

Annual Report

2014



Agricultural and Agrarian Insurance Board

No. 117, Subhadrarama Road, Gangodawila

Nugegoda

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கமத்தலாழில் மற்று஡் கமநலக் காப்புறுதிச் சபை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

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Date }

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

Secretary,

Annual Report -2014

I submit herewith the Annual Report on the working of the administrative, operational, and financial activities of the Board which incorporates all its activities during the year 2014.

Sydney Gajanayake
Chairman
Agricultural and Agrarian Insurance Board

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Hon. Chairman's Message

The Agricultural and Agrarian Insurance Board during its four decades of existence has rendered a yeoman service for uplifting local agriculture and agriculturalists by introducing insurance as a risk management system to the agricultural sector of Sri Lanka thus minimizing the economic losses caused to the farmer community in disaster situations.

The decision of the government to transfer activities in respect of the payment of compensation under the "Kethata Aruna-Pohora Diriya" fertilizer subsidy insurance scheme which was based on a feasibility study submitted by this Board in 2011 and was entrusted to another institution for implementation from the Maha season of 2014/2015 to this Board was a significant opportunity afforded to the Board in 2014.

Consequent to the allocation of Rs. 1000 million from the budget proposals of 2014, the resumption from January 2014 of the payment of pension which remained suspended for two years as a result of the fund becoming zero too was a special victory for the Board in the year 2014.

The insurance premia income generated by the Board through its insurance schemes in the year 2014 was Rs. 119 million which was an increase of Rs. 26 million in comparison to the year 2013.

Accordingly, the year 2014 can be termed as a successful year in which the Board was able to register improvement in its performance.

Sydney Gajanayake
Chairman
Agricultural and Agrarian Insurance Board

Agricultural and Agrarian Insurance Board

Vision

To be the ideal Agricultural Insurance Institute in South Asia by being the foremost protector 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 -2014

Mrs. Damitha De Soyza, Secretary, Ministry of Productivity Promotion,	Chairperson (Up to 19.01.2014)
Mr. Ariyathilaka Dahanayake,(Attorney at Law) Secretary Ministry of Productivity Promotion	Chairman (From 20.01.2014)
1. Mrs Damitha Ratnayake Director Treasury Operations Department General Secretary Colombo 01	Member
2. Mr. M.A.S. Weerasinghe Commissioner General of Agrarian Development Department of Agrarian Development Colombo 07	Member
3. Mr. T.H.C.S. Perera Director- Social and Economic Planning Department of Agriculture Peradeniya	Member
4. Dr. B. Sivayoganathan Additional Director General Animal Products and Health Department Peradeniya	Member
5. Mr.A. Lakkathas Senior Assistant Secretary (Admin) Ministry of Fisheries and Aquatic Resources Colombo 10	Member
6. Mr. W.A.C. Tissera Asst General Manager Bank of Ceylon	Member
7. Dr. D.M.N. Dissanayake Additional Secretary (Development) Ministry of Agriculture Battaramulla	Member

Forward

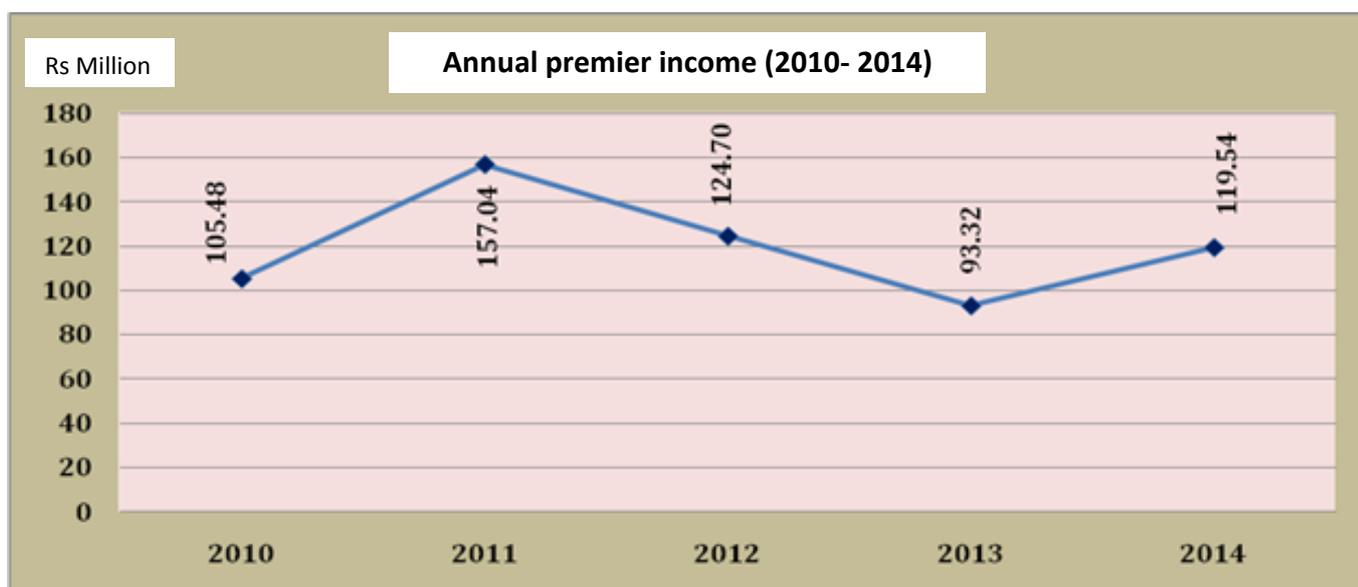
The Agrarian and Agricultural Insurance Board has been established under Agrarian Insurance Law No. 27 of 1973 as the sole state sector insurer to discharge the responsibility of protecting the local agriculture and the agriculturalist in disaster situations. Accordingly, the service rendered by the Agricultural and Agrarian Insurance Board during the last four decades by introducing agricultural insurance as a formal risk management method to the agricultural sector of Sri Lanka, minimizing the economic losses caused to the local farmer community in emergency situations and helping financial institutions granting agricultural loans to sustain their financial stability in emergency situations is immense.

During the year 2014 too, the Board implemented a host of agricultural and general insurance schemes throughout the island and the premium income made by the Board through these schemes was Rs.119 million. This denotes an increase of Rs 26 million in comparison to the year 2013.

Annual premier income from 2010 – 2014

Insurance scheme	2010	2011	2012	2013	2014
Crop cultivation insurance schemes	79.69	119.07	99.90	82.16	99.50
Livestock insurance scheme	12.77	17.86	15.80	8.89	12.06
Warehouse and agricultural equipment insurance scheme	3.40	5.88	6.50	1.53	0.25
Suwasetha and accident insurance scheme	9.62	14.23	2.50	0.74	7.74
Total (Rs Million)	105.48	157.04	124.70	93.32	119.54

Annual premier income (2010-2014)



The resumption of farmers' pension scheme and the entrusting the responsibility of implementing the "*Kethata Aruna-Pohora Diriya*" programme to the Board are the two most significant achievements of the Board in its performance in 2014. The resumption of the payment of farmers' pension scheme which was the programme that made the Board a household name among the farmer community which remained suspended for over two years consequent to the fund becoming zero was an outstanding victory for the Board in the year 2014. With the allocation of Rs. 1000 million for this purpose through the 2014 budget proposals, the payment of monthly pension to farmers was recommenced from January 2014. As a special tribute farmers over 63 years of age, action has also been taken to increase the minimum monthly pension paid to them from Rs. 1,250/= to a maximum of Rs. 5000/=. The national ceremony to mark the resumption of the payment of farmers' pension was held on 28.01.2014 at the Magam Ruhunupura International Conference Hall, Hambantota and by conducting district and regional ceremonies with the participation of farming communities, public officials and the political authority, the Board was able to regain the trust and confidence of the farmer community in the year 2014.

Though the Board prepared a feasibility report in the year 2011 on the implementation of an crop insurance scheme for farmers obtaining subsidized fertilizer and submitted it to the Ministry of Finance and Planning, the responsibility of executing the new insurance scheme approved by the 2012 budget proposals was not entrusted to the Board. However, taking into cognizance the problems faced by the implementing agency of that scheme and the experience and competence of the Agricultural and Agrarian Insurance Board as the pioneering insurance institution in the field of agricultural insurance, it was decided by the government to assign the full responsibility of operating the said insurance scheme titled "*Kethata Aruna-Pohora Diriya*" to the Board from the Maha season of 2014/2015 and it marked an important landmark for the Board in the year 2014.

The Board was able to generate a higher income in the year 2014 too through crop cultivation from which the Board earns a greater percentage of its annual revenue and this was an increase of Rs. 26 million compared to the year 2013. As a result of farmers starting to repose their faith once again in the Board with the resumption of the farmers' pension and also on account of the special promotional programme to recruit subscribers to the Suwasetha and accident insurance schemes that were implemented with a special incentive scheme from 01.08.2014 to 31.12.2014, the Board was able in the year 2014 to gross an income Rs 6 million higher than the amount generated from those schemes in 2013. Similarly, the Board was able to reap the benefits of special promotional programmes and premia amendments implemented in the year 2013 under the livestock insurance schemes fully in the year 2014. On the back of these programmes, the livestock insurance scheme which was Rs. 7 million in the year 2013 increased to Rs. 12 million in the year 2014.

Severe drought and floods caused widespread damage to the cultivations in the major agricultural districts in the year 2014 as well and the Board took measures for the prompt payment of compensation to farmers employing new technological methods adopted by the Board for computing compensation.

Failure to carry out farming activities as scheduled due to the prolonged drought that lasted for several months in 2014 and non cultivation of many paddy fields due to the lack water facilities have had an adverse impact in achieving the financial targets set for the year 2014. Similarly, the entire staff of the Board attached to the head office as well as the district offices had to spend much of their time during the first few months of 2014 for the speedy payment of farmers' pension with the resumption of the pension scheme and this somewhat retarded the progress and expansion of other insurance schemes.

During the year 2014, two new officials were recruited by the Board and two officials retired from the service. Though the approved cadre of the Board is 421, the number currently employed is only 296. Thus there are 125 vacancies at present.

The effectiveness of all activities carried out by the Board in 2014 a year of special significance in the Board's journey is presented through this report.

Operations Division

As a predominantly agricultural economic country with agricultural labor force exceeding 30%, one of the key alternatives adopted by the government in the agricultural risk management for minimizing the production risk faced by the agriculturalist and ensuring proper value for agro products is the agricultural insurance. The Agricultural and Agrarian Insurance Board as the foremost protector of the local agriculture is the only public sector insurance institution that plays a pivotal role in granting stability to agriculturalists and promoting agro products.

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

As the sole public sector institution that provides insurance services in the agricultural sector, the Operations Division took the initiative to implement a slew of insurance schemes island-wide in the year 2014 with the objective of fulfilling its responsibility of uplifting the local agriculture and stabilizing the economy of the agriculturalist to the maximum. The insurance premia income earned by the Board through these insurance schemes in the year 2014 was Rs. 119 million. This was an increase of Rs 26 million in comparison to Rs. 93 million grossed in the year 2013. In achieving this increase, the Board implemented a host of insurance schemes during the year 2014 as stated below giving priority to agricultural insurance.

Insurance schemes implemented

1. Crop insurance schemes

- Paddy cultivation insurance scheme
- Maize cultivation insurance scheme
- Supplementary crops (green gram, peanuts, soya and black gram) cultivation insurance scheme
- Big onion cultivation insurance scheme
- Sugarcane cultivation insurance scheme
- Export crops cultivation insurance scheme
- Plantation crops (tea) cultivation scheme
- Coconut cultivation insurance scheme
- Potato cultivation insurance scheme
- Floriculture insurance scheme
- Ginger cultivation insurance scheme
- Chilli cultivation insurance scheme
- Vegetable cultivation insurance scheme

- Banana cultivation insurance scheme
 - Fruit cultivation insurance scheme
2. Warehouse insurance scheme
 3. Agricultural equipment insurance scheme including tractors
 4. Livestock insurance scheme
 - Goat insurance scheme
 - Cattle insurance scheme
 5. Accident insurance scheme
 6. Suwasetha health insurance scheme

While implementing these insurance schemes, the Operations Division conducted many programmes to further popularize and expand these schemes among farmers.

Marketing and Propaganda activities

1. In order to win over the trust of the farmer community who has been resentful towards the Board due to the suspension of the farmers' pension scheme for two years, a number of meetings were conducted island-wide giving wide publicity to the resumption of the payment of farmers' pension in January 2014. The inaugural ceremony to mark the resumption of the payment of farmers' pension was held on 18.01.2014 at the Magam Ruhunupura International Conference Hall, Hambantota under the patronage of His Excellency the President with the participation of a large number of farmers representing all districts of the island including those in the North and East and subsequently 43 major ceremonies covering all the districts of the island and many regional ceremonies were conducted under the guidance of the Operations Division and the staffs of the district offices. At these ceremonies held with the participation of the political authority and the officials of the relevant districts, cheques were awarded to 128,600 farmers who had been entitled to receive the pension at the time and they also presented an opportunity to the Board to restore the faith of the farmer community and the officials of external organizations in the Board.
2. The traditional Aluth Sahal Mangalya or new rice festival at the Sri Maha Bodhi premises was held on 02.04.2014 and the erection of the Pirith Mandapa, conducting the Maha Sangha to the venue of pirith chanting, offering 'Chathu Madura' and attending the needs of the bhikkus chanting pirith were sponsored by the Board and carried out by the members of the staff. In addition, the Aluth Sahala Mangalya in the Polonnaruwa District was held on 06.04.2014 at the premises of Gal Vihara under the patronage of the present President H.E. Maithreepala Sirisena and the financial sponsorship for this programme too was extended by the Board.

3. Two ceremonies to award compensation to farmers whose crops were damaged during the Maha season of 2013/14 were held under the aegis of the Hon. Ministers in Anuradhapura and Batticaloa respectively on 07.06.2014 and 22.06.2014. In addition, regional programmes for granting compensation for the Maha season of 2013/2014 and the Yala season of 2014 were held at Panama Vihara in the Ampara district on 23.06.2014, at Parappu Kadandan Community Hall in the Mannar district on 09.07.2014, at the Poonerin Divisional Secretariat in the ilinochchi district, at Chawakachcheri Agrarian Service Centre in the Jaffna district on 10.07.2014, at the Siyambalanduwa Cultural Centre and Niyadella Maha Vidyalaya, Maligawila in the Monaragala district on 14.07.2014, at Oddusudan Agrarian Service Centre in the Mullativu district, at the Vavuniya District Secretariat in the Vavuniya district on 11.09.2014 and at Samagipura Maha Vidyalaya, Weerapura in the Hambantota district on 09.12.2014 under the auspices of the Chairman and the Director General of the Board with a view to cultivating close ties with the farmercommunity.
4. Since the majority of people battered by the severe drought that prevailed in the leading agricultural districts of the island in 2014 had been the prominent clients of this Board, bags of dry rations worth Rs. 1000/= each were distributed among 334 farmer families at the Dimbulana Mahaweli Unit division in the Welikanda Divisional Secretary area in the Polonnaruwa district as a community service project on 10.09.2014 with the participation of the Chairman with the help of a financial sponsorship of Rs. 200,000/= from the Board and donations from the members of the staff of the Board.
5. "National Farmers' Week" exhibition conducted annually by the Ministry of Agriculture was held from 09-14 September 2014 at the Telijjawila Farmer Training Centre in the Matara district and a stall of the AAIB was operated showcasing activities and services of the Board and people were educated on the services delivered by the Board using leaflets.
6. During the "National Farmers' Week" ceremony held at Matara, cash awards of Rs 5,000, Rs. 2,000 and Rs 1,000 were presented to officers of the Matara district who secured first, second and third places respectively out of the officers who insured the largest extent of farming lands in the year 2013 with a view to appreciating the services of the Expansion Officers of the Export Agriculture Department and incentivizing them for the expansion of the export crop insurance scheme.
7. Get-togethers were held with the participation of the executive officers in charge of the provinces and districts and the branch managers of the People's Bank on 10.10.2014 at Badulla, on 08.11.2014 at Kalawewa, Anuradhapura, on 12.12.2014 at Polonnaruwa under the programme to enhance the support being received from officials of external organizations, in particular of the officials of the state banks in

crop insurance activities and a friendly cricket match was played at the Dangolla Grounds between the Doluwa Divisional Cricket Secretariat team and the Kandy District Office team on 06.09.2014.

8. Arrangements have been put in place for the preparation of posters, banners and leaflets required for the propaganda and promotional programmes conducted at the district level through the district offices and upon requests received from several districts including Kalutara, Kegalla and Polonnaruwa the required materials were supplied by the Operations Division.
9. Under the programmes implemented by the Agrarian Development Department to cultivate paddy lands lying fallow, measures were taken to display the publicity banners of the Board and distribute leaflets at the ceremony held at the Moragamma paddy land in the Kegalle district on 14.10.2014 and the benefits under the insurance of the Board were awarded to the beneficiaries. Concurrent to this programme, a tractor insurance programme was carried out in collaboration with Browns & Company.
10. A workshop for drafting an incentive scheme that would boost the market promotional programmes of the Board and for designing a method to collect data of the contributors to the farmers' pension scheme was held on 14,15-10-2014 at Vijaya Resort Hotel, Kiriella, Ratnapura and another workshop for the preparation of action plans and budgetary estimates for the year 2015 and for the drafting of the institutional procedures was held on 15&16 -09-2014 with the participation of the executive officers of the head office at the National Cooperatives Development Institute, Polgolla.
11. Eighteen street dramas with the participation of popular drama artistes were staged in December 2014 in the Hambantota and Matara districts in a novel method to create awareness among farmers about the insurance schemes of the AAIB. The sponsorship package of Rs. 200,000 for this programme was borne by National Savings Bank.
12. Fifty T-shirts with the name and logo of the Board printed were provided to ministers, Members of Parliament, officials and farmers to be worn at the National Vap Mangul ceremony of the Maha season of 2014/15 held at the Rajangana paddy land in the Anuradhapura district on 02.11.2014 and the cost was financed by the Board.
13. Service appreciation certificates were awarded to 16 field/ development officers of the Board who achieved the target during the livestock insurance sales promotion programme implemented island-wide from August 2013 to 31 January 2014 and the winners of the first three places; Development Officer A.G. Sirisoma of the Kegalle

district office, Field Officer S.A. Jihankeer of the Trincomalee District Office and Field Officer E.M.Wimalaratne of the Thabuttegama office were awarded television sets and the staffs of the Kegalle, Kurunegala and Kandy district offices which won the first, second and third places respectively were presented with cash awards of Rs. 10,000/=, Rs 8,000/= and Rs. 6,000/= at the meeting of the officials held on 21.11.2014 at the Sri Lanka Youth Council auditorium.

