection of Maha season 2013 has been taken for the current year.
Incomes received after balance sheet date in respect of current year season have been considered as premium income receivable.

4. Govt. Grant has been received for recurrent expenditure for the year of 2013.
5. Government Grants received for capital expenditure recognized as income on systematic basis.

4.2 Revenue Recognition

1. Insurance premier revenue is recognized for the time of insured.
2. The above revenue is of & accrual basis & matched with related expenditure.
3. Interest income is accrued on a time basis.

4.3 Expenditure

1. 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.
2. **The indirect expenses of the board apportioned on the following rates by the board paper No: 401/4 - 2008.10.15**

Expenditure	Rates
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%

4.4 Surplus

The surplus of the computed after making provision for bad & doubtful debts. All known liability is depreciation of property, Plant & Equipment.

4.5 Reserve Fund

A contingencies reserved fund was created year 2002 & 5% of operational surplus have to provided in the year.

4.6 Pre-Premia

Insurance premia receipts for livestock have been treated as pre-premia, if received advance.

5. CASH FLOW STATEMENT

The cash flow statement of the scheme has been presented using the indirect method. Accordance with the Sri Lanka accounting standard – 07 cash flow statement.

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. FIRST TIME ADOPTION OF SLFRS

These financial statements are the first set of financial statements that the Board has prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) for the year ended 31 December 2013. For periods up to and including the year ended 31 December 2012, the Board prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS).

Accordingly, the Board has prepared financial statements which comply with SLFRS applicable for periods ending on or after 31 December 2013, together with the comparative data as at and for the year ended 31 December 2012 as described in the accounting policies. In preparing these financial statements, the Board's opening statement of financial position was prepared as at 1 January 2012, the Board's date of transition to SLFRS.

7.1 Exemption Applied

SLFRS 1 First Time Adoption of Sri Lanka Financial Reporting Standards and Statement of Recommended Practices allow first time adopters certain exemptions from the retrospective application of certain SLFRS.

7.2 The Board has Applied the following

Fair Value or Revaluation as Deemed Cost

Freehold property plant and equipment are carried in the statement of financial position prepared in accordance with the SLAS, using the cost model. The Board has not elected to use the fair value as deemed cost.

8. CONTINGENCIES

Seven legal cases have been examined current of the cases disclosed as follows.

Current Status of the cases of AAIB

	Court	Employment No	Complainant Defendant	Case of action	Current Status
1	Magistrate Court Anuradhapura	B/520/03	Mr.K.A.Heen Bandara (Clerk)	Nonpayment of pension premium	} Trial is on
		B/2171/2	Mr.K.A.Sudath Bandara (FO)		
2	Magistrate Court Kandy	B/3012	Mr.S.J.Silva Mr.D.G.Karunathilaka Mr.S.M.G.Senarathna	Nonpayment of pension premiums	} Trial is on
3	Supreme Court Kurunagala	SP/SPL/LA/228/2013	Mr.A.K.M.Illiyas	Dismissed from the service	
4	Civil Appeal Court	WP/HCCA/COI/312/2003(F)/302	Bank Of Ceylon	Obtaining receivable investment interest	
5	Labour Tribunal Embilipitiya	63/7030/11	Miss.Maheshi Dilini Buddhika	Non Continuation of training	
6	Labour Tribunal Maharagama	33/1124/2013	Mr.K.H.S.Sanjeewa	Vacation from the post	} Trial is on
7	Labour Tribunal	05/20356/2013	Mr.Terrance Warushawithana	Dismissed from	

9. FIRST TIME ADOPTION OF SLFRS
RECONCILIATION OF FINANCIAL POSITION 31ST DECEMBER 2012

	<u>SLAS</u> <u>31.12.2012</u> Rs. Cts.	<u>Reclassification</u>	<u>Remeasurement</u>	<u>IFRS</u> <u>31.12.2012</u>
<u>ASSETS</u>				
<u>Non - Current Assets</u>				
Plant , Property & Equipment	14,694,477.89			14,694,477.89
	<u>14,694,477.89</u>			<u>14,694,477.89</u>
<u>Current Assets</u>				
Stock	2,632,066.37			2,632,066.37
Receivables	460,347,874.86			460,347,874.86
Receivables interest	2,060,613.17	(2,060,613.17)		-
Investment	323,778,514.02	(323,778,514.02)		-
Receivable Premium	16,602,432.98			16,602,432.98
Deposits & Pre Payment	4,240,680.00			4,240,680.00
Advances	1,152,475.36			1,152,475.36
Financial Instrument - held to maturity		325,839,127.19		<u>325,839,127.19</u>
Cash at Bank	<u>16,865,871.11</u>			16,865,871.11
TOTAL ASSETS	<u>827,680,527.87</u>			<u>810,814,656.76</u>
	<u>842,375,005.76</u>			<u>842,375,005.76</u>
<u>EQUITY & LIABILITIES</u>				
<u>Capital & Reserves</u>				
Government Grant	50,000,000.00			50,000,000.00
A.A.I.B Accumulated Fund	57,219,657.79			57,219,657.79
Govt. Grant for Capital	8,534,730.73			8,534,730.73
Other Funds				
A.A.I.B Reserve Fund	15,883,054.25			15,883,054.25
Farmers Life insurance fund	572,821,505.88			572,821,505.88
Staff Medical Insurance fund	<u>2,355,867.72</u>			<u>2,355,867.72</u>
	<u>591,060,427.85</u>			<u>591,060,427.85</u>
	<u>706,814,816.37</u>			<u>706,814,816.37</u>
<u>Non - Current Liabilities</u>				
Farmers Trust Fund-Loan	1,381,000.19			1,381,000.19
Provision for Staff Gratuity	<u>29,575,370.10</u>			<u>29,575,370.10</u>
	30,956,370.29			30,956,370.29
<u>Current Liabilities</u>				
TOTAL EQUITY & LIABILITIES	104,603,819.10			104,603,819.10
	<u>842,375,005.76</u>			<u>842,375,005.76</u>

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
FOR THE 31st DECEMBER 2013			
		31.12.2013	31.12.2012
		Rs.Cts.	Rs.Cts.
NOTE 02 - CURRENT ASSETS			
Stocks	2.01	2,555,892.29	2,632,066.37
Receivables	2.02	520,699,478.32	460,347,874.86
Receivable Premium	2.03	10,083,061.43	16,602,432.98
Deposits & Pre Payments	2.04	4,193,672.00	4,240,680.00
Advances	2.05	1,016,797.57	1,152,475.36
Financial Instruments Held to Maturity	2.06	274,219,373.12	325,839,127.19
Cash at Bank	2.07	14,746,687.14	16,865,871.11
		827,514,961.87	827,680,527.87
NOTE 03 - A.A.I.B. ACCUMULATED DEFICIT			
B / F Balance		57,219,657.79	72,640,254.26
Prior Year Adjusment		798,713.38	
Adjusted Balance on 31.12.2012		58,018,371.17	72,640,254.26
Less:			
Surplus(Deficit) for the year		(81,920,565.86)	(15,420,596.47)
Balance as at 31.12.2013		(23,902,194.69)	57,219,657.79
NOTE 04 - CAPITAL			
Govt. Grant For Capital			
Balance as at 01.01.2013		8,534,730.73	11,349,460.71
Amotization Gov. Grant Farmers Pension			
Add:			
Grant for the year		2,000,000.00	
Amotizations Gov. Grant		(2,292,693.11)	(2,814,729.98)
Balance as at 31.12.2013		8,242,037.62	8,534,730.73

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS		31.12.2013	31.12.2012
FOR THE 31st DECEMBER 2013	NOTES	Rs.Cts.	Rs.Cts.
NOTE 05 - A.I.B. RESERVE FUND			
Balance as at 01.01.2013		15,883,054.25	15,883,054.25
Add:			
Provision for the year		-	-
Balance as at 31.12.2013		15,883,054.25	15,883,054.25
NOTE 06 - Farmer's Life Insurance Fund			
Balance as at 01.01.2013		572,821,505.88	513,653,284.90
Add :			
Life Insurance Premium		33,164,640.00	34,838,790.00
Interest income		46,675,133.06	29,767,430.98
		79,839,773.06	64,606,220.98
Less :			
Death Gratuity Payment		4,748,040.00	5,318,000.00
Disablement Gratuity Payment		128,000.00	120,000.00
		4,876,040.00	5,438,000.00
Balance as at 31.12.2013		647,785,238.94	572,821,505.88
NOTE - 07 - CURRENT LIABILITIES			
Provision For Printing		761,961.30	687,946.30
Pre Premium Receipts	7.01	1,139,746.39	2,326,251.27
Other Payables	7.02	2,076,333.33	2,681,133.33
Accrued Expenses	7.03	5,834,389.04	5,108,488.20
Provision For Indemnity	7.04	95,745,000.00	93,800,000.00
		105,557,430.06	104,603,819.10

AGRICULTURAL & AGRARIAN INSURANCE BOARD		
AGRICULTURE INSURANCE SCHEME		
NOTES TO THE INCOME STATEMENT	31.12.2013	31.12.2012
FOR THE 31st DECEMBER 2013	Rs. Cts.	Rs. Cts.
NOTE 08 - REVENUE		
8.01 - Premium - (Insurance)		
Paddy	57,385,909.00	77,930,573.00
Livestock	8,897,266.81	15,807,854.41
Suwasetha Insurance personal Acc	1,266,494.48	2,494,794.25
Subsidiary Crops	24,770,452.00	22,016,546.00
Agri equipments	436,917.83	929,428.86
Stores Insurance	-	199,987.42
Tactor Sales Commission	1,097,019.64	5,329,000.00
	93,854,059.76	124,708,183.94
8.02 - Interest Income		
Interest - Treasury bills (Crops & Other)	6,068,932.05	10,413,622.00
- Loans to employees	1,615,420.40	1,574,458.83
	7,684,352.45	11,988,080.83
NOTE 9 - OPERATIONAL EXPENDITURE		
9.01 - Indemnity - Insurance		
Paddy	150,022,999.00	100,303,622.78
Livestock	6,785,703.08	5,241,680.21
Suwasetha Insurance	117,723.00	787,276.50
Subsidiary Crops	9,462,221.50	20,065,955.70
Agri Equipment	95,631.00	129,405.00
Storse Insurance Indiminity	-	100,000.00
	166,484,277.58	126,627,940.19
9.02 - Other Operational Expenses		
Insurance Commission	2,751,967.33	4,281,913.79
Admin. Allowances	39,960.00	16,740.00
Crop Assessment	427,970.40	1,282,823.90
Livestock	819,637.70	1,430,583.96
Suwasetha - Peace Rate	-	-
Commission Tractor sales	445,157.11	1,588,299.74
	4,484,692.54	8,600,361.39
NOTE 10 - OTHER INCOME		
Livestock - policy fees	-	-
Disposal of Fixed assets	6,119,737.01	5,025.00
Amotisation of Government Grant	1,581,250.00	1,493,781.26
Other income	110,144.43	274,490.56
	7,811,131.44	1,773,296.82

AGRICULTURAL & AGRARIAN INSURANCE BOARD		
AGRICULTURE INSURANCE SCHEME		
NOTES TO THE INCOME STATEMENT	31.12.2013	31.12.2012
FOR THE 31st DECEMBER 2013	Rs.Cts.	Rs.Cts.
<u>NOTE 11 - ADMINISTRATIVE EXPENSES</u>		
Salaries & Wages	51,308,000.34	46,186,586.76
Contribution E.P.F.	4,856,667.51	3,462,020.43
Contribution E.T.F.	1,214,166.89	865,507.17
Traveling & Subsistence	1,442,710.00	1,302,748.21
Overtime	802,713.98	584,916.70
Daily Pay	81,779.12	33,778.18
Medical Expenses	273,492.00	279,072.00
Allowance to Board Members	234,000.00	167,235.00
Gratuity	2,898,259.90	1,382,175.10
Welfare	261,183.50	261,702.50
Special allowance	510,000.00	248,800.00
Fuel	4,162,204.16	4,276,828.03
Stationery	1,288,578.51	1,369,511.10
Entertainment Allowance	52,130.10	21,570.30
Legal Fees	542,012.44	69,166.14
Transport	94,918.00	391,057.16
Printing	605,914.37	825,005.48
Publicity & Training	443,898.88	802,855.16
Uniform	137,054.37	7,500.00
Rent	6,795,763.84	6,694,643.03
Telephone	952,058.00	1,450,012.63
Postage	507,356.18	395,965.10
Water Tax	5,462.99	164,201.25
News paper & Advertisement	121,336.00	31,980.00
Security	691,849.62	488,720.86
Electricity	1,270,476.31	1,257,032.06
Maintenance - Moter Vehicles	2,363,451.68	2,475,386.62
Maintenance - Buildings	110,718.05	80,262.90
Maintenance - Office Equipments	346,071.28	261,327.26
Labour Charges	102,976.80	122,150.00
Translation Fees	31,078.50	66,278.50
Computer Expenses	177,665.25	271,176.44
Miscellaneous Expenses	500.00	2,500.00
Depreciation	4,031,213.76	5,026,650.76
Bad Debts	135,477.00	183,805.00
Audit Fees	250,000.00	250,000.00
	89,103,139.33	81,760,127.83
<u>NOTE12 - FINANCE CHARGES</u>		
Bank Charges	198,000.06	224,259.65
Debit Tax		
	198,000.06	224,259.65

