ANNUAL REPORT

2012

Agricultural and Agrarian Insurance Board

No. 117, Subhadrarama Road, Gangodawila

Nugegoda

Contents

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கமத்தொழில் மற்றும் கமநலக் காப்புறுதிச் சபை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

විදුලි පණිවිඩ / தந்தி / **Telegrams** } රක්ෂණ / ரக்ஷன / **Rakshana**

117-**Subadrarama road,Gangodawila**
Nugegoda
Sri- lanaka

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The Secretary,
Ministry of Finance and Planning,
Secretariat,
Colombo-01

Secretary,

<u>Annual Report -2012</u>

I am submitting herewith the Annual Report on the working of the administrative, operational, and financial activities of the Board which incorporates all its activities during the year 2012.

Yours faithfully,

Ariyathilake Dahanayake - Attorney at law

Chairman
Agricultural and Agrarian Insurance Board

	සභාපති / தலைவர் / **Chairman**	සාමාන්‍යාධිකාරී / பொது முகாமையாளர் / **General Manager**	ප්‍රධාන කාර්යාලය / தலைமையகம் / **Head Office**
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Agricultural and Agrarian Insurance Board

Vision

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

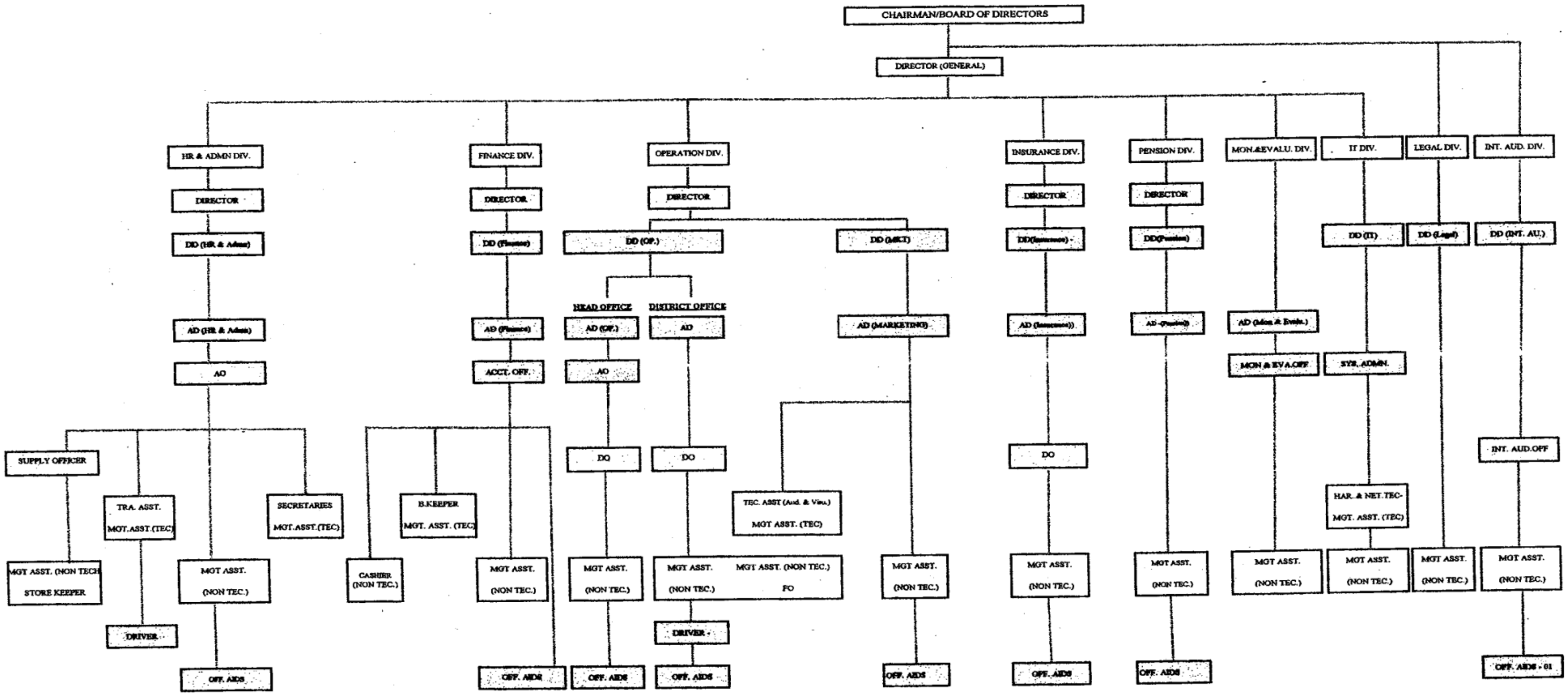
Mission

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 -2012

1.Mrs. Dhamitha Ratnayake Deputy Director" Treasury Operations Department Colombo-01 Mr. P.A. Abeysekara, Deputy Secretary, General Treasury, Colombo-01	Chairperson (Acting) Up to 09.08.2012 Chairman (From 15.08.2012)
2. Mr. Shantha Bandara Additional Secretary Ministry of Fisheries and Aquatic Resources New Secretariat Maligawatta Colombo 10	Member
3. Mr. Ravindra Hewawitharana Commissioner General of Agrarian Development Department of Agrarian Development Colombo 07 Mr.M.A.Weerasinghe Commissioner General of Agrarian Development Department of Agrarian Development Colombo 07	Member (up to 27.04.2012) Member (from 09.08.2012)
4. Mr. T.H.C.S.Perera Director (Social and Economic Planning) Department of Agriculture Peradeniya	Member