14. Consequent to a special sales promotion programme for the expansion of the Suwasetha and accident insurance schemes conducted island-wide from 01.08.2014 to 31.12.2014, the annual income from these two schemes recorded a year on year growth of Rs. 7 million.
15. Three discussions to review the progress in the achievement annual targets and methodology for attaining future targets were held separately as agricultural, semi-agricultural and non-agricultural districts with the participation of deputy/assistant directors of the each district and the senior most development/field officers at the auditorium of the head office on 15,24,25/09/2015.
16. An awareness workshop on the role of the Board in executing insurance activities under “Kethata Aruna-Pohora Diriya” programme implemented for farmers receiving fertilizer subsidy and the programme for collecting data of the contributors to the farmers’ pension scheme was held on 21/11/2014 with the participation of all deputy/assistant directors in charge of districts and all development/field officers at the Sri Lanka Youth Centre auditorium, Maharagama.
17. Measures were also taken to provide digital cameras on hire purchase basis to the field staff of the Board for them to take photographs required for implementing the insurance schemes, particularly the live stock insurance of the Board and in paying benefits.
18. Arrangements were made for giving wide publicity for special publicity campaigns and marketing programmes held across the island in 2014 using backdrops, flags, banners, cutouts and leaflets as well as through national print and electronic media.

Insurance Division

Agricultural Insurance Scheme
&
Livestock Insurance Scheme

Insurance Division

In discharging the duties of this division, priority was given to securing the release of funds in the year 2014 too as in previous years and measures were taken to update the existing insurance schemes taking into account current market trends.

1. Action was taken to release nearly Rs. 65 million as the Board's liability under crop insurance activities in the year 2014. Several mobile programmers for the release of special compensation too were conducted during the year. As a result the relevant funds for compensation could be released promptly.
2. Intense competition in the insurance market among insurers for crop insurance activities was observed. Hence, certain conditions and sections of existing insurance schemes were amended to be compatible with market needs. Similarly, action was taken to update the insurance proposal form and the claim form to suit the present needs.
3. Having paid attention to the efforts of the insurers engaged in livestock insurance to take advantage of the market by regularly amending their schemes, steps were taken to amend livestock insurance schemes of the Board. Compensation paid under livestock insurance amounted to Rs. 4.4 million in the year 2014.
4. Since paddy cultivation insurance to be implemented parallel to national fertilizer subsidy programme is to be entrusted to the Board from 2014.15 Maha season, preliminary measures for the registration of clients and the formulation of relevant strategies to secure the release of funds were taken during the tail end of 2014 itself.
5. Measures were taken to have the officials participated in the three day workshop held in September 2014 by the Ministry of Disaster Management on the identification of situations posing threats to agricultural risks in relation to current market and for the understanding of current market trends in respect of agro insurance activities.
6. Similarly, officials of the Board participated in the seminar on 'Micro Insurance' conducted by Sri Lanka Insurance in May 2014 to identify the emerging trends of the agricultural insurance in the agricultural insurance market.
7. A special sales promotional programme for Suwasetha medical insurance and accident insurance introduced by the Board for expanding general insurance activities further was carried out in the last quarter of 2014. The income generated through these schemes amounted to nearly Rs. 3.5 million.

Farmers' Pension Division

Farmers' Pension and Social Security Benefit Scheme

And

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

Farmers' Pension and Social Security Benefit Scheme

In the backdrop of financial crisis faced by the Farmers' Pension Scheme by the end of 2010, pensions were not paid in the years 2012 and 2013 as funds were no longer available for the payment of pension. Therefore, the scheme was restructured under the guidance of the Ministry of Finance and Planning to offer a lasting solution to this problem and ensure the sustainability of the programme, consequent to which the scheme was enacted as a new scheme and the payment of pension with additional benefits corresponding to the new scheme was commenced in January 2014 and this was landmark step taken on behalf of the entire farmer community of the country.

Through the budget proposals of 2014, a provision of Rs. 1000 million was allocated for the implementation of this programme and the continuation of the pension scheme and additionally, the Treasury apportioned Rs. 1954 million in the year 2014 for the payment of farmers' pension.

The bases of the payment of pension under the new pension scheme are as follows.

Age in years	Monthly pension (Rs)
60-63	1000/=
64-70	1250/=
71-77	2000/=
78 and over	5000/=

Accordingly, a sum of Rs. 2098 million has been disbursed among 123,768 contributors up to December 2014. (Note 01)

Payment of Death and Disablement Benefits

The Board took necessary measures to pay Rs. 6,185,192/- as death gratuity and Rs. 242,027/- as disablement benefits in the year 2014 to those contributors who having contributed to the farmers' pension scheme, died or became disabled subsequently. (Note 2)

Survey for the absorption into the new pension scheme

The conducting of an island-wide survey with the support of the Agrarian Services Department to collate data of the contributors who have subscribed to this pension scheme commenced in December 2014. On the basis of information thus collected, necessary measures will be taken to absorb the contributors into this new scheme proposed to be implemented in the future.

Fishermen's Pension Scheme

By the end of 2014, the total number of fishermen registered with the Scheme was 68,738 and a sum of Rs. 42.6 million was paid as pension to 2913 pension beneficiaries. (Notes 3& 4)

Fishermen's pension scheme runs parallel to the Farmers' Pension Scheme. As in the case of Farmers' Pension Scheme, the funds of the Fishermen's Pension Scheme will be used up in the next 05 years. Therefore, steps have been initiated to restructure this scheme as well.

Payment of Death and Disabled Benefits

A sum of Rs. 454,000/= was paid as death gratuity to 37 contributors of the Fishermen's Pension Scheme who passed away during the year. (Note 05)

Payment of farmers' pension -2014

Note-1

	District	No of pensioners	Pension paid Rs.
1	Hambantota	6,379	105,781,456
2	Ratnapura	5,565	94,906,875
3	Jaffna	1,968	34,966,040
4	Vavuniya	325	5,638,400
5	Mannar	68	1,007,353
6	Mullativu	74	1,337,283
7	Kalutara	7,542	129,462,540
8	Galle	11,461	207,817,385
9	Colombo	4,692	80,111,898
10	Matara	8,101	137,180,076
11	Matale	3,606	59,111,563
12	Ampara	3,348	56,517,238
13	Monaragala	3,964	66,285,326
14	Batticaloa / Kilinochchi	858	14,536,607
15	Trincomalee	707	11,867,571
16	Kandy	11,406	198,636,010
17	Kegalle	7,296	120,478,914
18	Anuradhapura	5,877	95,859,966
19	Badulla	5,347	90,936,874
20	Nuwaraeliya	3,382	57,972,298
21	Puttalam	4,297	69,182,893
22	Gampaha	9,436	157,375,203
23	Kurunegala	13,969	231,029,325
24	Polonnaruwa	4,100	70,385,558
	Total	123,768	2,098,384,652.00

Death and Disabled Benefits 2014

	District	No of deaths	Amount paid Rs	No of disabled	Amount Paid – Rs.	Total of persons	Total (Rs)
1	Galle	10	225015.00	2	74801.00	12	299816.00
2	Colombo	3	72618.00	1	36441.00	4	109059.00
3	Batticaloa	1	26,776.00			1	26,776.00
4	Hambantota	21	457,157.00			21	457,157.00
5	Kalutara	13	252,500.00	1	22958.00	14	275,458.00
6	Matara	17	308,723.00			17	308,723.00
7	Monaragala	26	588,673.00	2	49,899.00	28	638,572.00
8	Embilipitiya	5	112,790.00			5	112,790.00
9	Gampaha	11	242,394.00			11	242,394.00
10	Manampitiya	5	352,651.00			5	352,651.00
11	Ampara	15	287,315.00			15	287,315.00
12	Ratnapura	15	299,448.00			15	299,448.00
13	Badulla	11	223,159.00			11	223,159.00
14	Kegalle	10	208,685.00			10	208,685.00
15	Maho	11	217,018.00			11	217,018.00
16	Matale	9	212,983.00	1	23,338.00	10	236,321.00
17	Mannar	1	28,099.00			1	28,099.00
18	Nuwaraeliya	4	65,929.00			4	65,929.00
19	Kandy	12	207,265.00			12	207,265.00
20	Puttalam	18	425,129.00			18	425,129.00
21	Kurunegala	9	192,682.00			9	192,682.00
22	Jaffna	14	310,284.00			14	310,284.00
23	Anuradhapura	16	329,637.00			16	329,637.00
24	Thambuttegama	7	180,288.00			7	180,288.00
25	Mahaweli G	2	40,096.00			2	40,096.00
26	Polonnaruwa	9	167,295.00	1	34,590.00	10	201,885.00
27	Trincomalee	6	124,589.00			6	124,589.00
28	Mullativu	1	25,994.00			1	25,994.00
		282	6,185,192.00	8	242,027.00	290	6,427,219.00

Fishermen's Pension and Social Security Benefit Scheme
Enrollment as at 31.12.2014

District Fisheries Extension Division	No of contributors as per age						Total No of contributors as of last month	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	3067
Galle	1082	676	840	221	118	95	3032	3032
Mahawewa	3253	1701	2036	612	256	240	8098	8098
Matara	1747	973	1226	346	197	164	4653	4653
Colombo	576	360	478	140	63	38	1655	1655
Tangalle	2511	1387	1626	410	199	166	6299	6299
Puttalam	2167	1156	1222	255	107	61	4968	4968
Negambo	2538	1598	2163	734	417	377	7827	7827
Batticaloa	2248	1390	1630	556	267	264	6354	6355
Trincomalee	654	516	550	129	81	78	2008	2008
Mannar	2050	1219	1322	421	213	241	5463	5466
Kalmunai	1565	1109	1515	479	243	206	5117	5117
Mullaitivu	88	79	141	50	27	44	429	429
Kilinochchi	519	340	540	250	185	183	2017	2017
Jaffna	2131	1090	1409	651	385	588	6253	6254
Inland Fisheries								67245
Nuwaraeliya	29	28	47	7	1	3	115	115
Polonnaruwa	45	35	27	11	2	1	121	121
Ratnapura	27	15	9	1	3		55	55
Monaragala	17	14	10	1			42	42
Kurunegala	45	24	24	1		2	96	96
Anuradhapura	169	81	84	17		5	363	363
Matale	31	14	23	5	2	3	78	78
Kandy	13	12	25	5	3	3	61	61
Kegalla	1	1	2				4	4
Badulla	59	33	33	3		3	131	131
Vavuniya	59	33	41	15	4		152	152
Batticaloa- Inland	84	52	67	27	20	25	275	275
Total								1493
Sum Total	24921	14657	17862	5544	2905	2849	68733	68738

Report on the payment of fishermen's pension -2014

District fisheries extension division	Payment of pension during 2014	
	No of contributors	Amount
Kalutara	75	1,096,802.00
Galle	102	1,387,233.00
Mahawewa	282	3,821,013.00
Matara	267	3,746,532.00
Colombo	48	595,380.00
Tangalle	180	2,586,790.00
Puttalam	42	619,213.00
Negambo	458	6,109,385.00
Batticaloa	292	4,291,282.00
Trincomalee	74	1,186,390.00
Mannar	268	3,819,424.00
Kalmunai	261	3,669,731.00
Mullaitivu	6	178,596.00
Kilinochchi	122	2,991,668.00
Jaffna	390	5,908,026.00
Inland Fisheries		
Nuwaraeliya	8	101,004.00
Polonnaruwa	2	27,000.00
Ratnapura	1	14,196.00
Monaragala	-	
Kurunegala	1	14,004.00
Anuradhapura	2	24,000.00
Matale	4	52,476.00
Kandy	7	84,399.00
Kegalla	-	
Badulla	3	36,660.00
Vavuniya	-	5,085.00
Batticaloa- Inland	18	234,747.00
Total	2913	42,600,976.00

**Fishermen's pension and social security benefit scheme
Payment of death/ disability gratuity during the year 2014**

District fisheries extension division	Payment of pension during 2014	
	No of contributors	Amount
Kalutara	1	15,000.00
Galle		
Mahawewa	3	33,000.00
Matara	1	15,000.00
Colombo	1	8,000.00
Tangalle		
Puttalam		
Negambo	2	16,000.00
Batticaloa	2	16,000.00
Trincomalee	1	10,000.00
Mannar	4	56,000.00
Kalmunai		
Mullaitivu		
Kilinochchi	15	194,000.00
Jaffna	7	91,000.00
Inland Fisheries		
Nuwaraeliya		
Polonnaruwa		
Ratnapura		
Monaragala		
Kurunegala		
Anuradhapura		
Matale		
Kandy		
Kegalla		
Badulla		
Vavuniya		
Batticaloa- Inland		
Total	37	454,000.00

**Administration and Human Resources
Division**

Administration and Human Resources Division

Staff

The staff of the Agricultural and Agrarian Insurance Board was as follows as at 31.12.2014.

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	34	11
Junior Management				
JM	Administrative Officer	2	1	1
	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	164	56
Primary (Technical)				
PL - Skilled	Driver	38	24	14
Primary (Non Technical)				
PL - Non Skilled	Office Assistant	42	32	10
		421	296	125

Out of the 125 vacancies indicated above, applications were called through public notices in newspapers to fill 114 of them and the recruitment process, by calling the applicants for interviews, is now underway. The recruitment process was suspended during the period of the last presidential election.

Employee Training and Academic Activities

Deputy Director (Internal Audit) Mr. I.J.A. Jayawardana and Deputy Director (Finance) Mr. I.U.K. Kaluarachchi participated in the training workshop on “Payment of salaries and allowances of the staff” organized on 24.03.2014 by the Skills Development Fund Limited under the purview of the Ministry of Youth Affairs and Skills Development. Further, Acting Transport Assistant Mr. Ranjith Samaranayake attended the two-day workshop on Transport Management organized by the Construction Equipment Training Centre under the purview of the Institute of Construction Training and Development on 03/04.04.2014. Assistant Director (Administration) Mr. A.L.D.P.S. Ambepitiya participated in the two-day workshop on “ Developing human resources through proper disciplinary control” conducted by the Centre for Discipline Management.

In addition, Management Assistants Ms W.T.U Renuka and Miss Theja Wijewickrema participated in the 12-day Tamil Language Training Programme conducted by the National Institute of Language Education and Training. Administrative officer Mr. R.M.M.S. Rathnayake attended the one day workshop on “Employee leave and legal provisions” organized by the Skills Development Fund Limited on 23.10.2014 and Assistant Director (Finance) S.K.Subasinghe participated in the one day workshop conducted on 22.12.2014 by the same organization on “ Cash flow and Finance Management”.

An awareness programme for field officers of the AAIB on the new farmers pension scheme was conducted at the auditorium of the National Youth Council, Maharagama on 21.11.2014.

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.

Procurement and Transport

In 2014 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, Subhadramma Road, Gangodawila, Nugegoda . The Board maintains 25 Regional Offices of which six are housed in buildings owned by the Board. Other offices are housed buildings which belong either to the government or private parties on monthly rent basis.

Employee Disciplinary Activities

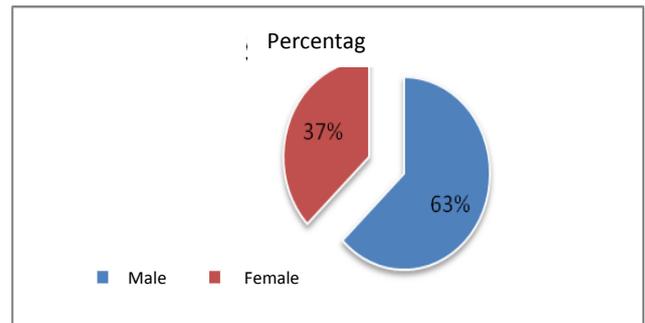
The following is the status with regard to the cases filed by the Board and against the Board in the year 2014.

1. 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.
2. CCase 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.
3. 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.
4. 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.
5. 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
6. Case No. 05/20356/2013 filed by Mr. Terence Warsuavithana against the Board is pending before the Labour Tribunal, Badulla.
7. 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 31.12.2014

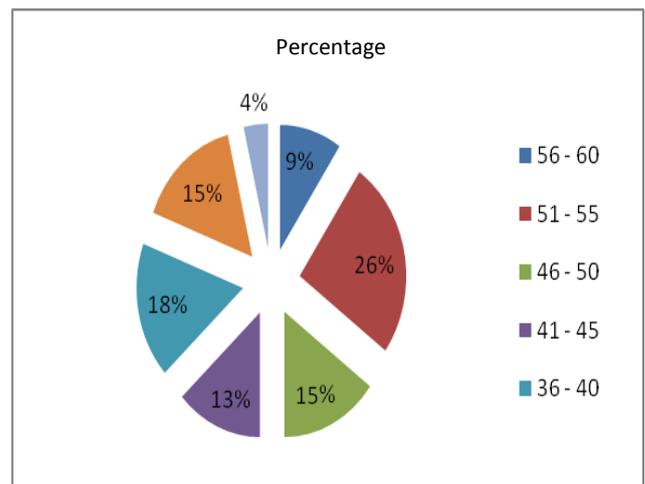
Staff- Gender Analysis

Male - 186
 Female - 110
 Total - 296



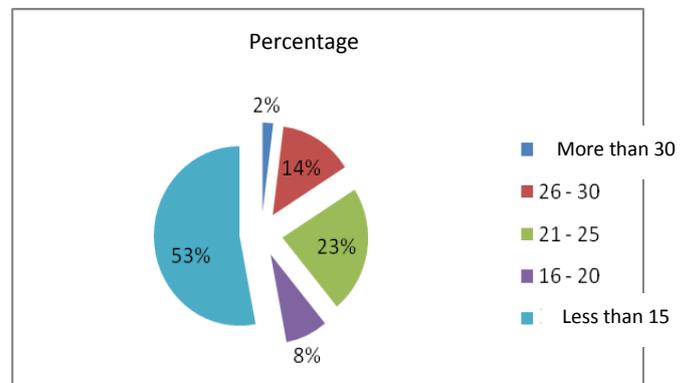
Age Analysis

Age Group	No of Employees	Percentage
56 - 60	28	9%
51 - 55	76	26%
46 - 50	44	15%
41 - 45	39	13%
36 - 40	52	18%
31 - 35	46	15%
Less than 30	11	4%
Total	296	100%



Analysis as per period of service

Years	No of employees	Percentage
Over 30	13	2%
26 – 30	76	14%
21 – 25	37	23%
16 – 20	17	8%
Below 15	153	53%
Total	296	100



Retirement and vacation of posts in 2014

Male - 03
 Female - 03
 Total - 06

Recruitment and Promotions in 2012

External recruitment - 02
 Internal recruitment - 05
 Promotions - 06

Internal Audit Division

Internal Audit Division

For the year 2014, 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 despite the limited human resources available. (Deputy Director, internal auditor, audit 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.