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
FOR THE 31st DECEMBER 2013		31.12.2013	31.12.2012
		Rs.Cts.	Rs.Cts.
NOTE 02.01 - Stock	Schedule		
Printing	2.01.01	2,232,824.88	2,266,779.25
Stationary		323,067.41	365,287.12
Tire			
		2,555,892.29	2,632,066.37
NOTE 02.02 - Receivables			
Staff Loans & Advance -	2.02.01	36,666,009.75	35,688,596.28
Motor cycle loan	2.02.02	1,116,951.42	2,084,080.05
Salary Receivables		368,901.38	
Staff Special Loan - 2004		4,800.00	4,800.00
Life insurance premium Receivable		114,993,470.00	86,704,870.00
Sundry Debtors		51,542.75	51,542.75
Motor cycle Expenses (Staff) -	2.02.03	2,566.70	2,566.70
Farmers Pension Scheme (Admin)		63,724,278.58	57,147,178.08
Fisheries Pension Scheme		8,704,380.10	5,596,546.85
Farmers Pension Scheme (Capital)		1,628,267.88	2,111,438.19
Farmers Pension Advance		295,446,605.07	272,829,074.27
Less: Provision for bad debtors		(2,008,295.31)	(1,872,818.31)
		520,699,478.32	460,347,874.86
NOTE 02.03 Receivable premium			
Insurance Premium		10,083,061.43	16,602,432.98
		10,083,061.43	16,602,432.98
NOTE 02.04 - Deposits & Pre Payment			
Deposit - (Fuel)		100,000.00	100,000.00
Deposit - (Security)		-	-
Deposit - (Transport)		5,000.00	5,000.00
Insurance		-	-
Publicity		-	-
Rent		4,088,672.00	4,135,680.00
		4,193,672.00	4,240,680.00

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
FOR THE 31st DECEMBER 2013			
NOTE 02.05 - Advances		31.12.2013	31.12.2012
		Rs.Cts.	Rs.Cts.
Traveling Advance - 2003		8,000.00	8,000.00
Fuel Advance		44,423.80	192,796.53
Salary Advance		50,261.41	50,261.41
Miscellaneous Advance -		344,293.35	330,732.35
Capital Advance		565,800.00	565,800.00
District Admin.acct		4,019.01	4,885.07
		1,016,797.57	1,152,475.36
NOTE 02.06 - Financial Instruments Held to Maturity			
		Rs.Cts.	Rs.Cts.
Treasury Bills (Crop & Other)		36,875,859.79	112,550,220.10
Treasury Bills (L.I.S)		237,343,513.33	213,288,907.09
		274,219,373.12	325,839,127.19
NOTE 02.07 - Cash at Bank			
B. O C A/C -164811		161,542.32	5,302.62
B.O.C A/C - 164667		1,470,307.33	1,807,265.17
B.O.C A/C -164693		1,560,161.71	2,145,885.66
B.O.C A/C -1622		665,389.42	824,668.47
B.O.C A/C -1616		1,903,763.65	6,505,533.77
B.O.C A/C -8600879		753,241.75	143,830.62
B.O.C A/C -8600818		3,587,115.69	513,095.64
P.B A/C -112352		685,233.27	630,075.96
P.B. A/C -112343		30,618.97	8,545.13
P.B A/C - 100440112349		1,612,601.55	1,560,431.18
P.B A/C - 100260112349		89,184.74	117,232.56
P.B A/C - 100350112349		29,942.09	370,728.03
P.B A/C - 100170112349		2,197,584.65	2,233,276.30
		14,746,687.14	16,865,871.11

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
FOR THE 31st DECEMBER 2013		31.12.2013	31.12.2012
		Rs.Cts.	Rs.Cts.
<u>NOTE 07.03.01 - Accrued Expenses</u>			
Electricity		224,009.01	150,569.42
Security Charges		61,380.00	56,054.01
Rent		944,720.88	950,062.88
Maintenance of Motor Vehicles		40,250.00	72,492.50
Traveling & Subsistence		430,669.00	83,419.00
Salaries		316,408.50	369,988.47
E.P.F		6,367.99	3,119.78
E.T.F		1,592.00	779.95
Overtime		400,893.97	92,559.00
Daily Pay		34,474.00	-
Publicity		2,000.00	-
Stationary		18,400.00	7,500.00
Telephone		158,409.10	183,958.51
Water Bill		25,589.10	25,352.92
Audit Fees		2,579,384.00	2,329,384.00
Fuel		115,364.03	61,883.16
Uniform		5,400.00	-
Welfare		-	3,673.00
Labour Charges		1,000.00	2,000.00
Payable Computer Expenses		8,000.00	
Transport Expenses		56,755.00	50,000.00
		5,431,066.58	4,442,796.60

Financial Statements as at 31 December 2013
Farmers' Pension and Social Security Benefits Scheme

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2013					
				Restated	
				31.12.2012	
				31.12.2013	
ASSETS	Note	Rs.	Cts.	Rs.	Cts.
Non - Current Assets					
Plant, Property & Equipment	1	1,628,266.84		2,111,437.15	
		1,628,266.84		2,111,437.15	
Current Assets					
Stock	2	2,244,279.94		2,936,249.61	
Receivables	3	714,479.20		789,479.20	
Held to maturity Investment	4	14,455,338.86		12,499,618.89	
Receivable Income	5	6,640,053.00		4,654,022.75	
Cash at Bank	6	5,272,856.11		2,459,103.54	
		29,327,007.11		23,338,473.99	
TOTAL ASSETS		30,955,273.95		25,449,911.14	
EQUITY & LIABILITIES					
Capital & Reserves					
Farmer's Pension Fund	8	(53,971,641,745.77)		(48,945,122,405.64)	
Govt. Grant for Capital	9	1,628,267.88		2,111,438.19	
F.A.O Grant		547,885.14		547,885.14	
Group Insurance Contribution		1,000,000.00		1,000,000.00	
		(53,968,465,592.75)		(48,941,463,082.31)	
Non - Current Liabilities					
Pension Liability		49,802,083,620.00		46,513,730,000.00	
Provision for Staff Gratuity		34,620,422.50		32,567,722.50	
		49,836,704,042.50		46,546,297,722.50	
Current Liabilities					
Total Payables	10	4,159,523,022.04		2,417,771,468.79	
Accrued Expenses	11	3,193,802.16		2,843,802.16	
		4,162,716,824.20		2,420,615,270.95	
TOTAL EQUITY & LIABILITIES		30,955,273.95		25,449,911.14	
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;					
.....					
.....					
Chairman			Member of Director Board		
Agricultural & Agrarian Insurance Board			Agricultural & Agrarian Insurance Board		

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
STATEMENT OF COMPREHENSIVE INCOME					
FOR THE YEAR ENDED 31ST DECEMBER 2013		31.12.2013		31.12.2012	
		Rs. Cts.		Rs. Cts.	
REVENUE		<i>Note</i>			
Interest Income		1,869,928.03		2,702,920.70	
Farmers Contribution		32,128,295.00		49,568,941.51	
Farmers Contribution for Life Insurance Premium		4,067,722.00		5,906,100.00	
		38,065,945.03		58,177,962.21	
Less: EXPENDITURE					
Refund of Contribution		(3,318,494.00)		(5,857,377.00)	
Refund of Net Interest		(2,191,866.65)		(4,384,216.00)	
Disablement Gratuity Payment		(1,280,219.26)		(1,323,094.94)	
Group Insurance Premium		(33,164,640.00)		(34,838,790.00)	
Pension Payments & Commission					
- Pension Payments		(1,646,988,000.00)		(1,380,677,601.00)	
- Commission Payments		(6,863,700.00)		(6,148,860.00)	
Total Expenditure		(1,693,806,919.91)		(1,433,229,938.94)	
		.		.	
Revenue over Expenditure		(1,655,740,974.88)		(1,375,051,976.73)	
Govt. Grant for Pension Payment		-		8,232,560.00	
Revenue over expenditure after Govt. Grant		(1,655,740,974.88)		(1,366,819,416.73)	
Increase of Pension Liability		(3,288,353,620.00)		(3,216,991,000.00)	
Amortization of Govt. Grant		711,443.11		1,320,948.72	
		(4,943,383,151.77)		(4,582,489,468.01)	
INCOME - for Administration					
Farmer's Contribution for Admin. Expenses		2,033,861.00		2,953,050.00	
Govt. Grant for Admin Expenses		69,000,000.00		63,322,532.00	
Other Income		4,460.00		16,750.06	
		71,038,321.00		66,292,332.06	
Less: Expenses					
Administration & Establishment Expenses	12	(80,145,818.78)		(81,758,906.23)	
Financial Expenses	13	(73,006,960.58)		(71,326,306.71)	
Commission for Collection Agents		(961,730.00)		(1,370,997.00)	
		.		.	
Total Admin Expenses		(83,076,188.36)		(88,163,877.88)	
		.		.	
Admin. Expenses over Income		(83,076,188.36)		(88,163,877.88)	
Total Income over Expenditure		(5,026,459,340.13)		(4,670,653,346.93)	
(Transferred to Farmer's Pension Fund)					

AGRICULTURAL & AGRARIAN INSURANCE BOARD		
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME		
STATEMENT OF CHANGES IN EQUITY		
FOR THE YEAR ENDED 31ST DECEMBER 2013		Rs.'000
	Farmer's Pension Fund	Govt. Grant for Capital Expenses
Balance as at 31st Dec. 2011	(44,154,270.00)	1,957.00
Prior Year Adjustments	-	-
Amortization of Govt. Grant	-	-
	-----	-----
Adjusted Balance as at 31st Dec. 2011	(44,154,270.00)	1,957.00
Net Surplus / (Deficit)	(4,670,653.00)	-
Settlement Of Mavil - Aru Compensation	(120,199.00)	
Grant for Capital	-	1,475.00
Amortization of Govt. Grant	-	(1,321.00)
	-----	-----
	(4,790,852.00)	154.00
	-----	-----
Balance as at 31st Dec. 2012	(48,945,122.00)	2,111.00
Prior Year Adjustments	(60.00)	-
	-----	-----
Adjusted Balance as at 31st Dec. 2011	(48,945,182.00)	2,111.00
Net Surplus / (Deficit)	(5,026,459.00)	-
Settlement of Receivable from Treasury	-	
Grant for Capital	-	228.00
Amortization of Govt. Grant	-	(711.00)
	-----	-----
Balance as at 31st Dec. 2013	(53,971,641.00)	1,628.00

AGRICULTURE & AGRARIAN INSURANCE BOARD	
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME	
CASH FLOW STATEMENT	
FOR THE YEAR ENDED 31ST DECEMBER 2013	
	31.12.2013
	Rs. Cts.
<u>Cash Flows from Operating Activities</u>	
Net Surplus / (Deficit)	(5,026,459,340.13)
Adjustment for	
- Depreciation	711,443.11
- Settlement of receivable from Treasury	-
- Adjustments in respect of Prior Year	(60,000.00)

	651,443.11
Loss on Disposal of Property, Plant & Equipments	-
Provision for Retiring Gratuity	3,630,469.50
Amortization of Govt. Grant	(711,443.11)

Operating Profit before working capital changes	(5,022,888,870.63)
(Increase) / Decrease in Inventories	691,969.67
(Increase) / Decrease in Receivables	75,000.00
(Increase) / Decrease in Receivable Income	(1,986,030.25)
Increase / (Decrease) Other Payables	1,741,751,553.25
Increase / (Decrease) Accrued Expenses	350,000.00

	1,740,882,492.67
Cash Generated from Operations	(3,282,006,377.96)
Retiring Gratuity - Paid	(1,577,769.50)

Net Cash Flows from Operating Activities	(3,283,584,147.46)
<u>Cash Flows from Investing Activities</u>	
Government Grant for Capital Expenditure	228,272.80
Investments during the year	(1,955,719.97)
Purchases of Property, Plant & Equipment	(228,272.80)

Net Cash Flows from Investing Activities	(1,955,719.97)
<u>Cash Flows from Financing Activities</u>	
Pension Liability	3,288,353,620.00
Repayment of Long Term Borrowings	-

Net Cash Flows from Financing Activities	3,288,353,620.00

Net Increase / (Decrease) in Cash & Cash Equivalents	2,813,752.57
Cash & Bank Balance at the Beginning of the year	2,459,103.54
Cash & Cash equivalents at the End of the year	5,272,856.11

Cash & Bank Balance at the end of the year	5,272,856.11
Cash at Bank - 31.12.2012	5,272,856.11

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FARMER'S PENSION & SOCIAL SECURITY BENEFITS SCHEME
SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31ST DECEMBER 2013**

1. GENERAL POLICIES

1.1 Reporting entity

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

1.2 Principal activities and nature of operations

Operates a pension and social security benefits scheme for farmers.

1.3 Basis of compliance

(a) Statement of compliance

The financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves, cash flow statement 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. These financial statements for the year ended 31 December 2013 are the first set of the financial statements that the board has prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) immediately effective from 1 January 2013. The effect of transition to SLFRS/LKAS on previously reported financial position and performance is given in the notes to the financial statement.

(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 on-going 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.

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.

(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) 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 & Fittings	10%
Office Equipments	10%
Welfare equipments	10%
Publicity Equipments	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 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 Retirement Benefits

Provisions have been made for retiring gratuities from the completion of the first year of service for all 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 Taxation

The board is exempt from income tax in accordance with the Inland Revenue Act No.22 of 1990 and amendments there too.

3.3 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.

3.4 Liability of farmer's pension fund

Liability of farmer's pension scheme has been accounted in the financial statement at present valuebase on the actuarial calculation which was done in the year 2007.