5. Dr. B.Sivayoganathan Director (Livestock Resources Development) Ministry of Livestock Resources Development No. 45, St. Michael Road Colombo-03	Member
6. Mr. C.P.Tennakoon "Seevali Nivasa" Kobeigane	Member

ORGANIZATIONAL STRUCTURE
AGRICULTURAL & AGRARIAN INSURANCE BOARD



Forward

Agricultural Insurance Board established under the Agricultural Insurance Law No. 27 of 1973 introducing agricultural insurance as a formal system of risk management to the agricultural sector of Sri Lanka which further expanded the scope its functions through the Agricultural and Agrarian Insurance Act No 20 1999 has entered 40th year of its mission.

Focusing on the maximum fulfillment of the responsibility of uplifting local agriculture and stabilizing the economy of the agriculturalist entrusted to the Agricultural and Agrarian Insurance Board as the sole public sector entity to provide insurance services in the agricultural sector, the Board took measures to implement a slew of schemes across the island in the year 2012.The Board netted an insurance premium income amounting to Rs 124 million in the year 2012 through these schemes.

Premium Income from 2006 to 2012

Scheme	2006 (Rs Mn)	2007 (Rs Mn)	2008 (Rs Mn)	2009 (Rs Mn)	2010 (Rs Mn)	2011 (Rs Mn)	2012 (Rs Mn)
Crop Insurance	6.23	12.08	47.41	55.35	79.69	119.07	99.9
Livestock Insurance	5.45	8.76	14.24	14.52	12.77	18.24	15.8
Stores and Agricultural equipment Insurance	0.21	-	0.96	1.54	3.4	5.93	6.5
Suwasetha and Personal Accident Insurance	23.4	7.41	7.88	9.01	9.62	14.23	2.5
Total	**35.29**	**28.25**	**70.49**	**80.42**	**105.48**	**157.47**	**124.7**

Changing climatic conditions and weather patterns throughout the world have placed agriculture in seriously dangerous situation and Sri Lanka too continuously experienced the adverse impacts of these changes over the past few years. Crops in major agricultural zones of Sri Lanka were badly damaged by floods during the Maha Season of 2010/2011 and from the severe drought experienced during the Yala season of 2012 and torrential rains and floods caused massive damages to the crops of the 2012/2013 Maha season in these areas in 2013.