Inquiries were conducted on recruitment of employees administrative and human resource purposes, maintenance of inventory registers, releasing loans, recovering defaulted distress loan balances, payment of salary increments and placing in the relevant salary step, forwarding reports of attendance/leave of district offices, settlement of advances and the payment of medical benefits.

In addition, audits were conducted in respect of the final stock balance, balance of non-current assets, payment of overtime allowance, running charts, vehicle maintenance, purchasing of fixed assets 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, farmers pension administration account, livestock insurance account, paddy cultivation insurance account, fishermen's pension payment account, supplementary crop insurance account and district administrative accounts of Kegalle, Matara and Polonnaruwa were carried out.

Agricultural insurance administrative account, fishermen's pension administration account, capital account, medical assistance scheme, maize cultivation insurance account and livestock insurance 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 and the petty cash imprest of the head office were conducted.

Under the district administrative account, audits were carried out at Kegalle, Polonnaruwa, Nuwaraeliya, Kurunegala, and under the district office collection account, audits were carried out at Polonnaruwa, Matale, Puttalam, Kurunegala, Thambuttegama, Kegalle and Nuwaraeliya.

Audits on levying and remitting livestock Insurance proposals and premia, charging and remitting insurance premia by lending agencies, inspection of the issuance of receipt books were carried out covering the activities of the Insurance Division. Further the payment of livestock insurance compensation (Ampara) and payment of compensation for maize cultivation (Anuradhapura) were inspected.

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 Kegalle, Kurunegala and Thambuttegama district offices including attendance and leave register, assets register, charging of premia, and running charts were examined.

Finance Division

Financial Summary

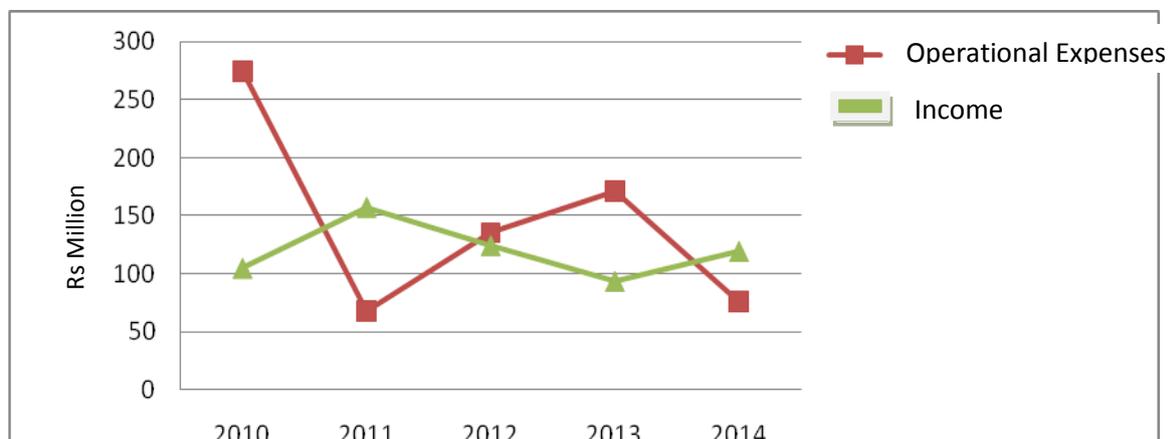
In comparison to the year 2013, the income from the agricultural insurance schemes has been registered a growth of 27%. The premia income which stood at Rs 93.8 million in the year 2013 increased to Rs 119.6 million in 2014. Further, compensation amounting to Rs. 68.1 million was during the year, the scheme posted a net profit of Rs. 17.8 million in the current year.

With effect from January 2014, the implementation of a new insurance scheme was started and the payment of pension which remained suspended was resumed. During the current year, a treasury bond amounting to Rs. 1000 million was awarded to the Board to bolster the pension fund.

**Financial Information in respect of the
Five preceding years**

Profitability

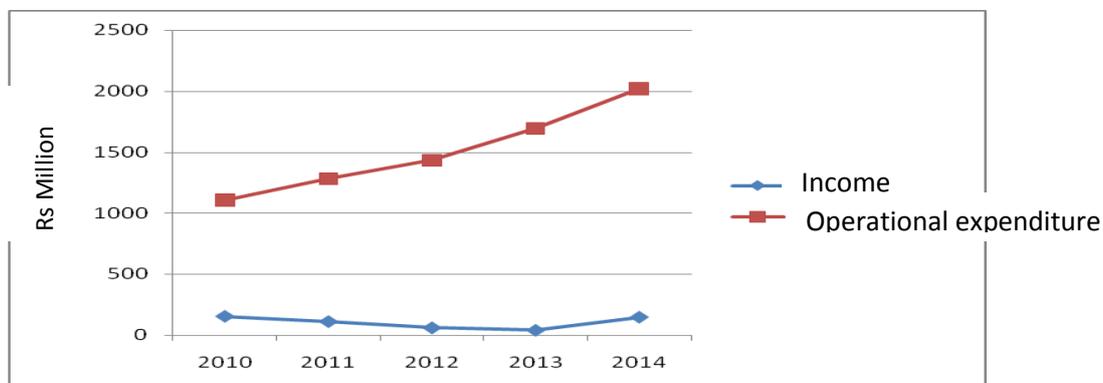
- Agricultural Insurance Scheme



	2010	2011	2012	2013	2014
Operational Expenses (Rs Mn)	274.3	67.4	135.2	170.9	75.6
Insurance premia income (Rs Mn)	105.1	157.4	124.7	93.8	119.6

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. In comparison to the year 2013, the agricultural insurance income registered an increase of Rs. 25.8 million in the year 2014 and this was a year on year increase of 27%.

Farmers Pensions and Social Security Benefits Scheme



	2010	2011	2012	2013	2014
Income	154	110	58.1	38	147
Operational expenditure	1106	1282	1433	1693	2019

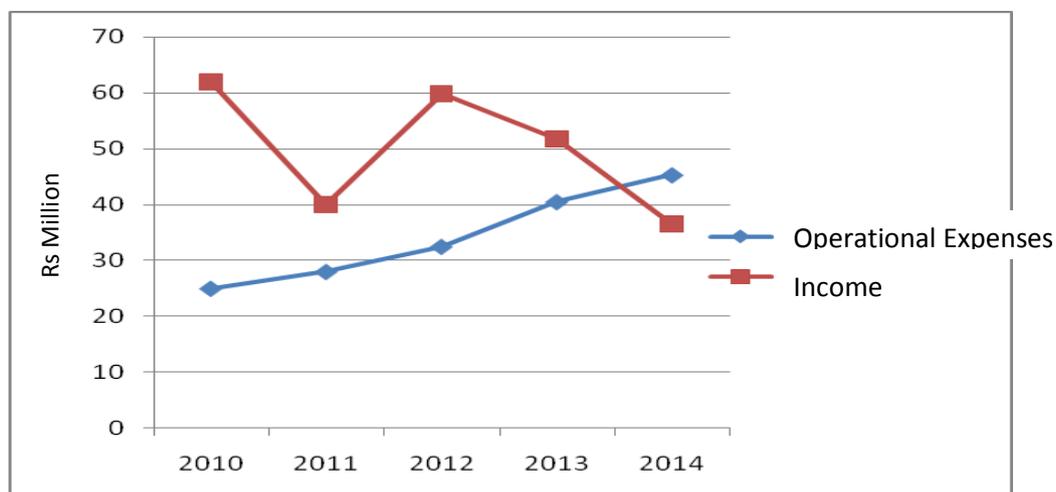
Farmers’ Pensions and Social Security Benefits Scheme

The fund of the farmers pension scheme introduced in the year 1987 became zero by August 2010. The major reasons for this situation are the raising of the minimum pension from Rs. 200/= to Rs. 1000/= without a corresponding increase in the income from premia, payment of pension to the spouse and the non-receipt of government assistance as pledged. The Board continued to pay the Farmers’ Pension utilizing other available and treasury provisions until 2011.

Farmers’ pension was not paid in 2012 and 2013 and a new pension scheme was introduced in the year 2014 and a total of Rs. 2129 million was paid during the year as pension.

In the current year, a treasury bond of Rs. 1000 million was granted to the Board and Rs. 1954.80 million was allocated for the payment of pension benefits. It was proposed from the budget of 2015 to apportion Rs. 5000 million during the next three years for the pension fund.

Fishermen’s Pensions and Social Security Benefits Scheme



	2010	2011	2012	2013	2014
Income	25	28	32.5	40.5	45.3
Operational expenditure	62	40	59.8	51.7	36.5

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. 2.6 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 2021 it will reach zero level.

**Overall Schemes and Consolidated
Financial Statements**

For the year 2014

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
FOR THE YEAR ENDED 31st DECEMBER 2014			
			Restated
		31.12.2014	31.12.2013
<u>ASSETS</u>			
<i>Non Current Assets</i>			
Plant, Property & Equipments		107,28,007.59	123,47,745.48
<u>Held to maturity Investment</u>			
Treasury Bond		11207,43,965.00	-
<i>Current Assets</i>		6511,19,894.05	3996,20,308.22
TOTAL ASSETS		17825,91,866.64	4119,68,053.70
<u>EQUITY & LIABILITIES</u>			
<i>Capital & Reserve</i>			
AIB Accumulated (Deficit) / Surplus		(17,66,817.31)	(209,13,143.36)
Government Grant Capital		113,18,955.09	98,70,305.50
Government Grant		500,00,000.00	500,00,000.00
Farmer's Pension Fund		(572494,28,978.77)	(539674,72,093.39)
Group Insurance Fund - FPS		7093,86,616.19	6477,85,238.94
F.A.O. Grant		5,47,885.14	5,47,885.14
Group Insurance Contribution		10,00,000.00	10,00,000.00
Fishermen's Pension Fund		(19303,71,414.21)	(17116,47,610.36)
Staff Medical Insurance Fund		39,12,029.49	27,60,941.56
Group Insurance fund - FHS		215,25,809.70	202,10,079.70
<u>Other Fund</u>			
AAIB Reserve Fund		182,31,729.70	158,83,054.25
		(583656,44,184.98)	(549593,52,596.91)
<u>Non Current Liabilities</u>			
Fisheries Pension Liability		25556,67,552.00	23442,70,819.00
Farmers Pension Liability		530832,43,089.00	498020,83,620.00
Government Grant on Treasury Bond		10814,88,000.00	-
Provision For Gratuity		759,04,639.81	596,67,360.11
		567963,03,280.81	522139,24,554.27
Current Liabilities		33519,32,770.81	31573,96,096.34
TOTAL EQUITY & LIABILITIES		17825,91,866.64	4119,68,053.70

AGRICULTURAL AND AGRARIAN INSURANCE BOARD
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st DECEMBER 2014

REVENUE	AAIB	FARMERS	FISHERIES	2014	2013
Premier -Insurance	119,583,563	-	-	119,583,563.34	93,854,060
Farmer 's Pension Collection		50,772,350		50,772,350.06	36,196,017
Interest - AAIB	2,949,291			2,949,291.22	7,684,352
Interest - FPS		96,620,882		96,620,881.96	1,869,928
Fishermen's Pension Collection			1,456,710	1,456,710.00	2,904,747
Interest - FSH			38,533,361	38,533,360.63	52,346,551
	122,532,855	147,393,232	39,990,071	309,916,157.21	194,855,655
Less : Operating Expenditure					
Indemnity - AAIB	(68,128,515)			(68,128,514.69)	(166,484,278)
Operational expenses - AAIB	(7,430,831)			(7,430,830.91)	(4,484,693)
Pension payments & commission		(1,984,434,456)	(42,356,694)	(2,026,791,150.00)	(1,691,644,554)
Group Insurance Paid - FPS		(30,003,930)		(30,003,930.00)	(33,164,640)
Other Operational expenses - FPS		(1,307,100)		(1,307,099.85)	(1,280,219)
Refund of Contribution & Net Interest		(3,728,240)	(1,205,639)	(4,933,879.35)	(6,467,710)
Group Insurance Paid - FSH			(1,675,730)	(1,675,730.00)	(1,691,660)
Incentive of - FSH			(88,820)	(88,820.00)	(152,127)
	(75,559,346)	(2,019,473,726)	(45,326,883)	(2,140,359,954.80)	(1,905,369,880)
Operational surplus / (Deficit)	46,973,509	(1,872,080,494)	(5,336,812)	(1,830,443,797.59)	(1,710,514,225)
Increase Of pension Liability		-	-	-	-
Amotization Of Gov: Grant		612,868		612,868.20	711,443
ADD:					
Govt. Grant for Pension Payments		1,954,800,000		1,954,800,000.00	-
Govt. Grant for Admin Expenses	72,750,000	72,750,000	3,000,000	148,500,000.00	139,500,000
Farmers Contribution for Admin Exp.		2,859,210		2,859,210.00	2,033,861
Grant for Admin: Expenses - FSH				-	-
Other Income	2,082,371	42,801		2,125,172.03	7,815,591
	74,832,371	2,030,452,011	3,000,000	2,108,284,382.03	149,349,452
	121,805,880	158,984,385	(2,336,812)	278,453,452.64	(1,560,453,329)
Less : Expenses					
Admin Expenses	(96,111,433)	(96,940,912)	(4,832,931)	(197,885,276.42)	(173,204,570)
Finace & Others	(312,496)	(58,034,436)	(561)	(58,347,492.30)	(74,174,191)
	(96,423,928)	(154,975,348)	(4,833,493)	(256,232,768.72)	(247,378,761)
NET SURPLUS /(DEFICIT)	25,381,952	4,009,037	(7,170,305)	22,220,683.92	(1,807,832,090)
Less : Provision for A.A.I.B Reserve fund	(2,348,675)	-	-	(2,348,675.45)	
Net Surplus (deficit) After Provision	23,033,277	4,009,037	(7,170,305)	19,872,008.47	(1,807,832,090)
Other comprehensive income					
Gratuity gains / (losses)	(5,251,054.46)	(4,810,552.97)	(156,766)	(10,218,373.38)	7,377,254.89
Increase in Pension Liability		(3,281,159,469.00)	(211,396,733.00)	(3,492,556,202.00)	(3,483,286,439.00)
	(5,251,054.46)	(3,285,970,021.97)	(211,553,498.95)	(3,502,774,575.38)	(3,475,909,184.11)
Net Surplus /Dificit of the Comprehensive	17,782,222.32	(3,281,960,985.38)	(218,723,803.85)	(3,482,902,566.91)	(5,283,741,274.12)

Financial Statements as at 31 December 2014
Agriculture Insurance Scheme

**AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2014**

	Notes	31.12.2014		Restated 31.12.2013	
		Rs.	Cts.	Rs.	Cts.
<u>ASSETS</u>					
<u>Non- Current Assets</u>					
Plant, Property & Equipment	1	8,446,766.95		10,717,738.64	
		<u>8,446,766.95</u>		<u>10,717,738.64</u>	
<u>Current Assets</u>	2	<u>934,205,588.20</u>		<u>827,514,961.87</u>	
TOTAL ASSETS		<u>942,652,355.15</u>		<u>838,232,700.51</u>	
<u>EQUITY & LIABILITIES</u>					
<u>Capital & Reserve</u>					
Government Grant (Initial Capital)		50,000,000.00		50,000,000.00	
A.A.I.B. Accumulated Fund	3	(1,766,817.31)		(20,913,143.36)	
Government Grant - Capital	4	9,038,545.41		8,242,037.62	
A.A.I.B Reserve Fund	5	18,231,729.70		15,883,054.25	
Farmer's Death Gratuity Fund	6	709,386,616.19		647,785,238.94	
Staff Medical Insurance Fund		3,912,029.49		2,760,941.56	
		<u>731,530,375.38</u>		<u>666,429,234.75</u>	
		<u>788,802,103.48</u>		<u>703,758,129.01</u>	
<u>Non - Current Liabilities</u>					
Farmers' Trust Fund - Loan		-		525,500.27	
Provision For Gratuity		36,494,673.34		28,391,641.17	
		<u>36,494,673.34</u>		<u>28,917,141.44</u>	
<u>Current Liabilities</u>					
	7	117,355,578.33		105,557,430.06	
TOTAL EQUITY & LIABILITIES		<u>942,652,355.15</u>		<u>838,232,700.51</u>	