3.5 Grant

3.5.1 Accounting for Government Grant

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. 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 for collection of premier has been recognized on as cash basis.

4.2 Revenue Recognition

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

4.3 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;

Expenditure	Rates
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 accordance with the Sri Lanka Accounting Standard – 07 Cash Flow Statement.

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. FIRST TIME ADOPTION OF SLFRS

These financial statements are the first set of financial statements that the Board has prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) for the year ended 31 December 2013. For periods up to and including the year ended 31 December 2012, the Board prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS).

Accordingly, the Board has prepared financial statements which comply with SLFRS applicable for periods ending on or after 31 December 2013, together with the comparative data as at and for the year ended 31 December 2012 as described in the accounting policies. In preparing these financial statements, the Board's opening statement of financial position was prepared as at 1 January 2012, the Board's date of transition to SLFRS.

7.1 Exemption Applied

SLFRS 1 First Time Adoption of Sri Lanka Financial Reporting Standards and Statement of Recommended Practices allow first time adopters certain exemptions from the retrospective application of certain SLFRS.

7.2 The Board has Applied the following

Fair Value or Revaluation as Deemed Cost

Freehold property plant and equipment are carried in the statement of financial position prepared in accordance with the SLAS, using the cost model. The Board has not elected to use the fair value as deemed cost.

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.

9. FIRST TIME ADOPTION OF SLFRS

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FARMERS'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
RECONSILATION OF FINANCIAL POSITION 31ST DECEMBER 2012**

	SLAS	<u>Reclassification</u>	<u>Remeasument</u>	IFRS
	<u>31.12.2012</u>			<u>31.12.2012</u>
	Rs. Cts.			
<u>ASSETS</u>				
<u>Non - Current Assets</u>				
Plant , Property & Equipment	<u>2,111,437.15</u>			2,111,437.15
	2,111,437.15			2,111,437.15
<u>Current Assets</u>				
Stock	2,936,249.61			2,936,249.61
Receivables	789,479.20			789,479.20
Receivable Interest	29,618.89	(29,618.89)		
Investment	12,470,000.00	(12,470,000.00)		
Financial Instrument - held to maturity		12,499,618.89		12,499,618.89
Receivable Income	4,654,022.75			4,654,022.75
Cash at Bank	2,459,103.54			2,459,103.54
	23,338,473.99			23,338,473.99
TOTAL ASSETS	<u>25,449,911.14</u>			<u>25,449,911.14</u>
<u>EQUITY & LIABILITIES</u>				
<u>Capital & Reserves</u>				
Farmer's Pension Fund	(48,945,122,405.64)			(48,945,122,405.64)
Govt. Grant for Capital	2,111,438.19			2,111,438.19
F.A.O Grant	547,885.14			547,885.14
Group Insurance Contribution	1,000,000.00			1,000,000.00
	<u>(48,941,463,082.31)</u>			<u>(48,941,463,082.31)</u>
<u>Non - Current Liabilities</u>				
Pension Liability	46,513,730,000.00			46,513,730,000.00
Provision for Staff Gratuity	32,567,722.50			32,567,722.50
	46,546,297,722.50			46,546,297,722.50
<u>Current Liabilities</u>				
Total Payables	2,417,771,468.79			2,417,771,468.79
Accrued Expenses	2,843,802.16			2,843,802.16
	2,420,615,270.95			2,420,615,270.95
TOTAL EQUITY & LIABILITIES	<u>25,449,911.14</u>			<u>25,449,911.14</u>

AGRICULTURAL AND AGRARIAN INSURANCE BOARD									
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME									
NOTES TO THE FINANCIAL STATEMENTS									
NOTE - 01									
PLANT, PROPERTY & EQUIPMENT AS AT 31ST December 2013									
DESCRIPTION	MOTOR VEHICLE	OFFICE EQUIPMENT	WELFARE EQUIPMENT	FURNITURE & FITTINGS	AIR CONDITIONERS	COMPUTERS	PUBLICITY EQUIPMENT	COMPUTER SOFTWARE	TOTAL
COST OF AS AT 1 ST JANUARY 2013	833,637.00	1,620,558.04	22,330.75	819,738.53	360,136.62	24,519,248.94	422,837.14	1,475,000.00	30,073,487.02
ADDITION	-	-	-	-	-	228,272.80	-	-	228,272.80
LESS: DISPOSALS	-	-	-	-	-	-	-	-	-
TOTAL COST	833,637.00	1,620,558.04	22,330.75	819,738.53	360,136.62	24,747,521.74	422,837.14	1,475,000.00	30,301,759.82
DEPRECIATION RATE %	20%	10%	10%	10%	20%	20%	10%	20%	
ACCUMULATED DEP : AS AT 1st JANUARY 2012	833,637.00	1,596,796.16	16,452.63	697,370.93	360,136.62	23,739,819.39	422,837.14	295,000.00	27,962,049.87
LESS :- DISPOSALS	-	-	-	-	-	-	-	-	-
DEPRECIATION FOR THE YEAR 2013	-	12,591.63	1,514.08	32,732.40	-	369,605.00	-	295,000.00	711,443.11
TOTAL DEPRECIATION	833,637.00	1,609,387.79	17,966.71	730,103.33	360,136.62	24,109,424.39	422,837.14	590,000.00	28,673,492.98
NET VALUE	-	11,170.25	4,364.04	89,635.20	-	638,097.35	-	885,000.00	1,628,266.84

AGRICULTURAL AND AGRARIAN INSURANCE BOARD				
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME				
<u>NOTES TO THE FINANCIAL STATEMENTS</u>				
	<u>31.12.2013</u>		<u>31.12.2012</u>	
	Rs.	Cts.	Rs.	Cts.
<u>NOTE 02 - STOCKS</u>				
Printing Materials	2,219,978.24		2,890,153.97	
Stationary Stock	24,301.70		46,095.64	
	<u>2,244,279.94</u>		<u>2,936,249.61</u>	
<u>NOTE 03 - RECEIVABLES</u>				
Receivables from Collection Agents	714,479.20		774,479.20	
Death Gratuity Advance at District	-		15,000.00	
	<u>714,479.20</u>		<u>789,479.20</u>	
<u>NOTE 04 - HELD TO MATURITY INVESTMENT</u>				
Treasury Bills - P.B	13,256,789.81		11,423,013.70	
Treasury Bills - B.O.C	1,198,549.05		1,076,605.19	
	<u>14,455,338.86</u>		<u>12,499,618.89</u>	
<u>NOTE 05- RECEIVABLE INCOME</u>				
Farmer's Contribution	5,492,373.00		3,911,252.75	
Farmer's Contribution for Life Insurance Premium	765,120.00		495,180.00	
Farmer's Contribution for Admin. Income	382,560.00		247,590.00	
	<u>6,640,053.00</u>		<u>4,654,022.75</u>	
<u>NOTE 06 - CASH AT BANK</u>				
A/C No.100150112345 - P/B Union Place	4,249,755.06		1,700,369.58	
A/C No. 100180112344 - P/B Union Place	625,757.79		141,103.29	
A/C No. 100130112351 - P/B Union Place	88,785.84		75,269.05	
A/C No. 100110112347 - P/B Union Place	169,082.33		426,582.33	
A/C No. 7979475 - B.O.C Co-op Branch	10,620.53		111,620.53	
A/C No. 8403704 - B.O.C Union Place	128,854.56		4,158.76	
	<u>5,272,856.11</u>		<u>2,459,103.54</u>	
<u>NOTE - 08- FARMER'S PENSION FUND</u>				
Balance B/F	(48,945,122,405.64)		(44,154,270,181.96)	
Prior Year Adjustment	(60,000.00)		-	
	<u>(48,945,182,405.64)</u>		<u>(44,154,270,181.96)</u>	
<u>Add/ (Less)</u>				
Total Revenue over Expenditure	(5,026,459,340.13)		(4,670,653,346.93)	
Settlement of Mavil - Aru Compensation	-		(120,198,876.75)	
	<u>(53,971,641,745.77)</u>		<u>(48,945,122,405.64)</u>	

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
<u>NOTES TO THE FINANCIAL STATEMENTS</u>					
		<u>31.12.2013</u>		<u>31.12.2012</u>	
		Rs.	Cts.	Rs.	Cts.
<u>NOTE - 9 - GOVT. GRANT FOR CAPITAL EXPENDITURE</u>					
Balance B/F		2,111,438.19		1,957,386.91	
Add / (Less):					
Amortization of Govt. Grant		(711,443.11)		(1,320,948.72)	
Addition during the year (from AAIB)		228,272.80		1,475,000.00	
Balance C/F		<u>1,628,267.88</u>		<u>2,111,438.19</u>	
<u>NOTE 10 - PAYABLES</u>					
Agency Commission		176,407.00		109,935.00	
Staff Security Deposit		163,700.00		185,900.00	
A.A.I.B. Current A/C		63,724,278.58		57,147,178.08	
Pension Payment		3,033,329,200.00		1,386,329,200.00	
Pension Commission		13,012,560.00		6,148,860.00	
Group Insurance Premium		114,993,470.00		86,704,870.00	
Loan for Pension Payment					
- Fisheries Pension Scheme		638,676,801.39		608,316,450.94	
- AAIB		295,446,605.07		272,829,074.77	
		<u>4,159,523,022.04</u>		<u>2,417,771,468.79</u>	
<u>NOTE 11- ACCRUED EXPENSES</u>					
Provision for Printing Charges		311,771.16		211,771.16	
Provision for Audit fees					
- Previous year		2,632,031.00		2,382,031.00	
- Current year		250,000.00		250,000.00	
		<u>3,193,802.16</u>		<u>2,843,802.16</u>	

AGRICULTURAL AND AGRARIAN INSURANCE BOARD				
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME				
<u>NOTES TO THE FINANCIAL STATEMENTS</u>				
	<u>31.12.2013</u>		<u>31.12.2012</u>	
	Rs.	Cts.	Rs.	Cts.
<u>NOTE 12 - ADMINISTRATION EXPENSES</u>				
Salaries & Wages	51,308,000.35		54,606,010.08	
E.P.F.	4,856,667.51		4,472,351.25	
E.T.F.	1,214,166.89		1,118,089.87	
Traveling & Subsistence	1,442,710.00		1,302,748.21	
Over Time	822,717.98		666,687.63	
Daily Pay	97,213.13		48,022.44	
Medical Expenses	273,792.00		279,072.00	
Gratuity	3,630,469.50		2,880,180.00	
T.A.C. Allowances	18,000.00		8,992.00	
Staff welfare	261,183.50		261,702.50	
Legal Fees	813,018.67		103,749.20	
Staff Uniform	131,572.20		7,200.00	
Allowance to Board Members	156,000.00		111,490.00	
Consultation Fees	8,000.00		4,800.00	
Labour Charges	-		6,900.00	
Rent	4,942,373.70		4,868,831.30	
Telephone	692,405.82		1,054,554.64	
Postage	1,021,947.25		544,452.02	
Security	138,369.92		130,325.56	
Electricity	923,982.77		914,205.14	
Water Bill	129,763.93		119,419.11	
Audit Fees	250,000.00		250,000.00	
Translation Fees	750.00		-	
Fuel	1,836,266.54		1,919,515.89	
Awareness & Training	110,974.72		200,713.79	
Printing	998,925.73		788,629.69	
Stationery & Consumables	1,289,404.31		1,406,547.03	
Entertainments	40,961.40		66,910.20	
Main. of Motor Vehicle	1,658,562.59		1,737,113.42	
Main. of Building	80,522.19		58,373.00	
Main. of Office Equipment	129,805.67		217,867.27	
Main. of Computer	155,847.40		282,504.27	
Depreciation	711,443.11		1,320,948.72	
	80,145,818.78		81,758,906.23	
<u>NOTE 13 - FINANCE & OTHER</u>				
Loan Interest	72,977,880.75		67,154,495.00	
Bank Charges	29,079.83		80,903.35	
Bank Commission	-		-	
Debit Tax	-		-	
Unrecoverable Receivable's	-		4,090,908.36	
	73,006,960.58		71,326,306.71	

**Financial Statements as at 31 December 2013
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 31ST DECEMBER 2013				
				Restated
				31.12.2012
	<i>Note</i>	Rs.	Cts.	Rs. Cts.
ASSETS				
<i>Non - Current Assets</i>				
Plant , Property & Equipment	1	1,740.00		2,966.60
		1,740.00		2,966.60
<i>Current Assets</i>				
Stock	2	154,252.55		170,081.30
Receivables	3	640,382,489.39		610,126,275.94
Financial Instruments held to Maturity	4	24,056,771.80		35,470,811.61
Cash at Bank	5	1,358,628.52		2,460,055.58
		665,952,142.26		648,227,224.43
TOTAL ASSETS		665,953,882.26		648,230,191.03
EQUITY & LIABILITIES				
<i>Capital & Reserves</i>				
Fishermen's Pension Fund	6	(1,711,866,161.54)		(1,529,127,538.52)
Group Life Insurance Fund	7	20,210,079.70		19,198,329.70
		(1,691,656,081.84)		(1,509,929,208.82)
<i>Non - Current Liabilities</i>				
Pension Liability		2,344,270,819.00		2,149,338,000.00
Provision for Staff Gratuity		1,043,500.00		942,945.00
<i>Current Liabilities</i>				
Total Payables	8	10,879,620.10		6,647,429.85
Accrued Expenses	9	1,416,025.00		1,231,025.00
Bank Overdraft				
		12,295,645.10		7,878,454.85
TOTAL EQUITY & LIABILITIES		665,953,882.26		648,230,191.03
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 of these Financial Statements.				
Signed for and on behalf of the Board by;				
.....				
Chairman		Member of Director Board		
Agricultural & Agrarian Insurance Board		Agricultural & Agrarian Insurance Board		