During the first half of 2011 the insurance fund rose up to 269 million with the gradual increase of agricultural insurance premium income resulting from the expansion of the activities of the Board in the year 2008. However due to the heavy flooding in the major paddy cultivating districts of the island-Anuradhapura, Polonnaruwa, Ampara, Batticaloa, Trincomalee and Mannar- a sum of Rs. 227 million was paid as insurance compensation. The same areas were then affected by a prolonged drought in the year 2012 and with the payment of compensation to the damaged crops, the insurance fund shrunk to Rs 111 million. The fund further declined as substantial payments had to be paid for crops damaged in the Maha season of 2012/13 following floods that prevailed since January 2013.

However as the sole public sector insurance institution that is involved in the agricultural risk management, the payment of compensation by the Board to farmers whose crops were damaged, helped significantly to ease the responsibility entrusted to the government to safeguard agriculture and the agriculturalist in the wake of disasters. Further, the role played by the Board in order to guarantee the safety of agricultural loans granted by lending institutions through the provision of insurance cover to the relevant crops when loans are released too is very important.

As a result of computing the compensation employing new technology in the district itself where the crops were damaged and paying compensation even before the end of the season the Board was able to win the trust of the farmer community and banks.

Especially with the elimination of the impact of the war, the Board has stepped in to offer insurance cover to other cultivations including maize, chili, onions and vegetables in addition to paddy to supplement the government's development process in the Northern and Eastern provinces. As a result of the trust being built as farmers are confident of receiving compensation through insurance cover in the event of crop damage has also subscribed to the agricultural revival in these areas.

In the year 2012, other insurance schemes connected with the agricultural sector including the livestock insurance, stores insurance, tractor and agricultural equipment insurance as well as Suwasetha Health Insurance Scheme and Accidents Insurance Scheme aimed at the welfare of the agriculturalist were implemented by the Board.

The Board has also prepared an insurance scheme to provide insurance cover to damages caused to life and agriculture caused by wild elephants which has now assumed proportions of a national problem and secured approval for same and it is expected to be implemented once the required funds are received.

A scheme on crop insurance under the fertilizer subsidy was prepared by the Board in the year 2011 and a proposal in this regard was also presented in the 2012 budget and a feasibility report on the scheme together with the Board's experience and expertise in implementing relevant insurance activities was referred to the Ministry for consideration.

As a result of the Board being forced in the year 2012 to suspend the payment of Farmers' Pension Scheme which was the flagship scheme of the Board which made it a household name among the farmer community upon the Fund of the Pension Scheme becoming zero, the people as well as officials of external organizations lost their trust in the Board which in turn had a negative impact on the Board's quest to expand insurance schemes and in achieving financial targets in the year 2012.

No new officials were recruited in the year 2012 and the relevant duties were carried out with the existing staff. Though the approved cadre is 421 according to the approved structure, the existing staff is only 306. Accordingly the number of vacancies is 115.

Against this backdrop, the Agricultural and Agrarian Insurance Board submits through this report, effectiveness of its performance in the year 2012.

Operational Division

Operational Division

As the sole public sector institution providing insurance services in the Agricultural Sector, the following special operational programmes to propagate the below- mentioned schemes were carried out island-wide in the year 2012 with the aim of fulfilling the responsibility entrusted to the Board to uplift the local agriculture and to stabilize the economy of the agriculturalist.

Insurance Schemes Implemented

1. Agricultural Insurance Schemes

Paddy Insurance Scheme
Maize Insurance Scheme
Subsidiary crops insurance Scheme (Green Gram, Ground Nuts, Soya , black gram (Undu))
Big Onion Insurance Scheme
Sugar Cane Insurance Scheme
Export Crops Insurance Scheme Insurance Scheme
Plantation Crops (Tea) Insurance Scheme
Coconut Insurance Scheme
Potatoes Insurance Scheme
Flower Cultivation Insurance Scheme
Ginger Insurance Scheme
Chili Insurance Scheme
Vegetable Cultivation Insurance Scheme
Fruit Cultivation Insurance Scheme