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

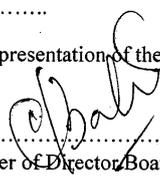


 Head of Finance

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



 Chairman
 Agricultural & Agrarian Insurance Board



 Member of Director Board
 Agricultural & Agrarian Insurance Board

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st DECEMBER 2014

	Notes	31.12.2014		Restated 31.12.2013	
		Rs.	Cts.	Rs.	Cts.
REVENUE					
Premium - Insurance	8.01	1195,83,563.34		938,54,059.76	
Interest	8.02	29,49,291.22		76,84,352.45	
TOTAL REVENUE		1225,32,854.56		1015,38,412.21	
OPERATING EXPENSES					
Indemnity	9.01	(681,28,514.69)		(1664,84,277.58)	
Operating Expenses	9.02	(74,30,830.91)		(44,84,692.54)	
		(755,59,345.60)		(1709,68,970.12)	
OPERATING SURPLUS/(DIFICIT)		469,73,508.96		(694,30,557.91)	
Govt. Grant for Admin Expenses		727,50,000.00		690,00,000.00	
Other Income	10	20,82,371.45		78,11,131.44	
		748,32,371.45		768,11,131.44	
		1218,05,880.41		73,80,573.53	
EXPENSES					
Administrative Expenses	11	(961,11,432.68)		(891,03,139.33)	
Finance & Other Expenses	12	(3,12,495.50)		(1,98,000.06)	
TOTAL EXPENSES		(964,23,928.18)		(893,01,139.39)	
NET SURPLUS/ (DEFICIT)		253,81,952.23		(819,20,565.86)	
Provision For A.A.I.B Reserve Fund		(23,48,675.45)		-	
NET SURPLUS/ (DEFICIT) AFTER PROVISION		230,33,276.78		(819,20,565.86)	
COMPREHENSIVE INCOME					
Gratuity Gain/Loss		(52,51,054.46)		29,89,051.33	
		(52,51,054.46)		29,89,051.33	
NET SURPLUS/ (DEFICIT) AFTER COMPREHENSIVE INCOME		177,82,222.32		(789,31,514.53)	

AGRICULTURE & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
STATEMENT OF CHANGES IN EQUITY
FOR THE 31ST DEC 2014

	Govt. Grant for Capital Rs.'000	Accumulated Deficit Rs.'000	AAIB Reserve Fund Rs.'000	Death Gratuity Fund Rs.'000	Medical Insurance Fund Rs.'000
Balance as at 31 Dec.2012	8,534	57,220	15,883	5,72,821	2,355
Balance transfer from F.P.S					
Prior year adj.		798			
Addition during the year: 2013				74,964	405
Govt. Grant	2,000				
Amotization Gov. Grant Farmers Pension	(2,292)				
Net Surplus /(Deficit)		(78,931)			
Transfer to the reserve					
Balance as at 31 Dec.2013	8,242	(20,913)	15,883	6,47,785	2,760
Balance transfer from F.P.S					
Prior year adj.		1,364			
Addition during the year:					
Govt. Grant	3,000		2,348	61,601	1,152
Amotization Gov. Grant Farmers Pension	(2,204)				
Net Surplus /(Deficit)		17,782			
	797	19,146	18,231	61,601	1,152
Balance as at 31st Dec. 2014	9,039	(1,767)	18,231	7,09,386	3,912

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
CASH FLOW STATEMENT
FOR THE 31st DEC. 2014

	31.12.2014		31.12.2013	
	Rs.	Cts.	Rs.	Cts.
Cash Flows from Operating Activities				
Net Surplus / (Deficit)	177,82,222.32		(819,20,565.86)	
Adjustment for				
Depreciation	36,59,087.36		40,31,213.76	
Adjustments in respect of Prior year	13,64,103.73		7,98,713.38	
Provision For A.A.I.B Reserve Fund	23,48,675.45			
Gratuity Gain/Loss	52,51,054.46			
	126,22,921.00		48,29,927.14	
Profit / loss on disposal of Property, Plant & Equip.			-	(61,19,737.01)
Provision for Retiring Gratuity	32,45,227.71		28,98,259.90	
Operating Surplus before working capital changes	336,50,371.03		-803,12,115.83	
(Increase)/ Decrease in Inventories	(2,40,905.03)		76,174.08	
(Increase)/ Decrease in Receivables	(611,35,535.69)		(603,51,603.46)	
(Increase)/ Decrease Receivable Premium	(172,86,500.86)		65,19,371.55	
(Increase)/ Decrease in Deposits & Prepayments	(1,62,401.46)		47,008.00	
(Increase)/ Decrease in Advances	(25,783.73)		1,35,677.79	
Increase /(Decrease) Provision For Indemnity	(89,45,000.00)		19,45,000.00	
Increase /(Decrease) Provision For Printing	32,205.00		74,015.00	
Increase /(Decrease) Pre-premium advance	200,46,920.01		(11,86,504.88)	
Increase /(Decrease) Other Payables	(1,50,000.00)		(6,04,800.00)	
Increase /(Decrease) Accrued expenses	8,14,023.26		7,25,900.84	
	-670,52,978.50		-526,19,761.08	
Cash Generated from Operations	-334,02,607.47		-1329,31,876.91	
Retiring Gratuity - Paid	(3,93,250.00)		(10,92,937.50)	
Net Cash Flows from Operating Activities	-337,95,857.47		-1340,24,814.41	
Cash Flows from Investing Activities				
Government Grant for Capital expenditure	30,00,000.00		20,00,000.00	
Medical Fund	11,51,087.93		4,05,073.84	
Amotization of Government Grant	(22,03,492.21)		(22,92,693.11)	
Disposal Assets			63,42,000.00	
Farmer's Death Gratuity Fund	616,01,377.25		749,63,733.06	
Farmers Trust Fund	(5,25,500.27)		(8,55,499.92)	
Investments during the year	(115,44,393.64)		516,19,754.07	
Purchases of Property, Plant & Equipment	(14,10,180.50)		(2,76,737.50)	
Net Cash Flows from Investing Activities	500,68,898.56		1319,05,630.44	
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	162,73,041.09		-21,19,183.97	
Cash & cash equivalents at the beginning of the year	147,46,687.14		168,65,871.11	
Cash & cash equivalents at the end of the year	310,19,728.23		147,46,687.14	

Agricultural and Agrarian Insurance Board

Agriculture Insurance Scheme

Significant Accounting Policies

For the Year Ended 31st December 2014

1. General Policies

1.1 Reporting Entity

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

1.2 Principal Activities and Nature of Operations

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

1.3 Basis of Preparation

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements

in order to enhance the understanding of the financial statements of the current period and to improve the inter- period comparability.

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

(d) Functional and Presentation Currency

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

(e) Use of Estimates and Judgments

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

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

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

(f) Going Concern

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

2. Assets and the Bases of their Valuation

2.1 Property, Plant and Equipment

(a) Recognition and Measurement

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

All items of property, plant and equipment are initially recorded at cost less accumulated depreciation or impairment losses. Significant components of an asset are identified and

depreciated separately. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. All other repair and maintenance costs are recognized in the income statement as incurred.

(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

Liability for outstanding claims are recognized based on the risk factors of crop and insured subject matter. Following table shows the indemnity provision made for the financial year 2014.

Insured Subject	Provision for Indemnity
	Rs
Paddy	56,000,000.00
Livestock	8,000,000.00
Suwasetha Insurance	800,000.00
Subsidiary Crops	22,000,000.00
	86,800,000.00

3.2 Provision for Bad Debts

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

3.3 Retirement Benefits

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

3.4 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.

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 of employees, and other miscellaneous income.
2. All income has been recognized on accrual basis.
3. Income from insurance premium collection of Maha season 2014 has been taken for the current year.

Income received after balance sheet date in respect of current year season has been considered as premium income receivable.

4. Government Grants have been received for recurrent expenditure for the year of 2014.
5. Government Grants received for capital expenditure has been recognized as income on systematic basis.

4.2 Revenue Recognition

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

4.3 Accounting for Government Grants

Grants that compensate the Board for expenses incurred are recognized as revenue in the statement of comprehensive income in the same period in which the expenses are recognized.

Grants that compensate the Board for the cost of an asset are recognized in the statement of comprehensive income on a systematic basis over the useful life of the related asset.

4.4 Expenditure

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

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

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%

4.5 Surplus

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

4.6 Reserve Fund

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

4.7 Pre-Premium

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

5. Statement of Cash Flows

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

6. Events After the Reporting Date

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

7. Contingencies

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

Current Status of the Legal Cases of AAIB

	Court	Case No	Petitioner / Defendant	Subject	Current Status
1	Supreme Court Aluthkade	SC/HC/CA/164/2013 and 165	Mr. A K M Illyiyas	Dismissed from the Service	 Trial is On
2	Magistrate Court Anuradhapura	B/520/03 B/2171/2	Mr.K.A.Heen Bandara (Clerk) Mr.K.A.Sudath Bandara (FO)	Nonpayment of Pension Premium	
3	Magistrate Court Kandy	B/3012	Mr.S.J.Silva Mr.D.G.Karunathilaka Mr.G.M.G.Senarathna	Nonpayment of Pension Premium	
4	Civil Appeal Court	WP/HCCA/COL/302 & 312/2013F	Bank Of Ceylon	Obtaining Receivable Investment Interest	
5	Labour Tribunal Embilipitiya	6E/7030/2011	Ms.Maheshi Buddhika	Non Continuation of Training	
6	Labour Tribunal Badulla	05/20356/2013 – (3/8/2/BD)	Mr.Terrance Warushawithana	Dismissed from the Service and Nonpayment of Pension Premium	

AGRICULTURAL & AGRARIAN INSURANCE BOARD
 AGRICULTURE INSURANCE SCHEME
 NOTES TO THE ACCOUNTS
NOTE 01

DEPRICIATION FOR THE YEAR 2014

ASSETS	Cost as at 31.12.2013 Rs. Cts.	Cost Addition Rs. Cts.	FPS Assets 31.12.2014 Rs. Cts.	Cost as at 31.12.2014 Rs. Cts.	Accum.Deprn as at 31.12.2013 Rs. Cts.	FPS Assets Accum.Deprn 31.12.2013 Rs. Cts.	Depn For the Year Rs. Cts.	Accum.Deprn as at 31.12.2014 Rs. Cts.	W.D.V as at 31.12.2014 Rs. Cts.
FURNITURE & FITTINGS	86,48,818.83	1,04,247.50	-	87,53,066.33	-70,64,966.73	-	-4,03,321.99	-74,68,288.72	12,84,777.61
OFFICE EQUIPMENTS	106,71,701.15	1,67,890.00	-	108,39,591.15	-87,30,768.43	-	-4,20,884.74	-91,51,653.17	16,87,937.98
MOTOR VEHICLE	412,35,727.33	-	12,68,423.70	399,67,303.63	-377,11,021.21	(12,46,358.87)	-20,68,463.35	-385,33,125.69	14,34,177.94
WELFARE EQUIPMENTS	4,66,136.00	44,750.00	-	5,10,886.00	-2,96,253.08	-	-36,908.21	-3,33,161.29	1,77,724.71
COMPUTER EQUIPMENTS	57,55,288.89	10,55,823.00	-	68,11,111.89	-51,21,185.09	-	-4,05,947.37	-55,27,132.46	12,83,979.43
TELEPHONE	15,88,157.50	37,470.00	-	16,25,627.50	-15,50,572.25	-	-26,479.58	-15,77,051.83	48,575.67
MOTOR BICYCLE	1,46,300.00	-	-	1,46,300.00	-1,46,300.00	-	0.00	-1,46,300.00	0.00
BUILDING	56,39,880.28	-	-	56,39,880.28	-33,41,059.44	-	-1,91,135.08	-35,32,194.52	21,07,685.76
PUBLICITY EQUIPMENTS	19,25,248.12	-	-	19,25,248.12	-14,21,319.06	-	-93,064.04	-15,14,383.10	4,10,865.02
BICYCLE	1,21,227.95	-	-	1,21,227.95	-97,302.12	-	-12,883.00	-1,10,185.12	11,042.83
CROP CUTTING EQUIPMENTS	60,371.00	-	-	60,371.00	-60,371.00	-	0.00	-60,371.00	0.00
LOSS PREVENTIVE EQUIP:	41,280.00	-	-	41,280.00	-41,280.00	-	0.00	-41,280.00	0.00
SURVEY EQUIPMENTS	4,399.00	-	-	4,399.00	-4,399.00	-	0.00	-4,399.00	0.00
WEIGHING SCALE	1,036.35	-	-	1,036.35	-1,036.35	-	0.00	-1,036.35	0.00
NORAD EQUIPMENTS	3,44,423.50	-	-	3,44,423.50	-3,44,423.50	-	0.00	-3,44,423.50	0.00
	766,49,995.90	14,10,180.50	12,68,423.70	767,91,752.70	-659,32,257.26	-12,46,358.87	-36,59,087.36	-683,44,985.75	84,46,766.95

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2014

		31.12.2014	31.12.2013
		Rs.Cts.	Rs.Cts.
<u>NOTE 02 - CURRENT ASSETS</u>			
Stocks	2.01	27,96,797.32	25,55,892.29
Receivables	2.02	5818,57,078.84	5206,99,478.32
Receivable Premium	2.03	273,69,562.29	100,83,061.43
Deposits & Pre Payments	2.04	43,56,073.46	41,93,672.00
Advances	2.05	10,42,581.30	10,16,797.57
Financial Instruments Held to Maturity	2.06	2857,63,766.76	2742,19,373.12
Cash at Bank	2.07	310,19,728.23	147,46,687.14
		<u>9342,05,588.20</u>	<u>8275,14,961.87</u>

NOTE 03 - A.A.I.B. ACCUMULATED SURPLUS

B / F Balance		(209,13,143.36)	572,19,657.79
Prior Year Adjustment		13,64,103.73	7,98,713.38
Adjusted Balance on 31.12.2013		(195,49,039.63)	580,18,371.17
Surplus(Deficit) for the year		177,82,222.32	(789,31,514.53)
Balance as at 31.12.2014		<u>(17,66,817.31)</u>	<u>(209,13,143.36)</u>

NOTE 04 - CAPITAL
Govt. Grant For Capital

Balance as at 01.01.2014		82,42,037.62	85,34,730.73
Amotization Gov. Grant Farmers Pension			
Grant for the year		30,00,000.00	20,00,000.00
Amotizations Gov. Grant		(22,03,492.21)	(22,92,693.11)
Balance as at 31.12.2014		<u>90,38,545.41</u>	<u>82,42,037.62</u>

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2014

	NOTES	31.12.2014 Rs.Cts.	31.12.2013 Rs.Cts.
<u>NOTE 05 - A.I.B. RESERVE FUND</u>			
Balance as at 01.01.2014		158,83,054.25	158,83,054.25
Provision for the year		23,48,675.45	-
Balance as at 31.12.2014		182,31,729.70	158,83,054.25
<u>NOTE 06 - Farmer's Death Gratuity Fund</u>			
Balance as at 01.01.2014		6477,85,238.94	5728,21,505.88
Add :			
Death Gratuity Premium		300,03,930.00	331,64,640.00
Interest <i>income</i>		346,50,447.25	466,75,133.06
		<u>646,54,377.25</u>	<u>798,39,773.06</u>
Less :			
Death Gratuity Payment		24,85,000.00	47,48,040.00
Disablement Gratuity Payment		5,68,000.00	1,28,000.00
		<u>30,53,000.00</u>	<u>48,76,040.00</u>
Balance as at 31.12.2014		7093,86,616.19	6477,85,238.94
<u>NOTE - 07 - CURRENT LIABILITIES</u>			
Provision For Printing		7,94,166.30	7,61,961.30
Pre Premium Receipts	7.01	211,86,666.40	11,39,746.39
Other Payables	7.02	19,26,333.33	20,76,333.33
Accrued Expenses	7.03	66,48,412.30	58,34,389.04
Provision For Indemnity	7.04	868,00,000.00	957,45,000.00
		<u>1173,55,578.33</u>	<u>1055,57,430.06</u>

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME

NOTES TO THE INCOME STATEMENT
FOR THE 31st DECEMBER 2014

31.12.2014 **31.12.2013**
Rs. Cts. **Rs. Cts.**

NOTE 08 - REVENUE

8.01 - Premium - (Insurance)

Paddy	664,53,371.74	573,85,909.00
Livestock	122,11,640.60	88,97,266.81
Suwasetha Insurance/ Personal Acc	76,75,677.72	12,66,494.48
Subsidiary Crops	327,09,977.47	247,70,452.00
Agri equipments	1,12,328.67	4,36,917.83
Tactor Sales Commission	4,20,567.14	10,97,019.64
	1195,83,563.34	938,54,059.76

8.02 - Interest Income

Interest - Treasury bills (Crops & Other)	15,02,677.68	60,68,932.05
- Loans to employees	14,46,613.54	16,15,420.40
	29,49,291.22	76,84,352.45

NOTE 9 - OPERATIONAL EXPENDITURE

9.01 - Indemnity - Insurance

Paddy	396,74,692.69	1500,22,999.00
Livestock	43,96,137.50	67,85,703.08
Suwasetha Insurance	1,62,559.50	1,17,723.00
Subsidiary Crops	238,95,125.00	94,62,221.50
Agri Equipment	-	95,631.00
	681,28,514.69	1664,84,277.58

9.02 - Other Operational Expenses

Insurance Commission	47,75,825.67	27,51,967.33
Admin. Allowances	5,760.00	39,960.00
Crop Assessment	4,15,919.69	4,27,970.40
Livestock	21,17,223.91	8,19,637.70
Commission Tractor sales	1,16,101.64	4,45,157.11
	74,30,830.91	44,84,692.54

NOTE 10 - OTHER INCOME

Disposal of Fixed assets	-	61,19,737.01
Amotisation of Government Grant	15,90,624.01	15,81,250.00
Other income	4,91,747.44	1,10,144.43
	20,82,371.45	78,11,131.44

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE INCOME STATEMENT
FOR THE 31st DECEMBER 2014