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
STATEMENT OF CHANGES IN EQUITY			
FOR THE YEAR ENDED 31ST DECEMBER 2013			
	Fishermen's Pension Fund	Life Insurance Fund	Total
Balance as at 31st December 2011	267,299,638.11	18,207,786.70	285,507,424.81
PV of Pension Liability	(1,641,734,000.00)	-	(1,641,734,000.00)
Adjusted balance as at 31st Dec. 2011	(1,374,434,361.89)	18,207,786.70	(1,356,226,575.19)
Additions during the year - 2012			
Net Surplus	(154,693,176.63)		
Income Over Expenditure - life Insurance	-	990,543.00	-
as at 31st Dec. 2012	(1,529,127,538.52)	19,198,329.70	(1,509,929,208.82)
Additions during the year - 2013			
Net Surplus	(182,738,623.02)		(182,738,623.02)
Income Over Expenditure - life Insurance	-	1,011,750.00	1,011,750.00
Balance as at 31st Dec 2013	(1,711,866,161.54)	20,210,079.70	(1,691,656,081.84)

AGRICULTURAL AND AGRARIAN INSURANCE BOARD		
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME		
CASH FLOW STATEMENT		
FOR THE YEAR ENDED 31ST DECEMBER 2013		
		31.12.2013
		Rs. Cts.
<u>Cash flows from Operating actives</u>		
Net Surplus		(182,738,623.02)
Adjustments For		
Depreciation		1,226.60
Adjustments in respect of Prior Year		-
		(182,737,396.42)
Provision for Retiring Gratuity		100,555.00
Operating profit before working capital changes		(182,636,841.42)
(Increase) / Decrease in Inventories		15,828.75
(Increase) / Decrease in Receivables		(30,256,213.45)
(Increase) / Decrease in Other Payables		4,232,190.25
(Increase) / Decrease in Accrued expenses		185,000.00
		(25,823,194.45)
Cash Flows from Investing Activities		
Cash Generated from operation Activities		(208,460,035.87)
Retiring Gratuity - Paid		-
Net Cash Flows from Operating Activities		(208,460,035.87)
<u>Cash Flows from Investing Activities</u>		
Govt. Grant for Capital expenditure		-
Financial Instrument		11,414,039.81
Purchases of Property, Plant & Equipment		-
Contribution for group insurance scheme		1,691,660.00
Benefits during the year		(679,910.00)
Net Cash flows from Investing Activities		12,425,789.81
<u>Cash Flows from financing Activities</u>		
Proceeds from long term borrowings		194,932,819.00
Repayment of long term borrowings		-
Net Cash Flows from Financing Activities		194,932,819.00
Net Increase / (Decrease) in cash & Cash Equivalents		(1,101,427.06)
Cash & Cash equivalents at Beginning of the year		2,460,055.58
		1,358,628.52
Cash& Bank balance at the end of the year		
Cash at Bank - 31.12.2013		1,358,628.52

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FISHERMAN'S PENSION & SOCIAL SECURITY BENEFITS SCHEME
SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31ST DECEMBER 2013**

1-GENERAL POLICIES

1.1 Reporting entity

Agricultural and Agrarian Insurance Board of Sri Lanka 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

Operates a pension and social security benefits scheme for fishermen's.

1.3 Basis of compliance

(a) Statement of compliance

The financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves, cash flow statement 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. These financial statements for the year ended 31 December 2013 are the first set of the financial statements that the board has prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) immediately effective from 1 January 2013. The effect of transition to SLFRS/LKAS on previously reported financial position and performance is given in the notes to the financial statement.

(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 on-going 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.

2-ASSETS AND THE BASES OF THEIR VALUATION

2.1Property, 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.

(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) 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 & Fittings	10%
Office Equipments	10%
Welfare equipments	10%
Computers	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

Provisions have been made for retiring gratuities from the completion of the first year of service for all 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 Taxation

The board is exempt from income tax in accordance with the Inland Revenue Act No.22 of 1990 and amendments there to.

3.3 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.

3.4 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.

3.5 Grant

3.5.1 Accounting for government grant

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 STATEMENT OF COMPREHENSIVE INCOME

4.1 Revenue

- c) The revenue of the scheme represents the income from pension Premium, Interest Income from Treasury Bills and other miscellaneous income.
- d) All income for collection of premier has been recognized on as cash basis.

4.2 Revenue Recognition

- d) Pension premier revenue is recognition for at the time of enrollment.
- e) The above revenue is on as cash basis and matched with the related expenditure.
- f) Interest income is accrued on a time basis.

4.3 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;

Expenditure	Rates
Rent, Telephone	5%
Postage, Water Charges	5%
Electricity	5%
Main.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 accordance with the Sri Lanka Accounting Standard – 07 Cash Flow Statement.

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 FIRST TIME ADOPTION OF SLFRS

These financial statements are the first set of financial statements that the Board has prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) for the year ended 31 December 2013. For periods up to and including the year ended 31 December 2012, the Board prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS).

Accordingly, the Board has prepared financial statements which comply with SLFRS applicable for periods ending on or after 31 December 2013, together with the comparative data as at and for the year ended 31 December 2012 as described in the accounting policies. In preparing these financial statements, the Board's opening statement of financial position was prepared as at 1 January 2012, the Board's date of transition to SLFRS.

7.1 Exemption Applied

SLFRS 1 First Time Adoption of Sri Lanka Financial Reporting Standards and Statement of Recommended Practices allow first time adopters certain exemptions from the retrospective application of certain SLFRS.

7.3 The Board has Applied the following

7.3.1 Fair Value or Revaluation as Deemed Cost

Freehold property plant and equipment are carried in the statement of financial position prepared in accordance with the SLAS, using the cost model. The Board has not elected to use the fair value as deemed cost.

8 CONTINGENCIES

Receivable Interest

The board has filed 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

Judgments have been given in favor of the board but Bank of Ceylon has appeal to the appeal court against the above judgments.

9 FIRST TIME ADOPTION OF SLFRS

RECONCILIATION OF FINANCIAL POSITION 31ST DECEMBER 2012

	<u>SLAS</u> <u>31.12.2012</u> Rs. Cts.	<u>Reclassification</u>	<u>Remeasurement</u>	<u>IFRS</u> <u>31.12.2012</u>
<u>ASSETS</u>				
<u>Non - Current Assets</u>				
Plant , Property & Equipment	2,966.60			2,966.60
	<u>2,966.60</u>			<u>2,966.60</u>
<u>Current Assets</u>				
Stock	170,081.30			170,081.30
Receivables	610,126,275.94			610,126,275.94
Receivable Interest	94,275.97	(94,275.97)		-
Investment Financial Instrument - held to maturity	35,376,535.64	(35,376,535.64)		-
		35,470,811.61		35,470,811.61
Cash at Bank	2,460,055.58			2,460,055.58
	<u>648,227,224.43</u>			<u>648,227,224.43</u>
TOTAL ASSETS	<u>648,230,191.03</u>			<u>648,230,191.03</u>
<u>EQUITY & LIABILITIES</u>				
<u>Capital & Reserves</u>				
Fishermen's Pension Fund	(1,529,127,538.52)			(1,529,127,538.52)
Group Life Insurance Fund	19,198,329.70			19,198,329.70
	<u>(1,509,929,208.82)</u>			<u>(1,509,929,208.82)</u>
<u>Non - Current Liabilities</u>				
Pension Liability	2,149,338,000.00			2,149,338,000.00
Provision for Staff Gratuity	942,945.00			942,945.00
<u>Current Liabilities</u>				
Total Payables	6,647,429.85			6,647,429.85
Accrued Expenses	1,231,025.00			1,231,025.00
Bank Overdraft	7,878,454.85			7,878,454.85
TOTAL EQUITY & LIABILITIES	<u>648,230,191.03</u>			<u>648,230,191.03</u>

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 31ST DECEMBER 2013

Description	Office Equipment	Welfare Equipment	Furniture & Fittings	Computers	Total
Cost of as at 1st Jan. 2013	380,728.50	1,325.00	50,376.92	259,515.00	691,945.42
Add. Addition	-	-	-	-	-
Less. Disposals	-	-	-	-	-
Total Cost as at 31st Dec. 2013	380,728.50	1,325.00	50,376.92	259,515.00	691,945.42
Depreciation Rate	10%	10%	10%	20%	
Accumulated Dep. As at 1st January 2013	380,409.90	1,325.00	50,376.92	256,867.00	688,978.82
Less. Disposals	-	-	-	-	-
Depreciation for the year	318.60			908.00	1,226.60
Total Depreciation	380,728.50	1,325.00	50,376.92	257,775.00	690,205.42
Net Value	-	-	-	1,740.00	1,740.00

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
<u>NOTES TO THE FINANCIAL STATEMENTS</u>			
<u>AS AT 31.12.2013</u>			
		<u>31.12.2013</u>	<u>31.12.2012</u>
<u>NOTE 02 - STOCKS</u>		Rs. Cts.	Rs. Cts.
Printing Materials		154,252.55	170,081.30
		<u>154,252.55</u>	<u>170,081.30</u>
<u>NOTE 03 - RECEIVABLES</u>			
A.A.I.B Current A/C		-	-
Farmers Pension Loan		638,676,801.39	608,316,450.94
Receivable -Department of FSH		1,500,000.00	1,500,000.00
Death Gratuity Advance		50,000.00	50,000.00
Receivable Premia		155,688.00	259,825.00
		<u>640,382,489.39</u>	<u>610,126,275.94</u>
<u>NOTE 04 -</u>			
<u>FINANCIAL INSTRUMENTS HELD TO MATURITY</u>			
Treasury Bills - B.O.C		24,056,771.80	35,470,811.61
		<u>24,056,771.80</u>	<u>35,470,811.61</u>
<u>NOTE 05 - CASH AT BANK</u>			
A/C No. 164790 BOC Union Place		511,697.23	156,865.23
A/C No. 164795 BOC Union Place		846,931.29	2,303,190.35
		<u>1,358,628.52</u>	<u>2,460,055.58</u>
<u>NOTE 06 - FISHERMEN'S PENSION FUND</u>			
Balance B/F		(1,529,127,538.52)	(1,374,434,361.89)
Less : Receivable Admin exp.			-
PV of Pension Liability - Up to 2009			
Previous Year Adjustment		-	-
		<u>(1,529,127,538.52)</u>	<u>(1,374,434,361.89)</u>
<u>Addition during the year</u>			
Total Surplus/(Deficit) for the year		<u>(182,738,623.02)</u>	<u>(154,693,176.63)</u>
		<u>(1,711,866,161.54)</u>	<u>(1,529,127,538.52)</u>
		<u>(1,711,866,161.54)</u>	<u>(1,529,127,538.52)</u>

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
<u>NOTES TO THE FINANCIAL STATEMENTS</u>			
<u>AS AT 31.12.2013</u>			
		<u>31.12.2013</u>	<u>31.12.2012</u>
		Rs. Cts.	Rs. Cts.
<u>NOTE 7 - GROUP LIFE INSURANCE FUND</u>			
<u>Add:</u>			
Disablement Gratuity Payments		-	-
Death Gratuity Payments		(679,910.00)	(658,797.00)
		<u>(679,910.00)</u>	<u>(658,797.00)</u>
		<u>1,011,750.00</u>	<u>990,543.00</u>
		<u>20,210,079.70</u>	<u>19,198,329.70</u>
<u>NOTE 08 - PAYABLES</u>			
Payable - Pension Payment		1,644,753.00	310,059.00
Payable - Agricultural Insurance scheme		8,704,380.10	5,596,546.85
Payable - Refundable Contribution		119,391.00	189,740.00
Payable - Death Gratuity		286,000.00	316,000.00
Payable - Incentivemen		52,250.00	64,371.00
Payable - Refund interest on Contributions		72,846.00	170,713.00
		<u>10,879,620.10</u>	<u>6,647,429.85</u>
<u>NOTE 9 - ACCRUED EXPENSES</u>			
Printing Charges		240,000.00	155,000.00
Leegal Fees		17,000.00	17,000.00
Provision for Audit Fees		1,159,025.00	1,059,025.00
		<u>1,416,025.00</u>	<u>1,231,025.00</u>



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கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

FB/E/AAIB/1/13/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

18 December 2014

The Chairman,
Agricultural and Agrarian Insurance Board

Report of the Auditor General on the Financial Statements of the Agricultural and Agrarian Insurance Board for the year ended 31 December 2013 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

The English version of the above mentioned report is sent herewith


W.P.C. Wickramaratne
Acting Auditor General

Copy to: - Secretary, Ministry of Finance and Planning



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Your No.

දිනය
திகதி
Date

13 December 2014

The Chairman,
Agricultural and Agrarian Insurance Board

Report of the Auditor General on the Financial Statements of the Agricultural and Agrarian Insurance Board for the year ended 31 December 2013 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

The audit of Financial Statements of the Agricultural and Agrarian Insurance Board for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 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 Section 13(1) of the Finance Act, No.38 of 1971 and Section 28 of the Agricultural and Agrarian Insurance Act, No. 20 of 1999. My comments and observations which I consider should be published with the annual report of the Board in terms of Section 14 (2) (c) of the Finance Act, appear in this report. A detail report in terms of Section 13(7) (a) of the Finance Act was issued to the Chairman of the Board on 22 August 2014.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 -1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures

1

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

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

1.4 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Agricultural and Agrarian Insurance Board as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards(LKAS)

The following observations are made.