2. Stores Insurance Scheme
3. Tractors including agricultural implements Insurance Scheme
4. Livestock Insurance Scheme
    - Goats
    - Cattle
5. Accidents Insurance Scheme
6. Suwasetha Insurance Scheme

With the aim of realizing the objective of offering maximum service to the farmer community under the relevant schemes and enhancing the financial income of the Board, the relevant operational activities were carried out across the island through the district office network. Insurance activities under agricultural loan schemes implemented in collaboration with commercial banks and insurance activities insurance activities implemented under special projects of external organizations were given priority and it was expected to earn a higher income through them. Being compelled to make regular payments as compensation to crop damages caused by changes in climatic conditions and weather patterns has had an unfavourable impact on the finances of the Board. In spite of this situation, the Board was able o keep the trust of the people and the banking sector fulfilling its responsibility by paying compensation even before the end of the season to crops damaged by the drought in all major agricultural districts of the island in the Yala season of 2012.

Since the most prominent role in achieving the annual financial targets is performed by the staff of district offices, the financial progress and of each district office and the programmes of work planned to attain the future financial targets were discussed at the workshops held under the patronage of the Director General at the Head Office, Anuradhapura, Kandy and Embilipitiya with the participation of not only the Assistant Directors and Development and Field Officers attached to all district offices but also all the management assistant officers and relevant awareness was created. Accordingly the Operational Division has taken measures to effectively carry out the relevant activities by deploying officers as required to collect installments under various schemes, assessing crop damages, providing other facilities, creating awareness among officers and supervising. In carrying out insurance activities, the island was divided into two major categories on the basis of agricultural expansion .

1. **Main Agricultural zones**

Zones with districts where the majority of people rely on agriculture and where agriculture has expanded itself into export agriculture with well-regulated irrigation management under the mega irrigation schemes transcending the boundaries of traditional agriculture and where the agriculturalist has become an agro-businessman have been included in these zones. It was expected to earn a higher income by insuring major crops including paddy and maize which are the cultivated mainly targeting the market and to have this income further increased by insuring vegetables, supplementary crops and biannual crops. Though the greater portion of the total income is earned through crop insurance in these zones every year, due to the impact of a slew of reasons, the income of the year 2012 has registered a decline in comparison to the income of the year 2011.

As a result of host of reasons including private insurance companies which directly intervened in agricultural insurance in the year 2012 influencing banks and their officers by offering special incentives, the Board was deprived of insurance activities under the relevant banks and the refusal to reissue agricultural loans to farmers who did not pay back their agricultural loans with the hope that their loans would be written off due to crop damages sustained continually in successive seasons and the release of agricultural loans by financial institutions without insurance as a special relief measure to encourage farmers of the districts in North and East who have resumed their paddy farming and action taken by the district staffs of the main agricultural zones not to promote voluntary insurance activities during the 2012/2013 Maha season as there was a greater likelihood of crops being damaged since the cultivation season was delayed as sufficient seasonal rains were not received, the failure to earn the expected income from crop cultivation insurance activities was the major contributing factor for the drop in the overall financial income in the year 2012.

Since the insurance funds currently available with the Board are inadequate to pay compensation for crop damages being caused by incessant rains and floods to the cultivations of the 2012/2013 Maha season from the beginning of the year 2012 up to now in the main agricultural zones, the Board has been compelled to limit crop insurance activities on account of this situation and all in all this could be termed as an indirect relief to the Board.

1. **Semi agricultural zones**

Areas where people are also engaged in agriculture in addition to other industries and where agriculture is not the main livelihood are included in this zone. In achieving financial targets of these districts, the emphasis is laid on Livestock Insurance, Suwasetha and Accident Insurance.