31.12.2014 **31.12.2013**
Rs.Cts. **Rs.Cts.**

NOTE 11 - ADMINISTRATIVE EXPENSES

Salaries & Wages	531,95,306.69	513,08,000.34
Contribution E.P.F.	54,44,463.23	48,56,667.51
Contribution E.T.F.	13,60,465.82	12,14,166.89
Traveling & Subsistence	10,75,855.75	14,42,710.00
Overtime	9,15,492.56	8,02,713.98
Daily Pay	66,763.00	81,779.12
Medical Expenses	6,31,864.00	2,73,492.00
Allowance to Board Members	1,90,800.00	2,34,000.00
Gratuity	32,45,227.71	28,98,259.90
Welfare	3,12,948.75	2,61,183.50
Special allowance	4,27,516.66	5,10,000.00
Fuel	48,14,848.07	41,62,204.16
Stationery	14,40,148.71	12,88,578.51
Entertainment Allowance	64,593.94	52,130.10
Legal Fees	99,253.69	5,42,012.44
Transport	47,442.00	94,918.00
Printing	4,69,261.07	6,05,914.37
Publicity & Training	12,56,614.48	4,43,898.88
Uniform	1,23,278.50	1,37,054.37
Rent	78,22,424.11	67,95,763.84
Telephone	12,17,448.78	9,52,058.00
Postage	4,17,024.82	5,07,356.18
Water Tax	2,24,355.87	5,462.99
News paper & Advertisement	6,39,390.00	1,21,336.00
Security	5,67,270.00	6,91,849.62
Electricity	14,57,051.69	12,70,476.31
Maintenance - Moter Vehicles	36,04,761.13	23,63,451.68
Maintenance - Buildings	2,16,705.42	1,10,718.05
Maintenance - Office Equipments	5,01,375.95	3,46,071.28
Labour Charges	1,13,162.00	1,02,976.80
Translation Fees	1,26,364.00	31,078.50
Computer Expenses	1,11,386.92	1,77,665.25
Miscellaneous Expenses	1,480.00	500.00
Depreciation	36,59,087.36	40,31,213.76
Bad Debts	-	1,35,477.00
Audit Fees	2,50,000.00	2,50,000.00
	961,11,432.68	891,03,139.33

NOTE12 - FINANCE CHARGES

Bank Charges	3,12,495.50	1,98,000.06
	3,12,495.50	1,98,000.06

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2014

31.12.2014 **31.12.2013**
Rs.Cts. **Rs.Cts.**

NOTE 02.01 - Stock

Schedule

Printing	2.01.01	21,34,383.81	22,32,824.88
Stationary		6,62,413.51	3,23,067.41
		27,96,797.32	25,55,892.29

NOTE 02.02 - Receivables

Staff Loans & Advance	2.02.01	348,52,839.68	366,66,009.75
Moter cycle loan	2.02.02	1,83,782.27	11,16,951.42
Salary Receivables		3,42,023.38	3,68,901.38
Staff Special Loan - 2004		4,800.00	4,800.00
Life insurance premium Receivable		1419,44,400.00	1149,93,470.00
Sundry Debtors		51,542.75	51,542.75
Receivables from C. W. E		2,56,520.00	
Receivables from Welfare Society		5,47,875.00	
Motor cycle Expenses (Staff) -	2.02.03	2,566.70	2,566.70
Farmers Pension Scheme (Admin)		774,72,153.63	637,24,278.58
Fisheries Pension Scheme		124,87,406.38	87,04,380.10
Farmers Pension Scheme (Capital)		22,80,409.68	16,28,267.88
Farmers Pension Advance		3131,73,401.37	2954,46,605.07
Provision for bad debtors		(17,42,642.00)	(20,08,295.31)
		5818,57,078.84	5206,99,478.32

NOTE 02.03 Receivable premium

Paddy	121,72,188.17	100,83,061.43
Subsidiary Crop	105,07,983.38	
Livestock	22,51,073.40	
Suwasetha and Personal	24,38,317.34	
	273,69,562.29	100,83,061.43

NOTE 02.04 - Deposits & Pre Payment

Deposit - (Fuel)	1,00,000.00	1,00,000.00
Deposit - (Transport)	5,000.00	5,000.00
Insurance	51,401.46	-
Rent	41,99,672.00	40,88,672.00
	43,56,073.46	41,93,672.00

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2014

NOTE 02.05 - Advances

	31.12.2014	31.12.2013
	Rs.Cts.	Rs.Cts.
Traveling Advance - 2003	16,500.00	8,000.00
Fuel Advance	43,586.70	44,423.80
Salary Advance	50,261.41	50,261.41
Miscellaneous Advance -	3,64,293.35	3,44,293.35
Capital Advance	5,65,800.00	5,65,800.00
District Admin.acct	2,139.84	4,019.01
	10,42,581.30	10,16,797.57

NOTE 02.06 - Financial Instruments Held to Maturity

	Rs.Cts.	Rs.Cts.
Treasury Bills	2857,63,766.76	2742,19,373.12
	2857,63,766.76	2742,19,373.12

NOTE 02.07 - Cash at Bank

B. O C A/C -164811	5,12,035.40	1,61,542.32
B.O.C A/C - 164667	5,46,519.84	14,70,307.33
B.O.C A/C -164693	27,92,164.72	15,60,161.71
B.O.C A/C -1622	10,52,254.15	6,65,389.42
B.O.C A/C -1616	47,21,834.16	19,03,763.65
B.O.C A/C -8600879	3,93,087.15	7,53,241.75
B.O.C A/C -8600818	8,16,379.38	35,87,115.69
P.B A/C -112352	14,57,676.35	6,85,233.27
P.B. A/C -112343	50,856.44	30,618.97
P.B A/C - 100440112349	1,36,350.65	16,12,601.55
P.B A/C - 100260112349	1,44,174.74	89,184.74
P.B A/C - 100350112349	16,581.63	29,942.09
P.B A/C - 100170112349	20,48,111.86	21,97,584.65
P.B A/C -335100190008791	163,31,701.76	
	310,19,728.23	147,46,687.14

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS

FOR THE 31st DECEMBER 2014

	31.12.2014	31.12.2013
	Rs.Cts.	Rs.Cts.
<u>NOTE 07.03.01 - Accrued Expenses</u>		
Electricity	1,79,185.22	2,24,009.01
Security Charges	68,200.00	61,380.00
Rent	10,84,274.72	9,44,720.88
Maintenance of Motor Vehicles	2,95,888.50	40,250.00
Traveling & Subsistence	2,82,117.00	4,30,669.00
Salaries	2,37,226.92	3,16,408.50
E.P.F	6,960.00	6,367.99
E.T.F	1,740.00	1,592.00
Overtime	14,868.00	4,00,893.97
Daily Pay	4,600.00	34,474.00
Publicity	11,989.00	2,000.00
Stationary	3,90,436.40	18,400.00
Telephone	2,70,962.12	1,58,409.10
Water Bill	38,090.11	25,589.10
Audit Fees	15,70,392.00	25,79,384.00
Fuel	2,20,806.90	1,15,364.03
Uniform	-	5,400.00
Labour Charges	5,000.00	1,000.00
Payable Computer Expenses	17,800.00	8,000.00
Transport Expenses	-	56,755.00
Translation Fees	3,000.00	
Bank Charges	2,808.60	
Payable Main Building	22,400.00	
Payable Printing	825.00	
Payable Postage	6,617.00	
Sundry Creditors	1,61,213.00	
Payable Office Equipment	1,06,153.90	
	<u>50,03,554.39</u>	<u>54,31,066.58</u>

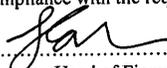
Financial Statements as at 31 December 2014

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

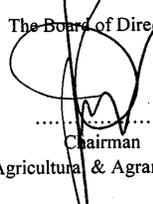
**AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2014**

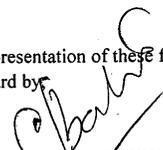
ASSETS	<i>Note</i>	<u>31.12.2014</u>		<u>Restated 31.12.2013</u>	
		Rs.	Cts.	Rs.	Cts.
<u>Non - Current Assets</u>					
Plant, Property & Equipment	1	2,280,408.64		1,628,266.84	
		<u>2,280,408.64</u>		<u>1,628,266.84</u>	
<u>Held to maturity Investment</u>					
Treasury Bond		1,120,743,965.00		-	
		<u>1,120,743,965.00</u>		<u>-</u>	
<u>Current Assets</u>					
Stock	2	2,001,391.58		2,244,279.94	
Receivables	3	32,556,755.20		714,479.20	
Held to maturity Investment	4	199,634,877.40		14,455,338.86	
Receivable Income	5	6,628,887.00		6,640,053.00	
Cash at Bank	6	5,176,178.75		5,272,856.11	
		<u>245,998,089.93</u>		<u>29,327,007.11</u>	
TOTAL ASSETS		<u><u>1,369,022,463.57</u></u>		<u><u>30,955,273.95</u></u>	
<u>EQUITY & LIABILITIES</u>					
<u>Capital & Reserves</u>					
Farmer's Pension Fund	8	(57,249,428,978.77)		(53,967,472,093.39)	
Govt. Grant for Capital	9	2,280,409.68		1,628,267.88	
F.A.O Grant		547,885.14		547,885.14	
Group Insurance Contribution		1,000,000.00		1,000,000.00	
		<u>(57,245,600,683.95)</u>		<u>(53,964,295,940.37)</u>	
<u>Non - Current Liabilities</u>					
Pension Liability		53,083,243,089.00		49,802,083,620.00	
Government Grant on Treasury Bond		1,081,488,000.00		-	
Provision for Staff Gratuity		38,322,090.89		30,450,770.12	
		<u>54,203,053,179.89</u>		<u>49,832,534,390.12</u>	
<u>Current Liabilities</u>					
Total Payables	10	4,408,026,165.47		4,159,523,022.04	
Accrued Expenses	11	3,543,802.16		3,193,802.16	
		<u>4,411,569,967.63</u>		<u>4,162,716,824.20</u>	
TOTAL EQUITY & LIABILITIES		<u><u>1,369,022,463.57</u></u>		<u><u>30,955,273.95</u></u>	

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


.....
Head of Finance

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


.....
Chairman
Agricultural & Agrarian Insurance Board


.....
Member of Director 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 2014

		31.12.2014	31.12.2013
		Rs. Cts.	Rs. Cts.
<u>REVENUE</u>	<i>Note</i>		
Interest Income		96,620,881.96	1,869,928.03
Farmers Contribution		45,053,930.06	32,128,295.00
Farmers Contribution for Life Insurance Premium		5,718,420.00	4,067,722.00
		147,393,232.02	38,065,945.03
<u>Expenses</u>			
Refund of Contribution		(1,999,278.00)	(3,318,494.00)
Refund of Net Interest		(1,728,962.35)	(2,191,866.65)
Disablement Gratuity Payment		(1,307,099.85)	(1,280,219.26)
Group Insurance Premium		(30,003,930.00)	(33,164,640.00)
Pension Payments & Commission			
- Pension Payments		(1,977,916,191.00)	(1,646,988,000.00)
- Commission Payments		(6,518,265.00)	(6,863,700.00)
Total Expenditure		(2,019,473,726.20)	(1,693,806,919.91)
Operating Surplus/(Dificit)		(1,872,080,494.18)	(1,655,740,974.88)
Government Grant-Recurrent		1,954,800,000.00	-
		82,719,505.82	(1,655,740,974.88)
Amortization of Govt. Grant		612,868.20	711,443.11
		83,332,374.02	(1,655,029,531.77)
<u>INCOME - for Administration</u>			
Farmer's Contribution for Admin. Expenses		2,859,210.00	2,033,861.00
Govt. Grant for Admin Expenses		72,750,000.00	69,000,000.00
Other Income		42,800.58	4,460.00
		75,652,010.58	71,038,321.00
<u>Expenses</u>			
Administration & Establishment Expenses	12	(96,940,912.37)	(80,145,818.78)
Financial Expenses	13	(56,683,239.64)	(73,006,960.58)
Commission for Collection Agents		(1,351,196.00)	(961,730.00)
Total Admin Expenses		(154,975,348.01)	(154,114,509.36)
		(79,323,337.43)	(83,076,188.36)
Surplus/Dificit for the year		4,009,036.59	(1,738,105,720.13)
Other comprehensive income			
Gratuity gains / (losses)		(4,810,552.97)	4,169,652.38
Increase in Pension Liability		(3,281,159,469.00)	(3,288,353,620.00)
		(3,285,970,021.97)	(3,284,183,967.62)
Net Surplus /Dificit of the Comprehensive income		(3,281,960,985.38)	(5,022,289,687.75)
(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 2014		
		Rs.
Description	Farmer's Pension Fund	Govt. Grant for Capital Expenses
Balance as at 01 January 2012	(441542,70,182)	19,57,387
Additions		14,75,000
Amortization of Govt. Grant		(13,20,949)
Profit/Loss for the year	(47908,52,224)	-
Balance as at 31st December 2012	(489451,22,406)	21,11,438
Additions	-	2,28,273
Amortization of Govt. Grant		(7,11,443)
Prior Adjustment	(60,000)	-
Profit/Loss for the year	(50264,59,340)	-
Balance as at 31st Dec. 2013	(539716,41,746)	16,28,268
Prior year adjustment	41,73,752	
Additions		12,65,010
Amortization of Govt. Grant		(6,12,868)
		-
Adjusted Balance as at 31st Dec. 2013	(539674,67,993)	22,80,410
	-	
Profit/Loss for the year	(32819,60,985)	-
Balance as at 31st Dec. 2014	(572494,28,979)	22,80,410

AGRICULTURE & AGRARIAN INSURANCE BOARD			
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
CASH FLOW STATEMENT			
FOR THE YEAR ENDED 31ST DECEMBER 2014			
		31.12.2014	31.12.2013
			Rs. Cts.
<u>Cash Flows from Operating Activities</u>			
Net Surplus / (Deficit)		(32819,60,985)	(50222,89,688)
Adjustment for			
- Depreciation		6,34,933	7,11,443
- Adjustments in respect of Prior Year		4,100	(60,000)
		6,39,033	6,51,443
Loss on Disposal of Property, Plant & Equipment			-
Provision for Retiring Gratuity		38,38,365	36,30,470
Deficit/Gain on gratuity		48,10,553	(41,69,652)
Amortization of Govt. Grant		(6,12,868)	(7,11,443)
		80,36,050	(12,50,626)
Operating Profit before working capital changes		(32732,85,903)	(50228,88,871)
(Increase)/ Decrease in Inventories		2,42,888	6,91,970
(Increase)/ Decrease in Receivables		(318,42,276)	75,000
(Increase)/ Decrease in Receivable Income		11,166	(19,86,030)
Increase / (Decrease) Other Payables		2484,81,079	17417,51,553
Increase / (Decrease) Accrued Expenses		3,50,000	3,50,000
		2172,42,857	17408,82,493
Cash Generated from Operations		(30560,43,046)	(32820,06,378)
Retiring Gratuity - Paid		(7,77,597)	(15,77,770)
Net Cash Flows from Operating Activities		(30568,20,643)	(32835,84,147)
<u>Cash Flows from Investing Activities</u>			
Government Grant for Capital Expenditure		6,12,868	2,28,273
Investments during the year		(1851,79,539)	(19,55,720)
Purchases of Property, Plant & Equipment		(6,12,868)	(2,28,273)
Net Cash Flows from Investing Activities		(1851,79,539)	(19,55,720)
<u>Cash Flows from Financing Activities</u>			
Pension Liability		32811,59,469	32883,53,620
Government Bond		(11207,43,965)	-
Government Grant for Treasury Bond		10814,88,000	
Net Cash Flows from Financing Activities		32419,03,504	32883,53,620
Net Increase / (Decrease) in Cash & Cash Equivalents		(96,677)	28,13,753
Cash & Bank Balance at the Beginning of the year		52,72,856	24,59,104
Cash & Cash equivalents at the End of the year		51,76,179	52,72,856
Cash & Bank Balance at the end of the year			
Cash at Bank - End of the year		51,76,179	52,72,856

**Agricultural and Agrarian Insurance Board
Farmer's Pension & Social Security Benefits Scheme**

Significant Accounting Policies

For the Year Ended 31st December 2014

1. General Policies

1.1 Reporting Entity

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

1.2 Principal Activities and Nature of Operations

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

1.3 Basis of Preparation

(g) Statement Of Compliance

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

(h) Basis of Measurement

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

(i) Comparative Information

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

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

(j) Functional and Presentation Currency

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

(k) Use of Estimates and Judgments

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

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

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

(l) Going Concern

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

2. Assets and the Bases of their Valuation

2.1 Property, Plant and Equipment

(d) 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.

(e) 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.

(f) Depreciation

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

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

2.2 Intangible Assets

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

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

2.3 Inventories

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

2.4 Financial Assets

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

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

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

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

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

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

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

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

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

(f) Loans & Receivables

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

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

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

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

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

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

(h) Available-for-Sale Financial Investment

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

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

2.5 Impairment of Financial Assets

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

3. Liabilities and Provisions

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

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

3.1 Retirement Benefits

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

3.2 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 statements on present value basis considering the actuarial calculation, which was done in the year of 2007.

4. Statement of Comprehensive Income

4.1 Revenue

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

4.2 Revenue Recognition

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

4.3 Accounting for Government Grants

Grants that compensate the Board for expenses incurred are recognized as revenue in the statement of comprehensive income in the same period in which the expenses are recognized.

Grants that compensate the Board for the cost of an asset are recognized in the statement of comprehensive income on a systematic basis over the useful life of the related asset.

4.4 Expenditure

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

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

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, in accordance with the LKAS 7.