- (a) Staff loans amounting to Rs.38, 156,662 had not been recognized and measured as financial assets in terms of LKAS 39.
- (b) Actuarial valuation and accounting had not been done for the define benefit plan and the contribution had not been invested by the employer in order to discharge the obligation under a defined benefit plan in terms of LKAS 19.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) The insurance income receivable aggregating to Rs. 9,444,432 had not been taken in to account for the year under review. As a result, the insurance income receivable and the insurance commission payable had been understated by Rs. 9,444,432 and Rs.377,778 respectively.

- (b) The insurance income receivable for the previous year amounting to Rs.1,533,034 had been recognized as insurance income for the year under review and the insurance income receivable for the year under review totaled Rs.1,615,560 had been omitted in the accounts.
- (c) Administration expenditure for the year under review had been understated by Rs.447,783 in the financial statement and as a results deficit of the year had also been understated by the same amount.
- (e) A sum of Rs.256,520 receivable from a Government Ministry with regard to transfer of assets to that Ministry had been omitted in the accounts.
- (f) Provision for bad and doubtful debt shown in the financial statements had been overstated by Rs.1,872,818 due to applied the incorrect accounting practice.
- (g) Farmers Trust Fund loan account balances amounting to Rs.274,500 had been understated as a result of debiting the interest payment made to the loan account.
- (h) Interest income amounting to Rs.22,617,530 which had been charged against the loan receivable from Farmer's Pension Fund had not been recognized as an income for the year under review.

2.2.3 Unexplained Differences

The following observations are made,

The following unexplained differences were observed between the amounts shown in the detailed schedules of the Development Branch and the amounts shown in financial statements as at 31 December 2013 in respect of revenue and indemnity payments.

Items	Amount as per the financial statements	Amount as per detail schedules of the Development Branch	Difference (after commission)
	----- Rs.	----- Rs.	----- Rs.
Revenue			
Livestock	8,897,267	7,419,539	1,477,728
Suwesetha and Life	1,266,494	784,535	481,959
Agri Equipment	436,918	736,683	(299,765)
Indemnity Payments			
Livestock	6,785,703	6,821,637	(35,934)
Paddy	150,022,999	118,647,831	31,375,168
Subsidiary crop	9,462,221	25,031,666	(15,569,445)
Suwesetha and life	117,723	107,613	10,110

2.2.4 Accounts Receivable and Payable.

The following observations are made,

- (a) Loan and advance balances of employees' aggregating to Rs. 1,628,832 had remained in the accounts without being recovered for a long period. Further, out of that a sum of Rs.950,185 had remained outstanding for more than 5 years .
- (b) Gratuity payable to the deceased employees aggregating to Rs.320,944 were remained in the accounts for a long period without being settled.
- (c) A sum of Rs. 295,446,605 given to the Farmer's Pension Fund during the period from 2010 to 2013 for the payment of farmers pensions had not been recovered from the relevant Fund even up to end of 31 December 2013.
- (d) A sum of Rs.1,477,336 payable to a private company had remained in the accounts since 2010 without being settled.
- (e) Outstanding salary amounting to Rs.342,023 to be recovered on temporary released employees to the Sport Ministry and Ministry of National Language and Social Integrity had not been recovered by the Board.

2.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed in audit.

(a) Treasury Circulars

- (i) Management Services Circulars No.30 of 22 September 2006 and No.30 (I) of 01 June 2009 Salary scales relevant for the promoted employees had been paid for 2 non-promoted employees contrary to the provisions in these Circulars.
- (ii) Management Services Circular No.30 (II) of 09 September 2009 At the audit test check revealed that an over payment of Rs.151,610 had been made to 07 employees due to calculation of salary conversion contrary to the provisions in the Circular.

(b) Financial Regulation

- (i) Financial Regulation 371 (2) (b) Ad hoc sub imprest amounting to Rs.495,000 had been paid exceeding prescribed limit of Rs.20,000 in 16 instances.
- Settlement of advances amounting to Rs.160,500 had been delayed in 9 instances.
- In three instances, miscellaneous advances
- (ii) Financial Regulation 751 Inventory Register had not been maintained properly to identify the balances of each item separately.
- (iii) Financial Regulation 454 Separate inventory register for each Sections of the Board had not been maintained as requested.

3. Financial Review.

3.1 Financial Results

According to the financial statements presented, the operations of the Board during the year under review had resulted in a deficit of Rs.150,920,566 before taking into account the Government grant for administrative expenses, as compared with the corresponding deficit of Rs.78,743,127 for the preceding year, thus showing a deterioration of Rs. 72,177,439 in the financial results. The decrease of income and increase of expenditure by Rs. 29,120,018 and Rs.43,057,421 respectively as compared with previous year had mainly attributed for this deterioration.

3.2 Analytical Financial Review

According to the financial statements and information made available for audit, the surplus of preceding 5 years and the year under review before taking into accounts the Government grants had been gradually decreased except for the year 2011. Details are shown below.

	2013	2012	2011	2010	2009	2008
	Rs.Mn.	Rs.Mn.	Rs.Mn.	Rs.Mn.	Rs.Mn.	Rs.Mn.
Total Income	109	139	175	128	114	96
Total Expenditure	260	217	150	361	121	134
Surplus/(Deficit) before Government Grant	(151)	(78)	25	(233)	(7)	(38)
Government Grant	69	63	63	85	75	42
Surplus/(Deficit)After Government Grant	(82)	(15)	88	(148)	68	4

c
ording to the above information it was observed that the ability of the Board to continue as a going concern without the financial assistance from the General Treasury is in doubtful.

Operating Review**4.1 Performance****Administration of Insurance Schemes**

According to the information made available, the following statement shows the physical and financial performance of the Insurance Schemes for the year under review and the previous year.

Item	Measurement	Targets				Achievements							
		Physical		Financial		Physical		Financial		Physical		Financial	
		2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
				Rs.(000)	Rs.(000)			Rs.(000)	Rs.(000)	%	%	%	%
1. Crop Insurance													
(a) Paddy	Acr	88,428	97,290	90,107	85,897	49,108	66,352	57,386	77,931	55.53	68.20	63.69	90.73
(b) Chillies	Acr	967	490	1,289	1,583	360	206	657	825	37.23	42.00	50.97	52.12
(c) Big Onion	Acr	1,364	1,125	4,450	3,328	1,233	1,538	4,364	4,086	90.40	136.71	98.07	122.77
(d) Coconut	Acr	270	193	267	304	-	-	-	-	-	-	-	-
(e) Sugar Cane	Acr	323	1,200	482	2,000	30	-	73	-	9.29	-	-	-
(f) Maize	Acr	9,922	12,530	17,917	19,208	6,857	6,618	12,856	10,441	69.11	52.81	71.75	54.87
(h) Flower Plant	Plant	110,030	5,050	201	201	-	-	-	-	-	-	-	-
(j) Potato	Acr	800	1,280	2,000	3,200	824	732	3,815	2,886	103.00	57.18	190.75	90.00
(k) Other Crop	Acr	9,403	9,435	12,591	10,866	2,055	2,909	2,187	2,841	22.00	31	17.36	26.00
(l) Vegetable	Acr	225	400	7,002	1,200	540	631	819	937	240.000	157.75	11.70	78.00
2. Livestock													
Cattle	Nos	9,428	10,096	21,604	23,381	3,077	4,856	6,637	11,899	32.63	48.09	30.72	50.89
Goat	Nos	9,857	9,168	6,570	4,305	1,227	2,261	783	1,205	12.45	24.6	11.92	27.99
3. Stores	Nos	464	860	3,028	3,810	0	17	0	238	0.00	1.97	0.00	6.25
4. Agri Equipment	Nos	3,450	4,109	13,559	13,625	87	316	736	4,484	2.52	7.69	5.44	32.91
5. Suwasetha	Nos	27,576	33,715	16,349	14,946	1,566	2,013	785	1,040	5.68	5.97	4.80	6.90
6. Life Insurance	Nos	19,365	21,931	18,214	18,185	686	1,433	584	1,157	3.54	6.53	3.21	6.36

The following observations are made in this regard.

- (a) The achievement of physical targets of the insurance schemes such as Chilies, Sugar Cane, Other Crop, Goat, Cattle, Stores, Agri Equipment, Life Insurance and Suwasetha and Life Insurance were less than 50 per cent.
- (b) The achievement of financial targets of insurance schemes such as Other Crop, Vegetable, Cattle, Goat, Stores, Agri Equipment, Life Insurance and Suwasetha had been below 50 per cent.
- (c) Even though the physical and financial targets for Flower Plant, Coconut, Sugar Cane and Stores insurance had been set out, no any insurance had been done during the year under review.

4.2 Delays in Projects

An expenditure of Rs.585,800 had been incurred in the year 2008 for the development of a land to construct a building and shown as a capital advance in the financial statements of the year. However, the land had remained idle for a long period without being constructed any building.

4.3 Irregular Use of Assets Belonging to Other Institutions

Seven Jeeps belonging to other institutions had been irregularly used by the Board for a long period without being transferred the ownership of the vehicle.

4.4 Contractual Agreements

A sum of Rs.10,002,888 (excluding VAT) had been paid as rent for a building in the year under review without entering in to an agreement with the owner of the building after expiration of the previous agreement on 31 December 2012.

4.5 Human Resources Management

It was observed that 103, 88 and 126 vacancies were existed as at the end of the years 2011, 2012 and 2013 respectively in respect of executive, Non executive and Minor employees categories against as compared with the approved cadre. However meaning full actions had not been taken to fill these vacancies.

5 Accountability and Good Governance

5.1 Delay in the presentation of Financial Statements

According to the Paragraph 6.5.1 of the PED Circular No. 12 of 02 June 2003, the financial statements of the Fund for the year under review should be submitted to the Auditor General within 02 months after the close of the financial year. However, the financial statements for the year under review had been submitted for audit only on 10 April 2014.

5.2 Corporate Plan

Even though the Board had prepared a Corporate Plan for the period 2014 – 2016, it had not been updated for the year 2013 in terms of Section 5.1.3 of the Department of Public Enterprises Circular No. PED/ 12 of 02 June 2003

5.3 Budgetary Control

Significant variances were observed between the budgeted income and expenditure and the actual income and expenditure for the year 2013, thus indicating that the budget had not made use of as an effective instrument of internal control.

6 Systems and Controls

Deficiencies observed in systems and controls during the course of audit were brought to the notice of the Board from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accountings
- (b) Receivables and Payables
- (c) Utilization of Vehicles
- (d) Budget
- (e) Personnel Management
- (f) Corporate Plan and Action Plan

W.P.C Wickramaratne

Acting Auditor General



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AUDITOR GENERAL'S DEPARTMENT



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எனது இல.
My No.

FB/E/FPS/1/13/03

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உமது இல.
Your No.

දිනය
திகதி
Date

28 December 2014

The Chairman,
Agricultural and Agrarian Insurance Board

Report of the Auditor General on the Financial Statements of the Farmers' Pension and Social Security Benefit Scheme for the year ended 31 December 2013 in terms of Section 14(2) (c) of the Finance Act, No.38 of 1971.

The English version of the above mentioned report is sent herewith.


W.P.C. Wickramaratne
Acting Auditor General

Copy to: - Secretary, Ministry of Finance and Planning



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29 December 2014

The Chairman,
Agricultural and Agrarian Insurance Board

Report of the Auditor General on the Financial Statements of the Farmers' Pension and Social Security Benefit Scheme for the year ended 31 December 2013 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971.

The audit of financial statements of the Farmers' Pension and Social Security Benefit Scheme for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 28 (4) of the Farmer's Pension and Social Security Benefit Scheme Act, No.12 of 1987 and Section 13(1) of the Finance Act, No.38 of 1971. My comments and observations which I consider should be published with the annual report of the Agricultural and Agrarian Insurance Board in terms of Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was issued to the Chairman of the Board on 29 September 2014.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Subsections (3) and (4) of the Section 13 of the Finance Act, No 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit..

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

1.4 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Farmers' Pension and Social Security Benefit Scheme as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Going Concern of the Scheme

The Scheme had a negative Pension Fund account balance of Rs 53,968.5 million by the end of the year under review and it had been increased continuously since the year 2010 as compared with a positive balance of Rs. 663.8 million in the year 2009 due to making the pension payments by obtaining loans from other existing funds of the Board instead of being collecting the adequate contribution from the members of the Scheme. Thus the ability of the Scheme to continue as a going concern without

the financial assistance from the General Treasury other Funds is doubtful. The balance in the Fund account of the Scheme for the year under review and previous four years period are given below.

Year	Fund Account Balance
-----	-----
	Rs. million
2013	(53,968.5)
2012	(48,945.1)
2011	(44,154.2)
2010	(40,536.7)
2009	663.8

2.2.2 Non-Compliance with Sri Lanka Accounting Standards (LKAS)

In terms of LKAS 19, the actuarial valuation for pension liability had been done in the year 2007 and thereafter no actuarial valuation had been done for the pension liability. Further, according to the LKAS 19, the actuarial valuation and accounting had not been done for the define benefit plan and the contribution had not invested by the employer in order to discharge the obligation under a defined benefit plan.

2.2.3 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- (a) Gratuity provision for an interdicted employee since 2012 had not been made, thus the gratuity liability had been understated by Rs.280,170.
- (b) Value of stock shown in the financial statements amounting to Rs. 2,244,279 had been understated by Rs. 197,990 due to erroneous calculations.