6. Events After The Reporting Date

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

7. Contingencies

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

AGRICULTURAL AND AGRARIAN INSURANCE BOARD									
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME									
NOTES TO THE FINANCIAL STATEMENTS									
NOTE- 01									
PLANT, PROPERTY & EQUIPMENT AS AT 31ST DECEMBER 2014									
DESCRIPTION	MOTOR VEHICLE	OFFICE EQUIPMENT	WELFARE EQUIPMENT	FURNITURE & FITTINGS	AIR CONDITIONERS	COMPUTERS	PUBLICITY EQUIPMENT	COMPUTER SOFTWARE	TOTAL
COST OF AS AT 1 ST JANUARY 2014	8,33,637.00	16,20,558.04	22,330.75	8,19,738.53	3,60,136.62	247,47,521.74	4,22,837.14	14,75,000.00	303,01,759.82
ADDITION		-	-	-	-	12,65,010.00	-	-	12,65,010.00
TRANSFER FORM AAIB	12,68,423.70	-	-	-	-	-	-	-	12,68,423.70
TOTAL COST	21,02,060.70	16,20,558.04	22,330.75	8,19,738.53	3,60,136.62	260,12,531.74	4,22,837.14	14,75,000.00	328,35,193.52
DEPRECIATION RATE %	20%	10%	10%	10%	20%	20%	10%	20%	
ACCUMULATED DEP : AS AT 1st JANUARY 2014	8,33,637.00	16,09,387.79	17,966.71	7,30,103.33	3,60,136.62	241,09,424.39	4,22,837.14	5,90,000.00	286,73,492.98
TRANSFER FORM AAIB	12,46,358.87								12,46,358.87
DEPRECIATION FOR THE YEAR 2014	22,064.83	7,621.26	1,514.05	32,732.40	-	2,76,000.51	-	2,95,000.00	6,34,933.04
TOTAL DEPRECIATION	21,02,060.70	16,17,009.04	19,480.75	7,62,835.73	3,60,136.62	243,85,424.90	4,22,837.14	8,85,000.00	305,54,784.88
NET VALUE	-	3,549.00	2,850.00	56,902.80	-	16,27,106.84	-	5,90,000.00	22,80,408.64

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

	<u>31.12.2014</u>	<u>31.12.2013</u>
	Rs. Cts.	Rs. Cts.
<u>NOTE 02 - STOCKS</u>		
Printing Materials	2,001,150.32	2,219,978.24
Stationary Stock	241.26	24,301.70
	<u>2,001,391.58</u>	<u>2,244,279.94</u>
<u>NOTE 03 - RECEIVABLES</u>		
Receivables from Collection Agents	704,479.20	714,479.20
Receivable from Postal Department	31,852,276.00	-
	<u>32,556,755.20</u>	<u>714,479.20</u>
<u>NOTE 04 - HELD TO MATURITY INVESTMENT</u>		
Treasury Bills - P.B	199,634,877.40	13,256,789.81
Treasury Bills - B.O.C	-	1,198,549.05
	<u>199,634,877.40</u>	<u>14,455,338.86</u>
<u>NOTE 05- RECEIVABLE INCOME</u>		
Farmer's Contribution	5,516,307.00	5,492,373.00
Farmer's Contribution for Life Insurance Premium	741,720.00	765,120.00
Farmer's Contribution for Adm in. Income	370,860.00	382,560.00
	<u>6,628,887.00</u>	<u>6,640,053.00</u>
<u>NOTE 06 - CASH AT BANK</u>		
A/C No.100150112345 - P/B Union Place	3,119,630.91	4,249,755.06
A/C No. 100180112344 - P/B Union Place	781,857.21	625,757.79
A/C No. 100130112351 - P/B Union Place	321,613.64	88,785.84
A/C No. 100110112347 - P/B Union Place	800,749.89	169,082.33
A/C No. 7979475 - B.O.C Co-op Branch	-	10,620.53
A/C No. 8403704 - B.O.C Union Place	152,327.10	128,854.56
	<u>5,176,178.75</u>	<u>5,272,856.11</u>
<u>NOTE - 08- FARMER'S PENSION FUND</u>		
Balance B/F	(53,967,472,093.39)	(48,945,122,405.64)
Prior Year Adjustment	4,100.00	(60,000.00)
	<u>(53,967,467,993.39)</u>	<u>(48,945,182,405.64)</u>
<u>Add/ (Less)</u>		
Total Revenue over Expenditure	(3,281,960,985.38)	(5,022,289,687.75)
	<u>(57,249,428,978.77)</u>	<u>(53,967,472,093.39)</u>

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

	<u>31.12.2014</u>	<u>31.12.2013</u>
	Rs. Cts.	Rs. Cts.
<u>NOTE - 9 - GOVT. GRANT FOR CAPITAL EXPENDITURE</u>		
Balance B/F	16,28,267.88	21,11,438.19
<u>Add / (Less):</u>		
Amortization of Govt. Grant	(6,12,868.20)	(7,11,443.11)
Addition during the year	12,65,010.00	2,28,272.80
Balance C/F	<u><u>22,80,409.68</u></u>	<u><u>16,28,267.88</u></u>
<u>NOTE 10 - PAYABLES</u>		
Agency Commission	1,60,300.00	1,76,407.00
Staff Security Deposit	1,54,600.00	1,63,700.00
A.A.I.B. Current A/C	774,72,153.63	637,24,278.58
Pension Payment	32152,42,501.00	30333,29,200.00
Pension Commission	136,31,400.00	130,12,560.00
Group Insurance Premium	1419,44,400.00	1149,93,470.00
Loan for Pension Payment		
- Fisheries Pension Scheme	6462,47,409.47	6386,76,801.39
- AAIB	3131,73,401.37	2954,46,605.07
	<u><u>44080,26,165.47</u></u>	<u><u>41595,23,022.04</u></u>
<u>NOTE 11- ACCRUED EXPENSES</u>		
Provision for Printing Charges	4,11,771.16	3,11,771.16
Provision for Audit fees		
- Previous year	28,82,031.00	26,32,031.00
- Current year	2,50,000.00	2,50,000.00
	<u><u>35,43,802.16</u></u>	<u><u>31,93,802.16</u></u>

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
<u>NOTES TO THE FINANCIAL STATEMENTS</u>					
		<u>31.12.2014</u>		<u>31.12.2013</u>	
		Rs.	Cts.	Rs.	Cts.
<u>NOTE 12 - ADMINISTRATION EXPENSES</u>					
Salaries & Wages		531,95,306.69		513,08,000.35	
E.P.F.		54,44,463.21		48,56,667.51	
E.T.F.		13,60,465.80		12,14,166.89	
Traveling & Subsistence		10,90,285.75		14,42,710.00	
Over Time		42,10,540.55		8,22,717.98	
Daily Pay		4,48,763.00		97,213.13	
Medical Expenses		6,31,864.00		2,73,792.00	
Gratuity		38,38,364.80		36,30,469.50	
T.A.C. Allowances		59,455.00		18,000.00	
Staff welfare		3,16,898.75		2,61,183.50	
Legal Fees		1,48,880.52		8,13,018.67	
Staff Uniform		1,18,347.36		1,31,572.20	
Allowance to Board Members		1,27,200.00		1,56,000.00	
Consultation Fees		4,03,600.00		8,000.00	
Rent		56,89,035.71		49,42,373.70	
Telephone		8,85,417.29		6,92,405.82	
Postage		8,78,888.62		10,21,947.25	
Security		1,51,272.00		1,38,369.92	
Electricity		10,59,674.13		9,23,982.77	
Water Bill		1,63,167.90		1,29,763.93	
Audit Fees		2,50,000.00		2,50,000.00	
Translation Fees		2,000.00		750.00	
Fuel		24,22,206.17		18,36,266.54	
Awareness & Training		68,80,543.09		1,10,974.72	
Printing		19,22,592.92		9,98,925.73	
Stationery & Consumables		15,22,603.19		12,89,404.31	
Entertainments		65,738.62		40,961.40	
Main. of Motor Vehicle		25,30,356.93		16,58,562.59	
Main. of Building		1,57,603.94		80,522.19	
Main. of Office Equipment		1,33,700.23		1,29,805.67	
Main. of Computer & Software		1,96,743.17		1,55,847.40	
Depreciation		6,34,933.03		7,11,443.11	
		969,40,912.37		801,45,818.78	
<u>NOTE 13 - FINANCE & OTHER</u>					
Loan Interest		552,97,404.38		729,77,880.75	
Bank Charges		13,85,835.26		29,079.83	
		566,83,239.64		730,06,960.58	

Financial Statements as at 31 December 2014

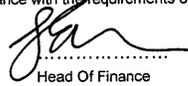
**Fishermen's Pension and Social Security
Benefit Scheme**

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2014**

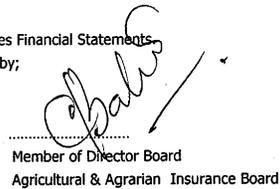
		<u>31.12.2014</u>		Restated	
	<u>Note</u>	Rs.	Cts.	Rs.	Cts.
ASSETS					
<u>Non - Current Assets</u>					
Plant , Property & Equipment	1	832.00		1,740.00	
		<u>832.00</u>		<u>1,740.00</u>	
<u>Current Assets</u>					
Stock	2	189,206.27		154,252.55	
Receivables	3	646,624,810.47		640,382,489.39	
held to Maturity Investment	4	16,649,954.02		24,056,771.80	
Cash at Bank	5	1,057,425.69		1,358,628.52	
		<u>664,521,396.45</u>		<u>665,952,142.26</u>	
TOTAL ASSETS		<u>664,522,228.45</u>		<u>665,953,882.26</u>	
EQUITY & LIABILITIES					
<u>Capital & Reserves</u>					
Fishermen's Pension Fund	6	(1,930,371,414.21)		(1,711,647,610.36)	
Death Gratuity Fund	7	21,525,809.70		20,210,079.70	
		<u>(1,908,845,604.51)</u>		<u>(1,691,437,530.66)</u>	
<u>Non - Current Liabilities</u>					
Pension Liability		2,555,667,552.00		2,344,270,819.00	
Provision for Staff Gratuity		1,087,875.58		824,948.82	
		<u>2,556,755,427.58</u>		<u>2,345,095,767.82</u>	
<u>Current Liabilities</u>					
Total Payables	8	15,021,380.38		10,879,620.10	
Accrued Expenses	9	1,591,025.00		1,416,025.00	
		<u>16,612,405.38</u>		<u>12,295,645.10</u>	
TOTAL EQUITY & LIABILITIES		<u>664,522,228.45</u>		<u>665,953,882.26</u>	

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


.....
Chairman
Agricultural & Agrarian Insurance Board


.....
Head Of Finance

The Board Of Directors are responsible for the preparation of these Financial Statements.
Signed for on behalf of the Board by;


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

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**AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2014

	Fishermen's Pension Fund	Death Gratuity Fund	Total
Balance as at 31 st December 2012	(1,529,127,538.52)	19,198,329.70	(1,509,929,208.82)
PV of Pension Liability	-	-	-
Adjusted balance as at 31 st Dec. 2012	(1,529,127,538.52)	19,198,329.70	(1,509,929,208.82)
<u>Additions during the year - 2013</u>			
Net Surplus	(182,738,623.02)		(182,738,623.02)
Income Over Expenditure - life Insurance	-	1,011,750.00	1,011,750.00
Prior year Adjustment	(218,551.18)	-	
as at 31 st Dec. 2013	(1,711,647,610.36)	20,210,079.70	(1,691,437,530.66)
<u>Additions during the year - 2014</u>			
Net Surplus	(218,723,803.85)		(218,723,803.85)
Income Over Expenditure - life Insurance		1,315,730.00	1,315,730.00
Balance as at 31st Dec 2014	(1,930,371,414.21)	21,525,809.70	(1,908,845,604.51)

AGRICULTURAL AND AGRARIAN INSURANCE BOARD				
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME				
CASH FLOW STATEMENT				
FOR THE YEAR ENDED 31ST DECEMBER 2014				
	31.12.2014		31.12.2013	
	Rs.	Cts.	Rs.	Cts.
<u>Cash flows from Operating actives</u>				
Net Surplus	(2187,23,803.85)		(1825,20,071.84)	
<u>Adjustments For</u>				
Depreciation	908.00		1,226.60	
Adjustments in respect of Prior Year	-		(2,18,551.18)	
Deficit/ Gain on Gratuity	1,56,765.95			
Provision for Retiring Gratuity	1,06,160.81		1,00,555.00	
Operating profit before working capital changes	(2184,59,969.09)		(1826,36,841.42)	
(Increase) / Decrease in Inventories	(34,953.72)		15,828.75	
(Increase) / Decrease in Receivables	(62,42,321.08)		(302,56,213.45)	
(Increase) / Decrease in Other Payables	41,41,760.28		42,32,190.25	
(Increase) / Decrease in Accrued expenses	1,75,000.00		1,85,000.00	
	(19,60,514.52)		(258,23,194.45)	
Cash Generated from operation Activities	(2204,20,483.61)		(2084,60,035.87)	
Retiring Gratuity - Paid	-		-	
Net Cash Flows from Operating Activities	(2204,20,483.61)		(2084,60,035.87)	
<u>Cash Flows from Investing Activities</u>				
Govt. Grant for Capital expenditure	-		-	
Financial Instrument	74,06,817.78		114,14,039.81	
Purchases of Property, Plant & Equipment	-		-	
Contribution for group insurance scheme	16,75,730.00		16,91,660.00	
Benefits during the year	(3,60,000.00)		(6,79,910.00)	
Net Cash flows from Investing Activities	87,22,547.78		124,25,789.81	
<u>Cash Flows from financing Activities</u>				
Pension Liability	2113,96,733.00		1949,32,819.00	
Repayment of long term borrowings	-		-	
Net Cash Flows from Financing Activities	2113,96,733.00		1949,32,819.00	
Net Increase / (Decrease) in cash & Cash Equivalents	(3,01,202.83)		(11,01,427.06)	
Cash & Cash equivalents at Beginning of the year	13,58,628.52		24,60,055.58	
	10,57,425.69		13,58,628.52	
Cash & Bank balance at the end of the year				
Cash at Bank - 31.12.2014	10,57,425.69		13,58,628.52	

Agricultural and Agrarian Insurance Board
Fisherman's Pension & Social Security Benefits Scheme
Significant Accounting Policies
For the Year Ended 31st December 2014

1 General Policies

1.1 Reporting Entity

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

1.2 Principal Activities and Nature of Operations

Operating a pension and social security benefits scheme for fishermen.

1.3 Basis of Preparation

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Comparative Information

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

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

(d) Functional and Presentation Currency

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

(e) Use of Estimates and Judgments

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

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

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

(f) Going Concern

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

2 Assets and the Bases of their Valuation

2.1 Property, Plant and Equipment

(g) 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.

(h) 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.

(i) Depreciation

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

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

2.2 Intangible Assets

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

Computer software is amortized over a period of 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.

(i) 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.

(j) 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.

(k) 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.

(I) Available-for-Sale Financial Investment

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

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

2.4.1 Impairment Of Financial Assets

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

3. Liabilities and Provisions

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

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

3.1 Retirement Benefits

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

3.2 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 Fishermen's Pension Fund

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

4 Statement of Comprehensive Income

4.1 Revenue

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

4.2 Revenue Recognition

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

4.3 Accounting for Government Grants

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

4.4 Expenditure

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

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

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

5 Cash Flow Statement

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

6 Events After the Reporting Date

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

7 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.

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
<u>NOTES TO THE FINANCIAL STATEMENTS</u>					
<u>Note - 01</u>					
PLANT, PROPERTY & EQUIPMENT AS AT 31 ST DECEMBER 2014					
Description	Office Equipment	Welfare Equipment	Furniture & Fittings	Computers	Total
Cost of as at 1 st Jan. 2014	3,80,728.50	1,325.00	50,376.92	2,59,515.00	6,91,945.42
Add. Addition	-	-	-	-	-
Less. Disposals	-	-	-	-	-
Total Cost as at 31st Dec. 2014	3,80,728.50	1,325.00	50,376.92	2,59,515.00	6,91,945.42
Depreciation Rate	10%	10%	10%	20%	
Accumulated Dep. As at 1 st January 2014	3,80,728.50	1,325.00	50,376.92	2,57,775.00	6,90,205.42
Less. Disposals	-	-	-	-	-
Depreciation for the year	-	-	-	908.00	908.00
Total Depreciation	3,80,728.50	1,325.00	50,376.92	2,58,683.00	6,91,113.42
Net Value	-	-	-	832.00	832.00

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
<u>NOTES TO THE FINANCIAL STATEMENTS</u>			
<u>AS AT 31.12.2014</u>			
		31.12.2014	31.12.2013
<u>NOTE 02 - STOCKS</u>		Rs. Cts.	Rs. Cts.
Printing Materials		1,89,206.27	1,54,252.55
		<u>1,89,206.27</u>	<u>1,54,252.55</u>
<u>NOTE 03 - RECEIVABLES</u>			
Farmers Pension Loan		6462,47,409.47	6386,76,801.39
Receivable -Department of FSH		-	15,00,000.00
Death Gratuity Advance		45,000.00	50,000.00
Receivable Premia		3,32,401.00	1,55,688.00
		<u>6466,24,810.47</u>	<u>6403,82,489.39</u>
<u>NOTE 04 -</u>			
<u>FINANCIAL INSTRUMENTS HELD TO MATURITY</u>			
Treasury Bills - B.O.C		166,49,954.02	240,56,771.80
		<u>166,49,954.02</u>	<u>240,56,771.80</u>
<u>NOTE 05 - CASH AT BANK</u>			
A/C No. 164790 BOC Union Place		3,82,645.62	5,11,697.23
A/C No. 164795 BOC Union Place		6,74,780.07	8,46,931.29
		<u>10,57,425.69</u>	<u>13,58,628.52</u>
<u>NOTE 06 - FISHERMEN'S PENSION FUND</u>			
Balance B/F		(17116,47,610.36)	(15291,27,538.52)
PV of Pension Liability - Up to 2009			
Previous Year Adjustment		-	-
		(17116,47,610.36)	(15291,27,538.52)
<u>Addition during the year</u>			
Total Surplus/(Deficit) for the year		(2187,23,803.85)	(1825,20,071.84)
		(19303,71,414.21)	(17116,47,610.36)
		<u>(19303,71,414.21)</u>	<u>(17116,47,610.36)</u>



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கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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My No. }

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Your No. }

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திகதி }
Date }

December 2015

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 2014 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


H.M. Gamini Wijesinghe
Auditor General

Copies to: - 01. Secretary, Ministry of Finance
02. Secretary, Ministry of Agriculture



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December 2015

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 2014 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 2014 comprising the statement of financial position as at 31 December 2014 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 detailed report in terms of Section 13(7) (a) of the Finance Act was issued to the Chairman of the Board on 25 August 2015.

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

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 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 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 effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Agricultural and Agrarian Insurance Board as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 **Comments on Financial Statements**

2.2.1 **Sri Lanka Accounting Standards (LKAS)**

The following observations are made.