- (c) The pensions paid to the farmers in the Anuradhapura and Polonnaruwa Districts amounting to Rs.7,305,897 during the year 2012 had not been deducted from the
- (d) pension liability up to the end of 31 December 2013. Hence, the pension liability had been overstated by the same amount as at 31 December 2013.
- (e) Commissions paid to the Post Offices for year 2012 amounting to Rs.6,148,860 had been deducted from the pension liability instead of being accounted separately. Thus the said liability had been understated by such amount.
- (f) Income receivable amounting to Rs.74,918 which confirmed by the respective debtors had been omitted in the financial statements.

2.2.4 Accounts Receivable and Payable

The following observations are made.

- (a) Out of the total balances of income receivable amounting to Rs. 6,546,279 shown in the statement of financial position as at 31 December 2013, only a sum of Rs.3,356,891 or 51.27 per cent had been confirmed by the respective parties concerned.
- (b) Audit fees payable aggregating Rs.2,632,031 had been continuously brought to the financial statements since 1997 without being settled.
- (c) Short term loans obtained for the payment of pension liability in 2010 and interest payable thereon amounting to Rs. 934,123,406 had remained in the accounts without being settled up to end of the year under review.
- (e) Income receivable amounting to Rs.714,497 had remained in the accounts without being collected from the respective parties since 2006.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the working of the Scheme for the year under review had resulted in a deficit of Rs. 5,026,459,340 as compared with the corresponding deficit of Rs.4,670,653,340 for the preceding year, thus indicating a further deterioration of Rs.355, 806,000 or 7 per cent in the financial results.

The main reasons for the above deterioration are given below.

- (a) The decrease of interest income and farmers' contribution by 31 per cent and 35 per cent respectively as compared with the corresponding income and contribution of the preceding year.
- (b) The group insurance premium expenses for the year under review were 815 per cent and 800.3 per cent as compared with the life insurance premium income received and the total farmers' contribution received respectively. Further the Group insurance premium had been paid on the basis of average number of farmers without considering the actual number of farmers.
- (c) Farmer's pension liability as at the balance sheet date had been increased by Rs.71,362,000 in terms of LKAS 36 based on actuarial valuation done in the year 2007.

3.2 Analytical Financial Review

According to the information made available, the following table gives the highlights of the financial results for the year under review and the previous 04 years.

	2013	2012	2011	2010	2009
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Total Income	40,104	61,148	115,434	170,898	306,607
Total Expenditure	(1,847,921)	(1,587,686)	(1,402,379)	(1,195,110)	(1,103,779)
Increase of Pension Liability	(3,288,353)	(3,216,991)	(3,059,459)	(2,938,033)	-
Deficit for the year Before Government Grant	(5,096,170)	(4,743,529)	(4,346,404)	(3,962,245)	(797,172)
Government Grant	69,000	71,555	727,605	39,500	55,860
Amortization of Government Grant	711	1,321	1,228	1,477	-
Deficit After the Government Grant	(5,026,459)	(4,670,653)	(3,617,571)	(3,921,268)	(741,312)

The following observations are made in this regard.

- (i) The income had decreased gradually by 87 per cent during the period from 2009 to 2013, whereas the total expenditure had increased by 67 per cent during the same period.
- (ii) The net surplus before the Government grant had drastically decreased during the period from 2009 to 2013 due to establishing the pension liability in real terms and increase of expenditure.

4 Operating Review

4.1 Performance

The following observations are made.

- (a) Total contributions collected from the farmers for the Scheme and the payment of pension for the year under review and the preceding 04 years are given below.

Year	Contributions	Pension Expense
	Rs. million	Rs. million
2013	32.1	1,646.98
2012	49.6	1,380.7
2011	97.6	1,226.7
2010	136.7	1,044.7
2009	148.7	955.6

The payments of pension for the last five years continuously increased drastically meanwhile the contribution received had been gradually decreased due to the inability of enroll the Farmers to the Scheme.

- (b) The second and subsequent premium amounting to Rs.38,229,878 or 31 per cent out of the budgeted amount of Rs.122,666,000 had only been collected during the year under review.

- (c) No any single farmer had been enrolled to the Scheme during the year under review.
- (d) A sum of Rs.3,318,494 was refunded to 81 contributors as their membership of the Scheme forfeited during the year under review.
- (e) The investments and the interest income thereon had rapidly decreased since the year 2008 as sown below.

Year	Investments	Interest Income
	Rs. million	Rs. million
2013	14.5	1.9
2012	12.4	2.7
2011	30.7	1.6
2010	3.5	14.9
2009	582.2	138.9
2008	1,256.1	243.9

According to the above information investments had decreased from Rs.1,256.1 million in 2008 to Rs.14.5 million or 99 per cent in the year 2013 and interest income had also decreased from Rs.243.9 million in 2008 to Rs.1.9 million or 99 per cent in the year 2013.

4.3 Deficiencies in Operation of Bank Accounts

The Scheme had not taken proper action in respect of 117 unrealized cheques valued at Rs.1,179,624 shown in the bank reconciliation statements since 1992.

4.4 Delays in Projects

The following observations are made.

- (a) Even though a sum of Rs. 21.5 million had been paid since the year 1987 for computerizing the personal accounts of the contributors of the Scheme, such accounts had not been computerized and updated even by 31 December 2013 after lapse of 25 years. Further, the Scheme had not maintained adequate information to determine the contributors becoming eligible for the payment of contributions to the Scheme. Accounts of the contributors had not been updated by the District Offices as well.

- (b) An agreement had been entered into with the University of Colombo in the year 2008 to develop a new computerized system for the Scheme. The expenditure incurred thereon up to the year under review amounted Rs. 5,479,120. According to
- (c) the agreement, the Project should be completed within the six months period, but it had not been completed even by the end of the year under review

4.5 Matters of Contentious Nature

The following observations are made.

- (a) Forty eight cheques valued at Rs. 2,791,679 and bank drafts valued at Rs.7,152,249 had been misappropriated in the year 2008 by 02 Directors and one Assistant Director of the Board. A case in this connection had been filed in the High Court and not so far settled.
- (b) A case was filed against the field officer who had misappropriated pension money of Rs.369,590 had been dismissed during the year under review. Only a sum of Rs.100,000 had been recovered from him and the case was closed. Therefore, the balance of Rs. 269,590 could not be recovered and the necessary adjustments had not been made in the accounts up to end of 31 December 2013.

5. Accountability and Good Governance

5.1 Delays in the Presentation of Financial Statements

According to the Paragraph 04.3 of the Public Finance Circular No.PF/423 of 22 December 2006, the financial statements of the Fund for the year under review should be submitted to the Auditor General within 02 months after the close of the financial year. However, the financial statements for the year under review had been submitted for audit only on 10 April 2014.

5.2 Corporate Plan

Even though the Board had prepared a Corporate Plan for the period 2014 – 2016, it had not been updated for the year 2013 in terms of Section 5.1.3 of the Department of Public Enterprises Circular No. PED/ 12 of 02 June 2003.

5.3 Budgetary Control

Significant variances were observed between the budgeted and actuals of income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

6 Systems and Controls

Deficiencies observed in systems and controls during the course of audit were brought to the notice of the Chairman of the Board from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting.
- (b) Control over the Contributors' Accounts.
- (c) Pension Payments.
- (d) Budget.
- (e) Accounts Receivable and Payable.

W.P.C.Wickramaratne

Acting Auditor General



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திகதி } 28 December 2014
Date }

The Chairman,
Agricultural and Agrarian Insurance Board

Report of the Auditor General on the Financial Statements of the Fishermen's Pension and Social Security Benefit Scheme for the year ended 31 December 2013 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971.

The English version of the above mentioned report is sent herewith


W.P.C. Wickramaratne
Acting Auditor General

Copy to: - Secretary, Ministry of Finance and Planning



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The Chairman,
 Agricultural and Agrarian Insurance Board

Report of the Auditor General on the Financial Statements of the Fishermen's Pension and Social Security Benefit Scheme for the year ended 31 December 2013 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971.

The audit of Financial Statements of the Fishermen's Pension and Social Security Benefit Scheme for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 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 Section 28 (4) of the Fishermen's Pension and Social Security Benefit Scheme Act, No.23 of 1990 and Section 13(1) of the Finance Act, No.38 of 1971. My comments and observations which I consider should be published with the annual report of the Agricultural and Agrarian Insurance Board in terms of Section 14 (2) (c) of the Finance Act, appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act, was issued to the Chairman of the Board on 02 September 2014.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conduct my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

1.4 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Fishermen's Pension and Social Security Benefit Scheme as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Going Concern of Pension Scheme

The pension liability had been assessed and re-established during the year under review and the provision made thereon had been charged against the income for the year under review and as well as for the preceding years. Therefore, it had badly affected to the

financial results of the respective years. As a result, the negative net asset position of the Scheme as at 31 December 2013 was Rs. 1,691,656,081. Accordingly, there is a possibility to increase this provision in future years too and it would adversely affect to the going concern of the Scheme.

2.2.2 Compliance with Sri Lanka Accounting Standards

In terms of LKAS 19, the actuarial valuation of pension liability had been done in the year 2007 and thereafter no actuarial valuation had been done for the pension liability. However, the number of contributors had been increased from 54,248 to 68,560 or 26 per cent during the period of 2007-2014 and as well as the liability had also been increased from Rs.1,242 million to Rs.2,344 million or 88 per cent during the same period. Further, the actuarial valuation and accounting had not been done for the define benefit plan in terms of the above standard and the contributions had not been invested by the employer in order to discharge the obligation under a defined benefit plan.

2.2.3 Accounting Deficiencies

A sum of Rs.1,500,000 receivable from a Government Department on behalf of reimbursing the administrative expenses for the year 2012 had been omitted in the accounts.

2.2.4 Accounts Receivable and Payable

The following observations are made.

- (a) A sum of Rs.639 million (loan and interest) given to the payment of farmers pension up to December 2013 had been carried forward without being recovered.

- (b) Audit fees payable aggregating Rs.1,059,025 had been brought forward without being settled since 1998.

2.2.5 Recognition of Interest Income

A sum of Rs.50,360,350 had been recognized as interest income in the year under review on funds granted to the Farmers' Pension and Social Security Benefit Scheme for the payment of farmers' pension. However, there was no any agreement between these two Schemes with regard to the payment of interest on such funds. Further, this interest income is representing 91.15 per cent of the total income of the year under review.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed in audit.

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>Non-compliance</u>
(a) Fishermen's Pension and Social Security Benefit Scheme Act, No.23 of 1990	
(i). Section 20	Although the Consultants Committee should be consist of 12 members comprising 06 ex-officio members and 06 nominated members, only 07 members had been appointed for the year 2013.
(ii). Section 26	Action had not been taken to inform the relevant defaulted members regarding the cancellation of their membership in terms of provision in the Act.
(b) Public Enterprises Circular No. PED 12 of 02 June 2003	
----- (i) Paragraph 7 of Chapter 9	Special allowances totalling to Rs. 395,928 had been paid to certain officers without obtaining the proper approval from the General Treasury.

3. Financial Statements

3.1 Financial Results

According to the financial statements presented, the working of the Scheme for the year under review had resulted in a deficit of Rs. 182,738,623 as compared with the corresponding deficit of Rs. 154,693,176 for the preceding year, thus indicating a further deterioration of Rs.28,045,447 or 18 per cent in the financial results.

The main reasons for the above deterioration are given below.

- (a) Interest income and Fishermen's contributions had decreased by Rs.7,466,880 or 12.48 per cent and Rs.537,646 or 15.62 per cent respectively as compared with the preceding year.

- (b) Pension payments and pension liability had increased by Rs.7,870,966 or 26.68 per cent and Rs.13,719,819 or 7.57 per cent respectively as compared with the preceding year.

3.2 Analytical Financial Review

According to the information made available, the following table gives the highlights of the financial results for the year under review and the previous year.

	Year ended 31 December		Variation
	2013	2012	
	Rs.	Rs.	%
Interest Income	52,346,551	59,813,431	(12.48)
Fishermen's Contribution	2,904,746	3,442,392	(15.62)
Grant for Recurrent Expenditure	1,500,000	-	-
Total Income	56,751,297	63,255,823	(10.28)
<u>Less: Expenses</u>			
Pension Payments	(37,367,889)	(29,496,923)	(26.68)
Other Operating Expenditure	(3,226,101)	(3,091,878)	(4.34)
Increase of Pension Liability	(194,932,819)	(181,213,000)	(7.57)
Administrative and Finance Expenses	(3,963,111)	(4,147,199)	4.44
Total expenses	(239,489,920)	(217,949,000)	(9.88)
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Overall Deficit for the Year	<u>(182,738,623)</u>	<u>(154,693,177)</u>	<u>(18.13)</u>

The following observations are made in this regard.

- (a) Although the total contribution to the Pension Scheme for the year under review was Rs. 1,213,086, the total pension payments for the year under review was Rs.37,367,889. Therefore, pension payment exceeds the contribution received by 3,083 per cent.
- (b) The balance in the Fund account of the Scheme as at 31 December 2013 had decreased to Rs. 28.03 million or 18.13 per cent in the year under review as compared with the preceding year due to increase the overall deficit by Rs.28,045,447.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) The Scheme had not taken any action to conduct the promotional programs in order to enroll the new contributors to the Scheme during the year under review.
- (b) Although 1,700 contributors had been targeted to enroll during the year under review, the actual number of contributors enrolled was only 476, thus showing an achievement of only 38 per cent. It was also observed that even a single contributor had not been enrolled in seven Districts.
- (c) It was expected to obtain a contribution of Rs.3,540,000 from the members for the year under review. However, the actual contribution received was only Rs.2,169,418.
- (d) Even though the targeted second and subsequent premium collection from 39,900 contributors for the year under review was Rs. 5,985,000, the actual collection from 1,129 contributors was only Rs.849,599 or 14.19 per cent.

4.2 Operating Inefficiencies

The Scheme had not taken proper action to identify the forfeited contributors and to recover the arrears installments to be recovered from them.

5. Accountability and Good Governance

5.1 Delays in the Presentation of Financial Statements

According to the Paragraph 04.3 of the Public Finance Circular No.PF/423 of 22 December 2006, the financial statements of the Scheme for the year under review

should be submitted to the Auditor General within 02 months after the close of the financial year. However, the financial statements for the year under review had been submitted for audit only on 10 April 2014.

6. Systems and Controls

Deficiencies observed in systems and controls during the course of audit were brought to the notice of the Chairman of the Agricultural and Agrarian Insurance Board by my detailed report issued in terms of Section 13 (7) (a) of the Finance Act. Special attention is needed in respect of the following areas of control.

- (a) Achievement of Objectives
- (b) Payments of Benefits to Fishermen
- (c) Receivables and Payables
- (d) Recovery of Installments
- (e) Function of the Consultation Committee

W.P.C.Wickramaratne

Acting Auditor General



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Date } 2014/10/20

Audit Superintendent
Auditor General's Department
Colombo

Answering to Report 14 (2) (c) of the Year 2013 presented in connection with Agricultural Insurance Scheme

Answering for Report 14(2) (c) submitted herewith in relation to the Agricultural Insurance Scheme for the year 2013.

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Answers for the Report of the Auditor General as per section 14(2) (c) of Finance Act No.38 of 1971 on the financial statements of the Agricultural Insurance Scheme for the year ended 31 December 2013

2. Financial Statements

2.1 Audit Opinion

2.2 Comments on the financial statements

2.2.1 Sri Lanka Accounting Standards

- (a) Employee loans have been accounted as a financial asset under receivable account balances and the relevant accounting policy has been revealed under Note No. 02.4.
- (b) Allocations required for the pension gratuity of employees of the Board have been indicated in financial statements. Allocations have been made for future liabilities based on their real salary. Action will be taken in the future to secure an actuarial assessment on such liabilities.

2.2.2 Accounting deficiencies

- (a) All income identified as to the last date of the preparation of final accounts has been identified as receivable insurance premia. Income received thereafter has been accounted for the next accounting year. The commission relevant to the income to be accounted for the year 2014 has been accounted for that year in respect of that year.
- (b) Measures required for the correct identification of income relevant to the period of time will be taken in the coming accounting year.
- (c) All expenditures reported as to the last date for the preparation of final accounts have been accounted under the accrued basis. Expenditure that will be identified subsequently will be accounted for the year 2014.
- (d) Discussions will be held with the Ministry of Internal Trade In respect of the old assets handed over to that Ministry and action will be instituted to recover the money or have those items returned to the Board.
- (e) The balance of the loans and advance account of employees is Rs. 36,666,009.00. Rs 2,008,295.00 has been accounted for bad debt relative to this balance. As a percentage, this is 5.4% of the total debtors. Measures required for the correct assessment on the probability of the amount allocated for bad debt and the default of loans are being carried out.

(f) Measures required for the removal of the interest accounted for the loan account of the Farmers Trust Fund and correcting the balance are being taken.

(g) The interest for the loans granted in line with the Farmers Pension Scheme has been brought to the accounts of the Life Insurance Fund.

2.2.3 Unexplained differences

- The income shown as per the final accounts is correct and the money in respect of this income has been accounted during the year. As adjustments have been made for insurance premia received for future in preparing the final accounts, it cannot be compared with the income of the Operational Division. However, action is taken to reconcile the income and the operational division as per the final accounts to the fullest extent possible.
- By the time of the preparation of the final accounts, damages to paddy and supplementary crop cultivations for the Maha season of 2013/2014 were being reported and allocations were made accordingly. As the Insurance Division has indicated an income paid as of now for the past cultivation seasons, the reports of these two divisions have been prepared under two bases (accrued and financial). Therefore it is not practical to compare these reports in this manner.

2.2.4 Accounts receivable and payable

(a) Following steps have been taken to recover defaulted loans and advances

- During the year 2014, two debtors have settled their loans and measures have been taken to recover loans of four debtors from their guarantors.
- Letters of demand have been sent to six debtors and their guarantors for the recovery of loans.
- Letters have been sent giving instructions to take necessary measures to meet and discuss with the remaining debtors through Assistant Directors of the districts where they reside to persuade them to repay the loans.
- Permission was sought from the Board of Directors on 28.12.2012 to recover the loans and advances due from employees who have passed away from their gratuity advance and settle the balances. If there remains any balance, after setting off the loans and advances in arrears, action will be taken to hand over such balances to their spouses.
- Necessary measures will be taken for the gradual payment of loans obtained.

- Necessary action will be taken to pay these amounts to the said institution gradually.
- The relevant ministry has been notified to reimburse the relevant salary and action has been taken to show the salary which has not been reimbursed in account reports.

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

(a) Administrative service circulars

(I) and (II) Administrative circulars 30 & 30 (i) & (II) dated 22.09. 2006

Measures will be taken to rectify the inaccuracies taken place in granting promotions and converting salaries.

(b) (I) Financial Regulations 371 (a)

For the payment of compensation, the officials of the Head Office visit districts and continuously carry out computation of compensation. Computation of compensation in respect of a district is thus completed at one and the same time and the duties assigned are performed at night. Advances required to bear necessary expenses during such duties are obtained by the official in charge of the assignment. Whenever there has been a delay in settling advances thus obtained, action has been taken to charge late fees for the money kept at hand and measures have been put in place not to release another advance until the previous advance is settled.

(II) (III) Financial Regulations 363 (a) (IV) 751 and Financial Regulation 454

Inventories are already maintained as per the divisions and the heads of divisions have been instructed as regards updating such inventories and measures have been taken as of now to include items previously not included in the store's inventory.

3. Financial Review

3.1.1 Financial results

3.1.2 Analytical review of the financial status

4. Operational review

4.1 Performance

Administration of insurance schemes

(a),(b), (c)

The Agricultural and Agrarian Insurance Board, as a public sector institution that implements protective mechanisms to guarantee the stability of agricultural cultivations and projects connected with such cultivations, took measures to draw up plans for several selected projects and implement them in the year 2013. Owing to the financial and other impediments experienced by the Board during this period, the Board was not able to reach the expected targets during the year. A slew of reasons contributed for the underachievement of targets but still the Board was able to generate an income amounting to Rs. 93.8 million in the year 2013.

Due to the depletion of funds of the flagship insurance scheme of the Board-the Farmers' Pension Scheme- the payment of pension came to a standstill by mid 2012. Though pension was paid from the income received for the contributors who have been receiving the pension on and off, no pension was paid to contributors who qualified anew for pension entitlement . In the year 2013, payment of all pensions came to a complete halt. This situation has had a devastating impact on the Board as the farmer community lost faith in all schemes implemented by the Board. Farmers who took part in promotional campaigns initiated by the Board emphatically stated that they would not subscribe to any of the schemes of the Board until the restoration of the suspended Farmers' Pension Scheme. Consequently, the progress of both the physical as well as financial aspects of all schemes implemented by the Board took a beating setback and in comparison to the year 2012, this was a massive setback.

Since ours is an institution with limited number of officials, the support of other institutions involved in agriculture is fully enlisted in implementing insurance at field level. Accordingly, the help of the Agrarian Development Department, District Secretariats, Divisional Secretariats, Agriculture Department, Minor Export Crops Department, Animal Products and Health Department, Samurdhi Authority and Mahaweli Authority and their regional offices was mobilized in implementing the relevant plans and achieving goals. In particular the assistance of the relevant field staffs of these institutions was drafted outright. Support of officials such as Agricultural Research and Production Assistants, Grama Niladhari, Agricultural Instructors, Unit Managers, Veterinary Officers and Animal Development Instructors who work very closely with farmer community in field activities was liberally rendered for this purpose. Their support was unfailingly received in popularizing the Farmers' Pension Scheme and they too had to face the crisis stemmed from the suspension of the scheme. Consequently, they stopped the support

hitherto extended to the Board and making it problematic for our organization to carry out field activities.

Since all the schemes implemented by our Board have been designed to be farmer centered, their economic wellbeing too is having an impact on the propagation of these schemes. Crop harvests were destroyed due to adverse weather and climatic conditions experienced continually from the Maha Season of 2010/2011. This resulted in a steep drop in the income of farmers. Thus it became well nigh impossible to enlist farmers for our pension schemes.

Amidst this crisis, the government took a policy decision through the budget of the 2013 to subject all crop cultivations for which fertilizer subsidy was extended to a compulsory insurance scheme. Accordingly, an insurance cover was offered to farmers by levying a premium of Rs.3/= for 1 kilogram of fertilizer. Though the responsibility of implementing and maintaining this scheme should have been handed over to the Agricultural and Agrarian Insurance Board as the sole government agricultural insurance entity, the authority for implementing and maintain was handed over to the “National Insurance Trust Fund” on a decision taken by the government. Of the insurance schemes implemented by the Board, the highest revenue is generated through Paddy Cultivation Insurance Scheme and since fertilizer subsidy is granted to all paddy lands, all cultivated paddy lands came under the purview of the above insurance scheme. Consequently, since farmers refused to have their fields insured by two institutions, the expected targets in paddy insurance could not be reached.

However, measures were taken to insure cultivations on the basis of farmers obtaining agricultural loans and as a result of crop damages due to adverse weather and climatic conditions in the 2010/11 Maha season and in the years 2011 and 2012, farmers were unable to repay their loans and banks restricted the granting of cultivation loans to farmers. This too was a contributory factor to the slump in insurance income. However, the Board made a determined effort and was able to achieve some progress in crop insurance.

Due to the impact of the abovementioned unfavourable conditions, all the lands that were expected to be cultivated could not be cultivated and that too contributed to prevent the targets from being achieved. This has been substantiated by the publication issued by the Socioeconomic and Planning Division of the Department of Agriculture titled “Crop Forecast”. Due to the cumulative effect of the matters outlined above, the income of the farmers declined and conversely it had a negative impact on the attempts of the Board to expand insurance schemes. Therefore the income of the year 2012 could not be achieved.

The entry of new players like “SANASA” to the field of livestock insurance posed a stiff challenge to the Board and as a result no progress could be recorded in this sector as well. The

premium percentage of the cover offered by SANASA was at a much lower level than that of the Board and it was as low as 35% to 46% of the value of an animal inclusive of all taxes. Owing to financial constraints experienced by the Board, it could not reduce the premium levels by such a percentage. However, in order to counter this situation, the Board effected a premium amendment on 11/04/2013, but still it was not sufficient to be competitive and the Board was forced to bring in another amendment to the premium on 01/08/2013. Having lowered the premium, the Board conducted a special promotional programme from 01/08/2013 to 31/01/2014 for a six month period. Thus some progress was witnessed in livestock insurance activities in all districts save for Mullativu. The physical progress at the promotional programme was 3560 and compared to the progress in the year 2012 from August 2012 to January 2013 which was 2686 (cattle 1693, goats 921, cow calves 72), this was a growth of 33%. Though a decline is shown in the insurance of goats and cow calves, this scheme is implemented only for animals distributed on government subsidy and as such the progress of this scheme depends on the number of animals distributed by the government under the subsidy programme. Since there was a drop in such schemes during the year, it appears that the progress has also dropped correspondingly. However, when compared with the income of Rs. 5,440,471 (Rs. 5,415,071/- + Rs.25,400/-) from cattle insurance in the year 2012, (during the period promotional programme was implemented), the financial progress in respect of the promotional programme of 2013 was Rs. 5,329,293/-. (Rs. 5,325,293/- + Rs 3,820/-) which was drop of Rs.1 11,358. This was due to the reduction of the premium percentage, but financial targets had been set in line with higher premia percentage that existed previously.

The flower plant insurance specifically targeted small scale cultivators and they are not keen on insurance as damages caused to small scale flower cultivations are at a negligible level. Coconut insurance scheme is aimed at state funded re-cultivation carried under the aegis of the Coconut Cultivation Board, and this year there had not been any such re-cultivation programmes. Accordingly, the insurance cover was offered for re-planting under the coconut re-cultivation programme of the Coconut Cultivation Board and the insurance period was valid only for four years from the day of planting. However in the absence of such projects during the year, the relevant targets could not be achieved.

Plans for sugarcane cultivation insurance scheme were designed for Hingurana and Pelawatta sugarcane plantations. A proposal was made by the management of the Hingurana Sugarcane Limited to reduce the premia, but the financial situation of the Board could not accommodate a reduction in the premia. By now SANASA has entered the insurance market as a competitor and they have agreed to insure the cultivations for lesser a premium. Therefore our institution did not get the opportunity to insure those cultivations.

Though it had been agreed to following discussions to insure sugarcane plantation of Pelawatta Company Limited, the company was taken over by the government owing to administrative issues. Subsequently the company focused more on administrative problems and salary issues and insurance of cultivation was not pursued. Thus the Board was not able to achieve the targets expected through sugarcane cultivation.

Though the stores insurance was implemented as a state sector entity to supplement the paddy cultivation insurance by insuring paddy purchased and stored by the government, as the head office of the Sri Lanka Insurance Corporation had taken measures through the Paddy Marketing Board to insure the government paddy storage facilities, the relevant district offices were unable to achieve the targets.