- (a) **LKAS 01 – Presentation of Financial Statements:** The current assets and current liabilities had not been properly presented in the statement of financial position with the required breakup in terms of Section 54 of the Standard.
- (b) **LKAS 07 – Statement of Cash Flow:** Government grant for capital expenditure and amortizations of Government grant amounting to Rs.3,000,000 and Rs.2,203,492 respectively had been erroneously classified as investing activities instead of being classified as financing activities.
- (c) **LKAS 08 – Accounting Policies, Changes in Accounting Estimates and Errors:** Details of prior year adjustments had not been disclosed as a Note to the financial statements for the year under review.



- (d) **LKAS 16 – Property, Plant and Equipment:** More than 21 fully depreciated motor vehicles which are still being used by the Board had been brought to the financial statements without being revalued.
- (e) **LKAS 19 – Employee Benefits:** The details of retirement benefits had not been presented in the financial statements. Further, the contribution which actuarial valuation done for the define benefit plan had not been invested by the employer in order to discharge the future obligation under a defined benefit plan in terms of provisions in the Standard.
- (f) **LKAS 24 – Related Party Disclosures:** Even though there were few related party transactions existed during the year under review, those had not been disclosed in the financial statements.
- (g) **LKAS 39 – Financial Instruments:** Staff loans amounting to Rs.34,852,840 had not been recognized and measured as financial assets.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Administration expenditure for the year under review had been understated by Rs.3,010,676 in the financial statement and as a results deficit for the year under review had also been understated by similar amount.
- (b) Interest income amounting to Rs.46,822 had been omitted from the accounts. Hence, the profit for the year under review and interest income receivable as at 31 December 2014 had been understated by same amount.
- (c) Provision for Gratuity, commission expenses and Paddy income, and insurance commission payable had been overstated by Rs.4,182,288, Rs.1,151,341 and Rs.194,501 respectively due to computation errors.
- (d) Cash at bank amounting to Rs.380,249 relating to Kurunegala District had been omitted in the accounts.
- (e) Interest income amounting to Rs.17,726,796 charged against the loan receivable from Farmer's Pension Fund had not been recognized as an income for the year under review, thus the deficit for the year had been overstated by that amount.
- (f) An amount of Rs.2,348,675 had been erroneously transferred to the Provision for Agricultural and Agrarian Insurance Board Reserve Fund before calculating net surplus after comprehensive income of the year under review. Therefore, net surplus



after comprehensive income for the year under review had been understated by similar amount.

2.2.3 Unexplained Differences

The following unexplained differences were observed between the revenue and indemnity payments shown in the detailed schedules of the Development and Insurance Branches and shown in the financial statements for the year under review.

Items	Amount as per the Financial Statements	Amount as per detail schedules of the Development and Insurance Branches	Difference
	Rs.	Rs.	Rs.
Revenue			
Paddy Insurance	66,453,371	65,320,905	1,132,466
Livestock Insurance	12,211,640	12,056,547	155,093
Suwesetha Insurance	7,675,677	7,738,747	63,070
Agri Equipment Insurance	112,328	245,254	132,926
Subsidiary Crops Insurance	32,709,977	34,241,112	1,531,135
Indemnity Payments			
Livestock	4,396,137	4,351,215	44,922
Paddy	39,674,693	49,475,159	9,800,466
Subsidiary Crop	23,895,125	15,174,165	8,720,960

2.2.4 Accounts Receivable and Payable

The following observations are made.

- Employees' loans and advances aggregating Rs. 1,625,688 had remained in the accounts without being recovered for a long period. Further, out of that a sum of Rs.1,428,128 or 88 per cent had remained outstanding for more than 5 years .
- A sum of Rs. 313,173,401 given to the Farmer's Pension Fund for the payment of farmers pensions and interest thereon for the period from 2010 to 2014 had not been recovered from the respective Fund even up to end of 31 December 2014.
- A sum of Rs.1,176,333 payable to a private company had remained in the accounts since 2010 without being settled.
- Outstanding salary amounting to Rs.342,023 to be recovered from temporary released employees to two Government Ministries had not been recovered by the Board even by 31 December 2014.



2.2.5 Lack of Evidence for Audit

The detail schedules relating to receivable income, commission payable and pre-premium livestock receivable shown in the financial statements aggregating to Rs.29,869,384 had not been made available for audit.

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

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

Reference to Laws, Rules, Regulation etc.

Non-Compliance

- | | |
|---|--|
| (a) Finance Circular No. 124 dated 24 October 1997 of the Ministry of Finance and Planning | Even though, covering up duties of a vacant post should be limited to a period of 03 months, 04 employees appointed for covering up duties had worked in those vacant posts for a long period at the end of the year under review. |
| (b) Management Services Circulars
i. No.30 of 22 September 2006 and 30 (I) of 01 June 2009 | Salary scales relating to the promoted employees had been paid for two non-promoted employees contrary to the provisions in the Circulars. |
| ii. 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 seven employees due to erroneously calculated the salary conversions. |

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 surplus of Rs.25.38 million as against with the deficit of Rs.81.92 million for the preceding year, thus showing an improvement of Rs.107.30 million in the financial results. The increase of insurance premium income and decrease of indemnity payments by Rs. 25.72 million and Rs.98.35 million respectively as compared with previous year were mainly attributed for this improvement.



3.2 Analytical Financial Review

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	Rs.Mn.	Rs.Mn.	Rs.Mn.	Rs.Mn.	Rs.Mn.	Rs.Mn.
Total Income	124.6	109	139	175	128	114
Total Expenditure	171.9	260	217	150	361	121
Surplus/(Deficit)before Government Grant	(47.3)	(151)	(78)	25	(233)	(7)
Government Grant	72.7	69	63	63	85	75
Surplus/(Deficit)After Government Grant	25.4	(82)	(15)	88	(148)	68

According 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.

4. **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 Scheme for the year under review and the previous year.

Item	Measurement	Target		Achievement				Achievement as a percentage							
		Physical 2013	Physical 2014	Physical 2013	Physical 2014	Financial 2013	Financial 2014	Physical 2013	Physical 2014	Financial 2013	Financial 2014				
1. Crop Insurance															
(a) Paddy	Acres	88,424	81,825	90,107	90,740	49,108	50,851	57,386	65,321	55.54	62.15	63.69	71.99		
(b) Subsidiary Crops	Acres	54,708	24,000	44,165	48,165	11,899	16,550	24,770	34,241	21.75	68.96	56.09	71.09		
2. Livestock Insurance	Nos.	19,261	18,450	28,072	28,250	4,304	7,287	7,420	12,057	22.35	39.50	26.43	42.68		
3. Stores Insurance	Nos.	464	427	3,028	2,900	0	17	0	238	0.00	3.98	0.00	8.21		
4. Agri Equipment Insurance	Nos.	3,450	2,382	13,559	12,000	87	55	737	245	2.52	2.31	5.44	2.04		
5. Suwaseetha & Life Insurance	Nos.	50,659	50,300	31,613	29,935	2,252	11,289	1,369	7,739	4.45	22.44	4.33	25.85		



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 Auditor General's Department



The following observation is made in this regard.

The achievement of physical and financial targets of the Insurance Schemes such as Livestock, Stores, Agri Equipment and Suwasetha and Life Insurance was less than 50 per cent as compared with the expected targets.

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 it was shown as a capital advance in the financial statements of the year under review. However, the construction works had not been commenced even up to 31 December 2014.

4.3 Irregular use of Assets Belonging to other Institutions

Two Jeeps belonging to other institutions had been irregularly used by the Board for a long period without being taken action to transfer the ownership of the vehicles.

4.4 Human Resources Management

The following observations are made in this regard.

- (a) It was observed that 125 vacancies were existed as at the end of the year 2014 in the Executive, Non - Executive and Minor Employees categories. Nevertheless, action had not been taken to fill these vacancies by the Board.
- (b) Even though 32 vacancies in the post of Management Assistant at the Head Office were remained unfilled, 34 excess cadre was observed in the District Offices of the Board in the year under review.
- (c) Even though the approval of the Department of Management Services for 12 key posts had been received, no any action had been taken to advertised and filled these vacancies even up to end of the year under review.

4.5 Transactions of Contentious Nature

The Board had printed 500,000 copies of almanac valued at Rs. 2,284,800 during the year under review. However, out of that 246,475 copies valued at Rs. 985,900 had been kept at the stores without being distributed even by February 2015.



5 Accountability and Good Governance

5.1 Budgetary Control

Significant variances were observed between the budgeted and actual income and expenditure of the year under review, thus indicating that the budget had not made use of as an effective instrument of financial 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) Receivables and Payables
- (b) Utilization of Vehicles
- (c) Personnel Management


H.M. Gamini Wijesinghe
Auditor General



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
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Date }

18 September 2015

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 2014 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

Copies to: - 01. Secretary, Ministry of Finance

02. Secretary, Ministry of Agriculture



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18 September 2015

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 2014 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 2014 comprising the statement of financial position as at 31 December 2014 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 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 07 August 2015.

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. 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 effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Farmers' Pension and Social Security Benefit Scheme as at 31 December 2014 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.57,249 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 Agricultural and Agrarian Insurance Board and Fishermen's Pension and Social Security Benefit Scheme instead of being collecting the adequate contributions from the members of the Scheme. As a result the ability



of the Scheme to continue as a going concern without the financial assistance from the General Treasury is doubtful. The balance in the Fund account of the Scheme as end of the year under review and previous five years period are given below.

Year	Fund Account Balance as at end of the Year
	Rs. million
2014	(57,249.4)
2013	(53,968.5)
2012	(48,945.1)
2011	(44,154.2)
2010	(40,536.7)
2009	663.8

Further, the Scheme had introduced a new pension scheme under the special notification issued in the Extra Ordinary Gazette No.1853/49 of 14 March 2014 and accordingly a sum of Rs.1,977.9 million had been paid as pension payments under the new Scheme by using Government grant of Rs.1,954.8 million received during the year under review. However, the Scheme had not communicated with the contributors up to end of the year 2014 about the new contribution introduced in the new Scheme and no any single contribution had been collected during the year under review under the new Scheme.

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

The following observations are made in this connection.

- (a) **LKAS - 07, Statement of Cash Flows** – The cash flows from operating, investing and financing activities had not been properly categorized and shown accordingly in the statement of cash flow.
- (b) **LKAS - 08, Accounting Policies, Changes in Accounting Estimates and Errors** - Detail disclosures relating to prior year adjustments had not been presented.



- (c) **LKAS - 16, Property, Plant and Equipment** - Details of fully depreciated assets which are being utilized at present had not been properly disclosed.
- (d) **LKAS- 19, Employee Benefits** - 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, the contribution had not been invested by the Scheme in order to discharge the obligation under the defined benefits plan and details of retirement benefits had not been presented.
- (e) **LKAS-20, Accounting for Government Grants and Disclosure of Government Assistant** - Capital grants amounting to Rs.547,885 received from an organization before 1989 had not been amortized.
- (f) **LKAS-24, Related Party Disclosures** - Even though there were some related party transactions during the year under review, such transactions had not been disclosed in the financial statements.

2.2.3 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- (a) A bank balance of Rs.472,878 remained in the bank account of the District Office had been shown as income receivable in the financial statements instead of being shown as cash and cash equivalents.
- (b) The refunded contribution amounting to Rs.686,033 had been erroneously debited to the farmers' contribution. Hence the farmers' contribution for the year under review had been understated by similar amount.
- (c) Provision for Gratuity had been overstated by Rs.4,537,453 due to computation error.
- (d) Income receivable amounting to Rs.574,696 had been omitted in the financial statements.

2.2.4 Accounts Receivable and Payable

The following observations are made.

- (a) Out of total balances of income receivable amounting to Rs. 6,628,887 shown in the statement of financial position as at 31 December 2014, only a sum of Rs.2,111,110 or 30 per cent had been confirmed by the parties concerned.



- (b) Audit fees payable aggregating Rs.2,882,031 had been continuously brought forwarded 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. 959,420,810 had remained in the accounts without being settled even up to the end of the year under review.
- (d) Income receivable amounting to Rs.704,479 had remained in the accounts without being collected from the respective parties since 2006.
- (e) The Scheme had paid a sum of Rs.1,978 million as pension money for year 2014. However, the amount payable for the years 2012 and 2013 amounted Rs.3,033 million had not been paid even in 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.

Reference to Laws, Rules, Regulation etc.

Non-Compliance

- | | |
|--|--|
| <ul style="list-style-type: none">(a) Section 20 of part III of Farmers' Pension and Social Security Benefit Scheme Act, No.12 of 1987(b) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka | <p>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 2014.</p> |
| <ul style="list-style-type: none">(i) Financial Regulation 395(h) | <p>The person who had connected with the banking of collection, the writing out of cheques or the maintenance of the cash book had prepared the bank reconciliation statements contrary to the provisions in the regulation.</p> |



(ii) Financial Regulations 880,881

Even though the relevant officers should be furnished the security within two months from the date of appointments, the officers who signed cheques, and officers who collect the revenue had not furnished securities even up to end of the year 2014.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Scheme for the year under review had resulted in a deficit of Rs. 3,281,960,985 as compared with the corresponding deficit of Rs.5,022,289,687 for the preceding year, thus indicating an improvement of Rs.1,740,328,702 or 34.65 per cent in the financial results.

The increase of interest income and farmers' contribution by 5,067 per cent and 40 per cent respectively, and decrease of loan interest and refund of contribution by 24 per cent and 39.7 per cent respectively as compared with the preceding year were the main reasons attributed for this improvement.

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.

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Total Income	150,295	40,104	61,148	115,434	170,898
Total Expenditure	(2,174,449)	(1,847,921)	(1,587,686)	(1,402,379)	(1,195,110)
Increase of Pension Liability	(3,285,970)	(3,288,353)	(3,216,991)	(3,059,459)	(2,938,033)



Deficit for the year before Government Grant	(5,310,124)	(5,096,170)	(4,743,529)	(4,346,404)	(3,962,245)
Government Grant	2,027,550	69,000	71,555	727,605	39,500
Amortization of Government Grant	613	711	1,321	1,228	1,477
Deficit after the Government Grant	(3,281,961)	(5,026,459)	(4,670,653)	(3,617,571)	(3,921,268)

The following observations are made in this regard.

- (i) The income had decreased gradually by 77 per cent during the period from 2010 to 2013 while it had increased by 275 per cent in 2014, whereas the total expenditure had increased by 82 per cent during the same period.
- (ii) The deficit before the Government grant had continuously increased during the period from 2010 to 2014 due to establishing the pension liability in real terms and increase of expenditure.
- (iii) The deficit after the Government grant had drastically increased during the period from 2010 to 2013 while it had decreased by 35 per cent during the year under review as compared with the preceding year due to increase of the Government grant received.

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 pensions during the year under review and the preceding 04 years period are given below.



Year	Contributions	Payment of Pension
-----	-----	-----
	Rs. million	Rs. million
2014	45	1,977.91
2013	32.1	1,646.98
2012	49.6	1,380.7
2011	97.6	1,226.7
2010	136.7	1,044.7

The payments of pension for the last four years had increased drastically. Meanwhile the contribution received had gradually decreased for last four years and it was increased in 2014 due to payment of outstanding amounts. Further, it had not been enroll even a single Farmer to the Scheme during the year under review.

- (b) The Farmer's contribution amounting to Rs.53,631,560 or 20 per cent out of the budgeted amount of Rs.203,000,000 had only been collected during the year under review.
- (c) A sum of Rs.667,373 had been refunded to 71 contributors as their membership of the Scheme forfeited during the year under review.
- (d) The investments and the interest income thereon had rapidly decreased since the year 2009 while it had been increased in 2014 as shown below.

<u>Year</u>	<u>Investments</u> Rs. million	<u>Interest Income</u> Rs. million
2014	199.6	96.6
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



- (e) Even though 7,176 files had been received from 24 District Offices and 2 Sub offices to prepare pension payments, only 3,830 or 53 per cent had been processed up to 18 December 2014 and those files had not been properly documented.

4.2 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.

4.3 Management Inefficiencies

Even though a sum of Rs. 27.48 million had been paid since the year 1990 for computerizing the personal accounts of the contributors of the Scheme, such accounts had not been updated even by 31 December 2014 after lapse of 24 years. Further, the Scheme had not maintained adequate information to determine the contributors becoming eligible for the payment of contributions to the Scheme. Moreover, the accounts of the contributors had not been properly updated by the District Offices as well.

4.4 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 a field officer who had misappropriated pension money of Rs.369,590 and he had been dismissed during the year under review. Only a sum of Rs.100,000 had been recovered from him and the case had been withdrawn due to the death of employee. Therefore, the balance of Rs. 269,590 could not be recovered and the necessary adjustments in this connection had not been made in the accounts up to end of 31 December 2014.
- (c) Even though a sum of Rs.500,000 had been allocated for awareness and training program, the Scheme had spent an amount of Rs.6,880,534 for this purpose. It shows an increase of Rs.6,769,568 or 6,100 per cent as compared with the previous year.



5. Accountability and Good Governance

5.1 Action Plan

Even though the Board had prepared a Corporate Plan for the period 2014–2016, an Action Plan in line with the Corporate Plan for year 2014 had not been prepared.

5.2 Budgetary Control

Significant variances were observed between the budgeted and actual income and expenditure for the year under review, thus indicating that the budget had not been made use 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 Contributors' Accounts.
- (c) Pension Payments.
- (d) Budget.
- (e) Accounts Receivable and Payable.


W.P.C. Wickramaratne
Acting Auditor General



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07 October 2015

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 2014 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

Copies to: - 01. Secretary, Ministry of Finance
02. Secretary, Ministry of Agriculture



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07 October 2015

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 2014 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 2014 comprising the statement of financial position as at 31 December 2014 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 22 July 2015.

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. 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 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 effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Fishermen's Pension and Social Security Benefit Scheme as at 31 December 2014 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 amounting to Rs 211,396,733 had been charged against the income for the year under review as well as for the preceding years. Therefore, it had been 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 2014 was increased to Rs.1,930,371,414. Accordingly, there was a possibility to increase this provision in future years too and it would be adversely affected to the going concern of the Scheme.

2.2.2 Non adhering with Sri Lanka Accounting Standards (LKAS)

The following non-adhering with LKAS are observed in audit.

- (a) **LKAS - 07, Cash Flow Statement** - Provision for Pension liability amounting to Rs.211, 396,733 had been shown as cash flows from financing activities in the cash flow statement instead of being shown as operating activities.

- (b) **LKAS- 19, Employee Benefits** - The number of active contributors and pensioners had been decreased from 54,248 to 30,735 or 40 per cent during the period from 2007 to 2014 while the provision for liability had been increased from Rs.1,242 million to Rs.2,556 million or 100 per cent during the same period. However, the actuarial valuation for pension liability had been done only in the year 2007. Even though, the actuarial valuation and accounting had been done for the define benefit plan in terms of the provision in the Standard, the contributions had not been invested by the Scheme in order to discharge the future obligation under a defined benefit plan.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) The bank balance amounting to Rs.332,401 relating to a bank account of the Scheme had been disclosed under the income receivables instead of being shown as cash and cash equivalents. Hence, the cash and cash equivalents had been understated by same amount.



(b) Provision for Gratuity had been understated by Rs.110,610 due to a computation error.

2.2.4 Accounts Receivable and Payable

The following observations are made.

(a) A sum of Rs.646 million (loan and interest) given to the Farmers Pension and Social Security Benefit Scheme in the year 2007 had been continuously carried forward in the financial statements without being recovered.

(b) Audit fees payable aggregating Rs.1,159,250 had been continuously brought forward since 1998 in the accounts without being settled for.

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

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

Reference to Laws, Rules, Regulations and Management Decisions etc.

Non-compliance

(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 06 members had been appointed for the year 2014.

(ii). Section 26

Action had not been taken to inform the relevant defaulted members regarding the cancellation of their membership in terms of provisions in the Act.

(b) Public Enterprises Circular No. PED/12 of 02 June 2003.

(i) Paragraph 9.7 of Chapter 9

Special allowances totalling to Rs. 522,295 had been paid to certain officers without being obtained the required approval from the General Treasury.



3. Financial Statements

3.1 Financial Results

According to the financial statements presented, the operation of the Scheme for the year under review had resulted in a net loss of Rs. 7,170,305 as against the net profit of Rs.12,194,196 for the preceding year, thus indicating a deterioration of Rs.19,364,501 or 159 per cent in the financial results.

The decrease of total income by Rs.13,761,226 or 24 per cent and increase of total expenditure by Rs.5,603,275 or 13 per cent as compared with the preceding year were the main reasons attributed for the above deterioration.

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.

	for the year ended 31 December		
	2014	2013	Changes {Increase/ (Decrease)}
	Rs.	Rs.	Percentage
Interest Income	38,533,361	52,346,551	(26)
Fishermen's Contribution	1,456,710	2,904,746	(50)
Grant for Recurrent Expenditure	3,000,000	1,500,000	100
Total Income	42,990,071	56,751,297	(24)
<u>Less : Expenses</u>			
Pension Payments	(41,867,619)	(37,367,889)	12
Other Operating Expenditure	(3,459,264)	(3,226,101)	7
Administrative and Finance Expenses	(4,833,493)	(3,963,111)	22
Total expenses	(50,160,376)	(44,557,101)	13
Profit/(loss) for the year	<u>(7,170,305)</u>	<u>12,194,196</u>	<u>(159)</u>



The following observations are made in this regard.

- (a) Although the total contributions to the Scheme for the year under review was Rs.1,456,710, the total pension payments for the year under review was Rs. 41,867,619. Therefore, the pension payments exceeded against the contributions received by 2,874 per cent.
- (b) The balance in the fund account of the Scheme as at 31 December 2014 had decreased to Rs. 16.6 million or 30 per cent in the year under review as compared with the preceding year due to increase of overall deficit by Rs.36.2 million.

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 new contributors to the Scheme during the year under review.
- (b) Although 1,100 contributors had been targeted to enroll in the year under review, the actual number of contributors enrolled was only 124, thus showing an achievement of only 11 per cent. It was further observed that even a single contributor had not been enrolled in twenty Districts.
- (c) Even though it was expected to obtain a contribution of Rs. 2,720,000 from the members during the year under review, the actual contribution received was only Rs.559,988.
- (d) The targeted second and subsequent premium collection from 19,500 contributors for the year under review was Rs. 2,925,000. Nevertheless, the actual collection from 725 contributors was only Rs. 551,836 or 19 per cent of the target.

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.

4.3 **Item of Contentious Nature**

Recognition of Interest Income

A sum of Rs.37,570,605 had been recognized as interest income during 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 was representing 90 per cent of the total income of the year under review.

5. Accountability and Good Governance

5.1 Budgetary Control

Significant variances were observed between the budgeted and actual 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 Agricultural and Agrarian Insurance Board from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Payment of Benefits to the Fishermen
- (c) Control over Receivables and Payables
- (d) Recovery of Installments


W.P.C. Wickramaratne
Acting Auditor General



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2015-08-12

Audit Superintendent
Auditor General's Department
Colombo

Answering to Report 14 (2) (c) of the Year 2014 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 2011.

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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 2014

2. Financial Statements

2.1 Disclaimed Opinion

2.2 Comments on the financial statements

2.2.1 Sri Lanka Accounting Standards

- (a) Current assets and current liabilities have been classified as set out in the standards.
- (b) Action will be taken to indicate government grants as a funding source derived from financial activities.
- (c) Action will be taken to include a note on the previous year adjustments.
- (d) As the policy of the Board is to account fixed assets on cost, the relevant assets have been correctly accounted on that basis.
- (e) Pension gratuity liabilities of employees have been properly assessed. The investment relevant to this is included in the investments of the Board itself.
- (f) 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.

2.2.2 Accounting deficiencies

- (a) 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.
- (b) Interest has been accurately computed in the investment schedule. Accordingly action will be taken to correct it in due course.
- (c) Gratuity liability has been accurately computed and no over allocation has been made as shown in the audit.
- (d) This amount has been received by now and action has been taken as of now to account this amount.
- (e) The interest of the loan granted to the Farmers' Pension Scheme has been accounted within the interest income of the death gratuity fund.
- (f) The policy of the AAIB is to set aside 5% of the operational profit for the reserves of the AAIB and these allocations have been made in line with this policy.

2.2.3 Unexplained differences

- (i) Insurance revenue given in the final accounts is correct and adjustments have also been made for the income received in respect of the coming year. However, the Insurance Division in computing the insurance revenue adopts cash basis for computation. Therefore, it is not pragmatic to compare data of the Finance Division with those of the Insurance Division.
- (ii) In preparing the final accounts, insurance indemnity expenditure has been computed under the accrued basis and provisions have been made for same. As what has been indicated as insurance expenditure by the Insurance Division is the expenditure computed on cash basis, it is not practical to compare the insurance expenditure of the Finance Division.

2.2.4 Accounts receivable and payable

(a) Distress loan- Rs. 924,738.22

A sum of Rs. 140,018.41 out of the distress loan balance of Rs. 934,738.22 to be recovered as at 31.12.2014 has been recovered and the balance remains to be recovered is Rs. 784,719.81. Letters of demand sent to three debtors have returned as they no longer reside in the addresses given. Accordingly, action is being pursued to initiate legal proceedings against seven debtors including the three mentioned above after tracing their current addresses. The loan amount relevant to this is Rs. 432,651.89. Problems have arisen regarding the recovery of loans from three deceased debtors and their heirs have been called a decision is to be taken on the matter. The disciplinary report of one of the debtors is to be submitted to the next meeting of the Board of Directors and the balance of Rs. 91,533 remains to be recovered from him is to be deducted from his salary. Since details of 15 debtors relevant to the period from 1982 to 2000 cannot be traced, action will be taken to bring the matter to the notice of the Board of Directors for a decision.

Festival advance Rs. 48,750.00

Though letters and letters of demand have been sent to these defaulters, no response has been received. Since the balances range from Rs.300/= to Rs.4500/= and as there are no guarantors, steps will be taken to report the matter again to the Board of Directors for a decision. The number of debtors is 36.

Special advance Rs. 15050.000

Loan from one debtor has been recovered. Though they too have been notified through letters, no response has been received. Action is to be filed against two debtors who have defaulted the distress loan, too. Measures will be taken to send letters again to the remaining debtors and if no response is received, the matter will be referred to the Board of Directors for a decision. The loan balance is Rs. 14150.00. the number of debtors is 15. The loan limit is in the range if Rest. 300 to Rs. 2000.

Motorcycle loan Rs. 152102.50

The number of debtors is 07. It has become difficult to trace guarantors. Two debtors have been interdicted. Another has passed away. Action has been taken to file action against three. Since the loan amount of the remaining debtors is Rs. 1312.50, the matter will be referred to the Board of Directors for a decision.

Special loan for employees Rs. 4800.00

The number of debtors is 4. One has passed away. Action will be taken to send reminders again to the other three.

- (a) Action has been taken to recover the loan granted to the Farmers' Pension Division together with the interest gradually
- (b) Necessary action will be taken to pay these amounts to the said institution gradually.
- (c) The relevant ministry has been notified to reimburse the relevant salary.

2.2.5 Evidence not presented to the audit

Sufficient evidence has been received for the audit. Receivable premia income has been received as of now and commissions have been duly paid. Adequate evidence has been received for future receipts in respect of livestock.

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

(a) Section 11 of 13.3 of the Establishments Code

Though applications were called through public notices in newspapers last September to fill 12 vacancies, the decision for permanent recruitment could not be implemented due to the presidential election and a decision of the management. Therefore three Assistant Director posts out of the about posts have to be maintained on the basis of execution of duties. Even though the management had taken a decision at the time to fill vacant director posts, the

recruitment could not be carried out by calling applications owing to the above circumstances. Therefore, the officers who cover the duties of the said posts have to be retained on the basis of service requirements. Based on the decisions of the Board of Directors to be appointed following the general election, action will be taken to fill the relevant vacancies.

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

Action will be taken to examine and rectify inaccuracies said to have taken place while placing employees in the relevant salary scales during the ongoing process to update personal files. One of the main drawbacks experienced in this connection is the absence of adequate number of employees in the Administrative Division to carry out this task. This task is currently handled by one lady officer and measures will be taken gradually to correct those inaccuracies.

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

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 Assets not being utilized

Of the 7 relevant jeeps, 5 Bolero type jeeps have been acquired as of now by the Ministry of Agriculture. One jeep has been acquired by the FAO. The remaining jeep has been acquired by the Agricultural Development Authority and since this institution is now defunct, it has become problematic to reclaim it.

4.4 Human Resources Management

- a) These officers have been assigned on the basis of the recommendation of the Human Resources Plan prepared in the year 2009 that at least two Management Assistants should be assigned to each district office and on the basis of the number of Management Assistants approved by the Director General of Management Services. However a surplus of 20 officers transferred to district offices at Anuradhapura, Thambuttegama, Kandy, Matale and Kegalle has been reported on the grounds of sicknesses and other inconveniences and on the orders of the political authority, has been reported. Though 30 vacancies have been reported in various divisions of the Head Office, it is problematic to assign these excess employees to the Head Office. However, since the existing staff in districts has been found to be insufficient with the expansion of the role of the Board, it is expected to amend the Human Resources Plan accordingly and secure approval for the revised cadre.
- b) Since these employees have only been assigned to external ministries on temporary basis, no new employees can be recruited in their place.
- c) Though applications were called to fill the relevant vacancies, due to the election process and since no decision has been taken in this regard by the newly appointed management, the Board is unable to proceed with the recruitments.

4.5 Matters of contentious nature

The number of almanacs shown is the amount that could not be distributed due to the presidential election out of those printed in the latter half of 2014. Since these almanacs are for the year 2015, action had been taken to distribute them during publicity programmes.

5. Accountability and Good Governance

5.1 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 accounts payable and receivable, utilization of vehicles, budget, personnel management



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2015-06-09

Audit Superintendent
Auditor General's Department
Colombo

Answering to Report 14 (2) (c) of the Year 2014 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 2014.

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Director General
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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 2014

2. Financial Statements

2.1 Disclaimed 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 Disagreements with accounting standards

- (a) Action will be taken for the accurate classification of cash flows in the next accounting year.
- (b) Action will be taken to disclose the details of adjustments relevant to the preceding year in due course.
- (c) Since assets fully depreciated have not been disclosed in the accounts though shown in the assets register, action will be taken to disclose them in the coming year.
- (d) The pension liability is expected to be revalued in line with the restructuring process carried out due to the current situation of the Farmers' Pension Scheme.
- (e) Government grants have been properly accounted as per Sri Lanka Accounting Standard 20.
- (f) Necessary action will be taken in the next accounting year for proper presentation of accounts pertaining to related parties

2.2.3 Accounting deficiencies

- (a) Action will be taken to present these accounts indicated as a receivable income as balances of cash and cash equivalents.
- (b) Net premia expenditure has been credited to the income account by mistake. But it has not impact on the net income.
- (c) In calculating the gratuity liability, future probability too has to be taken into account. Since it has been indicated that the interim allowance of Rs. 3000 granted by the government would be added to the basic salary in future, it was considered in computing the gratuity liability.
- (d) All revenue for which balance confirmations were forwarded and all revenue related to previous year which were received after the accounting year have been identified and brought into accounts.

2.2.4 Accounts Receivable and Payable

- (a) All institutions were notified to submit balance confirmations for receivable premia. Though balance confirmations were not available for all amounts accounted as receivable income, the Board has received such amounts after that year.
- (b) Measures have been taken for the gradual payment of audit fees.
- (c) Necessary measures will be taken to settle the money obtained from other funds of the Board to pay farmers' pension.
- (d) Measures were taken to recover Rs10,000 during this year and action will be pursued to recover the remaining money.
- (e) Since farmers receive additional benefits under the new pension scheme, action will be taken to set off this money from such benefits.

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

- (a) Consequent to the expiry of the official term of the members of the Advisory Committee, the relevant institutions were notified through the Secretary of the Ministry of Finance to appoint new members. Action has been taken to send reminders to institutions which are yet to nominate members again to the advisory committee.
- (b) (i) Measures will be taken to assign duties in such manner to distribute work load after recruiting new employees to fill the existing vacancies in the Finance Division. However cash

books and bank reconciliations are subject to the full supervision and scrutiny of the audit officer.

- (ii) The relevant Financial Regulations are applicable to the employees of public departments and what is applicable to the Board is the decisions taken by the Board of Directors as per the Agricultural and Agrarian Insurance Board Act.

3. Financial Review

3.1 Financial Result

3.2 Analytical Review on Financial Situation

- i. The income has declined from 2010 to 2014 as a result of not promoting the Pension Scheme and the expenditure has increased incrementally as a large number of farmers have qualified for the pension on reaching 60 years of age and some others joining 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.
- iii. The government has drawn up plans for the grant of government provisions to ensure the sustainability of the Farmers' Pension Scheme. Accordingly, it has been proposed through the 2015 budget to treasury bonds amounting to Rs. 5000 million for the next three years.

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.

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.

- (b) Due to the suspension of enrollment of contributors to the pension scheme, the back premia income has decreased.
- (c) 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.
- (d) 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 up to year 2013.

- (e) Payments have been finalized for those entitled for pension entitlement out of the remaining persons who were referred for payments up to December 2014.

4.2 Deficiencies 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.

4.3 Management inefficiencies

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.

4.4 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.
- c) During the years 2012/2013, farmers' pensions were not paid and a new farmers' pension scheme was introduced in the year 2014. Therefore programmes for the payment of pensions under the new scheme were conducted covering all districts of the island seeking wide publicity with the participation of all District Secretaries and Divisional Secretaries with a view to allaying negative attitude of farmers towards the Board as a result of its failure to pay pension and regain the trust of the farmers. More than 100 such meetings for the payment of farmers'

pension were conducted and in January, pension was paid to 113,011 farmers. Hence the expenditure per farmer is approximately Rs. 60.

5. Accountability and Good Governance

5.1 More attention was focused on the reactivation and payment of the farmers' pension scheme which remain suspended and action has been taken to conduct a survey to assess the activeness of farmers who have subscribed to the farmers' pension scheme. An action plan for the enrollment of farmers was not prepared in the year 2014.

5.2 Budget documentary Control

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

6. 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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Your Ref. No.

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திகதி
Date

2015-06-24

Audit Superintendent
Auditor General's Department
Colombo

Answering to Report 14 (2) (c) of the Year 2014 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 2014.

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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

Future liability of the Fishermen’s Pension Scheme has been disclosed in financial statements in conformity with accounting standards. Since this is a scheme without financial potentiality and based on government subsidy, the future liability has increased in this manner. Measures are underway to restructure the Fishermen’s Pension Scheme as well.

2.2.2 Noncompliance with Accounting Standards

- (a) Steps will be taken during the next accounting year to indicate the relevant cash flow as a cash flow derived from operational activities.
- (b) 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

- (a) These accounts are maintained by the district offices of the Ministry of Fisheries. Premia collected by district offices which were delayed in remitting to the collection account of the head office have been accounted as balances to be received from those offices. Therefore there has been no change in the current assets of the Board.
- (b) The Board has allocated gratuity in the right manner.

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 Farmers’ 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.

2.2.6 Non compliance 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. Contributions of contributors whose contribution is thus cancelled are repaid to such contributors 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 operated 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)

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 the 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.

4.3 Identifying interest income

This interest adjustment has been made since the money obtained from the Fishermen's Pension Fund for the payment of farmers' pension was treated as a loan granted to that scheme. Measures will be taken in the future for the settlement of these loans and interest gradually.

5. Accountability and Good Governance

5.1 Budget documentary control

This situation has arisen as a result of not promoting new enrollments to the Fishermen's Pension Scheme as it was due to be restructured.

6. Systems and controls

Serious attention has been paid as of now to the accounting, providing benefits to fishermen, accounts payable and receivable, recovery of back premia and it is expected to focus far greater attention on these files in the future as well.