Delayed projects

The Agricultural and Agrarian Insurance Board which was established in 1973 is still without a head office. Consequent to a request made from the Ministry of Land Development for a land to construct the head office, a land with an extent of 0.502 hectares from Rajamalwatta, Battaramulla was transferred to the Agricultural and Agrarian Insurance Board. This sum of Rs. 585,800 was paid to the Land Reclamation Authority to obtain a preliminary feasibility report for the construction of a building in the said land. A project report for the construction of the head office building, based on the above report was prepared and was forwarded to the National Planning Department to obtain the treasury provisions. Since a restructuring process is in operation in the Board since 2011, it has become difficult to secure funds from the Ministry of Finance for this project at present.

As the head office is still being maintained in a private building on a rent basis, there is a need to shift the head office to a building of the Board itself. As such it is expected to construct a building in the future at the land allocated in Battaramulla after securing funds through the Ministry. In the event of this project not getting off the ground, action will be taken to reclaim the money paid.

4.3 Use of vehicles not acquired by the Board

The cab bearing No 51-2423 has been acquired by the Board and measures have been taken to use it after having necessary repairs effected. Action is currently being pursued to acquire the remaining seven vehicles to the Board.

4.4 Contract Agreements

The building rental agreement expired on 31 December 2012 and a problematic situation has arisen with regard to the future role of the Board as discussions have been held continuously to merge this institution with the National Insurance Trust Fund or subject it to other form of restructuring process. Further, the proposal by the owner of the building to enter into a new agreement with a higher rental was not accepted on the basis of uncertainty prevailed regarding the future of the institution. Therefore, this was brought to the notice of the Board of Directors and with the concurrence of the owner, the rental was paid at the old price. As the stability of the Board was restored as per the budget proposals of the central government, the owner of the building was called for a meeting of the Board of Directors and the circumstances were explained to him and an agreement was signed for a 03-year period having reduced the extra amount demanded previously. No additional payment was made for the period where there was no agreement.

4.5 Human Resources Management

The approval of the Director of the Management Services was received on 22.05.2014 to fill 126 vacancies that existed in the Board and measures have been taken to complete the process of filling vacancies as per the approved recruitment procedure.

5. Accountability and Good Governance

5.1 Delay in presenting financial reports

As the Board took measures to present the accounts of the Board in accordance with the new accounting standards, additional time was needed for the presentation of accounts.

5.2 Corporate Plan

The Board has prepared a Corporate Plan for the years 2014 – 2016 and action will be pursued to achieve the targets in the coming years as per this plan.

5.3 Control of Budgetary Documents

Action was taken to make use of the Budget for good governance of the Board.

6. Systems and Controls

It is expected to take necessary action to exercise a proper control in the spheres of accounting activities, accounts payable and receivable, budget document, human resources management, corporate plan and action plan.



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Audit Superintendent
Auditor General's Department
Colombo

Answering to Report 14 (2) (c) of the Year 2013 presented in connection with Farmers' Pension Scheme

Answering for Report 14(2) (c) submitted herewith in relation to the Farmers' Pension Scheme for the year 2013.

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Answers for the Report of the Auditor General as per section 14(2) (c) of Finance Act No.38 of 1971 on Financial statements of Farmers' Pension Scheme for the year ended 31 December 2013

2. Financial Statements

2.1 Opinion

2.2 Comments on the financial statements

2.2.1 Going concern of the Scheme

Through Gazette Notification Extraordinary No.153/49, measures were taken to amend the Farmers' Pension Scheme and a new Farmers' Pension scheme that could be maintained on a self-financing basis was introduced. Farmers' Pension Scheme which had suspended payments consequent to the fund becoming zero has resumed the payment of pension and a treasury bond of Rs. 1000 million proposed from 2014 budget too has been channeled for the strengthening of the fund. Further, a sum of Rs. 2276 million has been apportioned from the 2015 budget for the Agricultural and Agrarian Insurance Board and it has also been projected that Rs. 2160 million and Rs. 2200 million would respectively be allocated for the Board for 2016 and 2017. Therefore problems as regards going concern of the Board would not arise in the future.

2.2.2 Non compliance with accounting standards

- a) Allocations required for pension gratuity of the employees of the Board have been shown in the financial reports. These allocations have been made for future liabilities on the basis of their actual salaries. Measures will be taken to conduct an actuarial assessment regarding such liabilities in the future. Such investments are included in the Board's own investments.

2.2.3 Accounting Policies

- a) Action will be taken to allocate relevant gratuity to employees whose service has been terminated.
- b) Steps will be taken to include F.S.B-3 record books which have been overlooked at stocktaking in the stocks.
- c) & d) Pension liability is expected to be reassessed as per the restructuring process necessitated due to the current situation of the Farmers' Pension Scheme.

- e) Necessary measures will be taken to recover the relevant money.

2.2.4 Accounts Receivable and Payable

- a) All institutions have been notified to forward balance confirmations. 51.7 % of them have sent letters confirming balances.
- b) Measures have been taken for the gradual payment of audit fees.
- c) As per the instructions given to pay farmers' pension using other funds of the Board at the discussion held at the Treasury when the Farmers' Pension Scheme became zero, these funds have been obtained from the Fishermen 's Pension Scheme and the Agricultural Insurance Fund and action is being pursued at present to settle these amounts.
- d) Necessary measures will be taken to recover the relevant money.

3. Financial Review

3.1 Financial Result

3.2 Analytical Review on Financial Situation

- i. The income has dropped from 2007 to 2012 as a result of not promoting the Pension Scheme and the expenditure has increased as a large number of farmers have qualified for the pension on reaching 60 years of age and some others leaving the pension scheme.
- ii. As per the accounting standards, the accurate disclosures have been made in the financial statements and accordingly, the pension liability has been shown in the financial statements. Due to the incremental increase annually in the farmers' pension liability, the deficiency too has increased gradually.

4. Operational Review

4.1 Performance

- (a) As the financial crisis could have further deteriorated as a result of the increase in liabilities by having more contributors to the scheme, after the Farmers' Pension Fund became zero in August 2010, the enrollment of the farmers to the scheme was suspended in August 2010.

- (b) Therefore as no new contributors were enrolled in 2013 until a permanent solution is found as regards the feasibility of the scheme, there has been a drop in the premia income. Since contributors became entitled to the pension upon reaching the age of 60, the amount paid as pensions has increased.
- (c) Due to the suspension of enrollment of contributors to the pension scheme, the back premia income has decreased.
- (d) As a new pension scheme with financial feasibility is being formulated, enrollments were not made under the old scheme.
- (e) As indicated below, payments have been made for contributors who withdrew from the scheme. Payments have been made as per the premia and interest paid by them.
- (f) As investments of the Board have been utilized for the payment of pension, the investments of the Board as well as investment income have recorded a gradual decline.

4.3 Shortcomings in the bank accounts process

- a) Necessary measures are being taken to write off these cheques which are more than 20 years old and have not been realized from the accounts.

4.4 Delayed Projects

(a), (b)

The head office and 26 district offices of the Board are in operation. As of now, 950,000 contributors have contributed to the Farmers' Pension Scheme. Though, computers and software were purchased and used as per needs in keeping with technical specifications prevailed at various points of time when automation process was carried out for 22 years, this expenditure has to be borne as there was a need to update information to be compatible with new technology owing to the increase in capacity and change in levels of needs. At present, a computer system with enhanced capacity together with consonant software has been installed in collaboration with the University of Colombo. The required information has been fed to the system from the software system and is now in a position to retrieve all information about the contributors. At a time over 950,000 have joined the scheme which has been in operation for 22 years and when premia are paid twice a year, the only problem that has arisen is the entry of millions of back premia.

4.5 Matters of contentious nature

- a) A case is being heard in the Supreme Court regarding this controversial issue that had taken place during the payment of compensation to farmers whose crops were damaged as a result of the Mawilaru incident.
- b) Field Officer Susil Premaratne involved in this fraud of premia was under interdiction and the case against him bearing No. HC/5/2009 is heard at the Anuradhapura High Court. He had passed away after only paying Rs.100,000 to the Board. Since no further legal action cannot be taken against him, the relevant case reports will be presented to the Board of Directors for a decision.

5.Accountability and Good Governance

5.1 Delay in submitting financial reports

As steps were taken to submit the accounts of the Board in compliance with new accounting standards, additional time had to be sought for the presentation of accounts.

5.2 Corporate Plan

As the financial crisis could have further deteriorated as a result of the increase in liabilities by having more contributors to the scheme, after the Farmers' Pension Fund became zero in August 2010, the enrollment of the farmers to the scheme was suspended in August 2010.

Therefore until a permanent solution is found as regards the feasibility of the scheme, no new contributors were enrolled in 2013 and therefore an Action Plan in this regard was not prepared.

5.3 Budgetary Control

Since the scheme was being restructured, targets expected from the budget could not be attained.

1. Systems and Controls

Necessary measures for the proper control of accounting, payment of pensions, budget, and accounts payable and receivable are expected to be carried out.



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2013/4/5/F/F/2

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உமது இலக்கம்
Your Ref. No.

ஈகாவி
திசுதி
Date

2014/11/03

Audit Superintendent
Auditor General's Department
Colombo

Answering to Report 14 (2) (c) of the Year 2012 presented in connection with Fishermen's Pension Scheme

Answering for Report 14(2) (c) submitted herewith in relation to the Fishermen's Pension Scheme for the year 2013.

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Director General
Agricultural and Agrarian Insurance Board

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Answers for the Report of the Auditor General as per section 14(2) (c) of Finance Act No.38 of 1971 on Financial statements of Fishermen’s Pension and Social Security Benefit Scheme for the year ended 31 December 2013

2. Financial Statements

2.1 Audit Opinion

2.2 Comments on the financial statements

2.2.1 Going concern of the Scheme

2.2.2 Noncompliance with Accounting Standards

Allocations required for pension gratuity of the employees of the Board have been shown in the financial reports. These allocations have been made for future liabilities on the basis of their actual salaries. Measures will be taken to conduct an actuarial assessment regarding such liabilities in the future. Such investments are included in the Board’s own investments.

An actuarial assessment on the liability of the Fishermen’s Pension Scheme was carried out in the year 2007 and on the basis of this assessment pension liability has been calculated. Action will be taken in the future to have the liability assessed again with the help of an actuary.

2.2.3 Accounting Deficiencies

Though a sum of Rs. 1,500,000 is apportioned annually by the Ministry of Fisheries for the implementation of the Fishermen’s Insurance Scheme, there is no formal agreement between the Ministry of Fisheries and the Board stating that it is mandatory to grant this amount. However, action was taken in consultation with the Ministry of Fisheries in the year 2013 to secure Rs. 1,500,000 and steps were also taken in the year 2014 to obtain administrative expenses.

2.2.4 Accounts receivable and payable

- a) As decided at the discussion held at the Treasury on the financial crisis of the Pension Scheme, this amount was credited to the Fishermen’s Pension Scheme on the reimbursement basis. It is expected to settle this loan amount gradually.
- b) Measures will be taken to gradually settle audit fees in the future.

2.2.4 Identifying interest income

This interest adjustment has been made since this amount used for the payment of Fishermen's Pension Fund and Farmers' Pension Fund was considered as a loan given to those schemes. Measures will be taken to settle this loan and the interest gradually.

2.3 Noncompliance with laws, rules, regulations and management decisions

- (a) (i) Following the expiry of the term of office of the members of the advisory committee, the relevant institutions were informed through the Secretary of the Ministry of Finance. Measures have been taken to inform the institutions which did not appoint members to the Advisory Committee.
- (ii) A prior notice is given at the time of the enrollment that the contribution of the fishermen would be cancelled if five consecutive premiums were not paid. Contributors whose contribution is thus cancelled are repaid the contributions together with the interest on reaching 60 years of age and this year too money and interest were paid to such contributors who have been referred by the Assistant District Offices of the Fisheries Department.
- (b) Some additional work connected with the Fisheries Pension Scheme operating under the Ministry of Fisheries has been entrusted to the staff officers of the Board who function as per the Agricultural and Agrarian Insurance Board. Accordingly, as no separate staff has been approved to perform this role of the Board, the allowances paid of the covering up of these duties. This has been paid ever since the Fisheries Pensions Scheme was inaugurated in 1991.

Approval for this payment has been granted by:-

- The Advisory Committee on Fisheries Pensions Scheme
- The Board of Directors
- Secretary to the Minister in charge of the subject

- 3.0 Financial Review**
- 3.1 Financial Results**
- 3.2 Analytical Review on Financial Situation**

4. Operational Review

4.1 Performance

(a), (b), (c), (d), (e)

This scheme is handled jointly by the Ministry of Fisheries and Department of Fisheries and the role of the Agricultural Insurance Board is to administer the scheme and keep its accounts while performance is handled by the Fisheries Department.

4.2 Inefficiencies in Operation

Information of contributors who have dropped off from the scheme has been referred to the Ministry of Fisheries and action will be taken in future jointly with the Ministry of Fisheries for the recovery of premia in arrears and retain them in membership.

5. Accountability and Good Governance

5.1 Delays in submitting financial reports

As steps were taken to submit the accounts of the Board in compliance with new accounting standards, additional time had to be sought for the presentation of accounts.

6. Systems and controls

Greater attention has been paid to the achievement of the objectives of the scheme, providing benefits to fishermen, recovery of premia, efficient functioning of the advisory committees and in future such attention will continue to be paid.