As a result of the Board being forced in the year 2011 to suspend the payment of Farmers' Pension Scheme which was the flagship scheme of the Board which made it a household name among the farmer community without any alternative programme upon the Fund of the Pension Scheme becoming zero, the people as well as officials of external organizations who support the Board to recruit subscribers to insurance schemes of the Board lost their trust in the Board which in turn had a negative impact on the Board's quest to expand insurance schemes and in achieving financial targets in the year 2012.

Marketing and Propaganda Activities

1. Taking measures to expeditiously assess the crop damages caused by the drought during the Yala season of 2012 thus consolidating faith of the people as well as the banks in the Board by paying relevant compensation even before the end of the season.

2. Marking the payment of insurance compensation under the Head of State for the first time in the history, the national ceremony for the payment of compensation of 2012 Yala season was held under the patronage of His Excellency the President at Thambuttegama on 17.08.2012.

3. In addition, two publicity programmes on the payment of compensation were held under the patronage of Minister of Agrarian Services and Wildlife Hon. S.M.Chandrasena on 16.10.2012 in the Anuradhapura district and the payment of compensation in the Polonnararuwa district was held under the aegis of Minister of Health Hon. Maithreepala Sirisena at Polonnaruwa on 05.09.2012.

4. Ceremonies to pay compensation were always held with the participation of officials of the banks which granted agricultural loans and a large number of farmers and they were made use to build trust among the officials and farmer community on the activities of the Board.

5. Ceremonies to pay compensation were given wide publicity over news bulletins of television and radio channels and they were also reported by the national newspapers as a major news item. It thus paved the way to educate people on the insurance programme of the Board at national level.

6. A get- together to enlist the support of the officials of People's Bank for the execution of insurance activities under agricultural loan scheme in the Polonnaruwa district was

held at Village Hotel Polonnaruwa on 15.06.2012 and the get-together of the officials of the Kurunegala district was on 10.06.2012 at Polgahawela.

7. An awareness programme for livestock farmers regarding the insurance of cattle obtained using loans of Regional Development Bank was held at the veterinary office of Panwila in the Kandy district was held on 20.06.2012 and packs of minerals were distributed among farmers who participated in the programme.

8. 15,000 leaflets printed in Sinhala and Tamil languages for the 2012/2013 Yala season with a view to create awareness among farmers were handed over to district offices.

9. An outstanding progress was shown in the promotional programme conducted to propagate the Accident Insurance Scheme implemented in the year 2011 and measures have been taken to felicitate and reward the staff and external officers.

10. A stall was maintained at the exhibition held at the Labuduwa Government Farm, Galle from 12.09.2012 to 16.09.2012 to mark the centenary anniversary of the Department of Agriculture.

11. Action was taken to operate a stall of the Board at the exhibition of Kitul tappers' products organized by the Sri Lanka Industrial Development Board and held at Galle Town Hall from 05.11.2012 to 07.11.2012 and to create awareness through leaflets about the special Accident Insurance Scheme for Kitull tappers.

12. 50 T-shirts printed with caption "National Vap Mangul Ceremony 2012- Agricultural and Agrarian Insurance Board" were distributed as a promotional activity among invitees and farmers who participated at the National Vap Mangual Ceremony held at Kawarakkulama paddy field in Anuradhapura on 27.10.2012 .

Insurance Division

Agricultural Insurance Scheme
And
Livestock Insurance Scheme

Insurance Division-2012

Underwriting activities and computation and payment of compensation are the major functions of the Insurance Division. This Division takes measures to pay compensation promptly for crop cultivation insurance, livestock insurance as well as general insurance.

During the year 2102, underwriting as well as compensation payment activities were carried out expeditiously.

Underwriting Activities

1. Amending the scheme so as to be commensurate with the current market need by amending the standard harvest in respect of the Manampitiya zone.

2. Carrying out insurance activities in collaboration with Seylan Bank and amending the tea cultivation insurance scheme taking into account the current market trends.

3. Extending insurance cover for crops with potential with the aim of expanding crop cultivation insurance activities for the Mulaitivu and Vavuniya districts. In particular, providing for cultivations such as chili, onions and vegetables.

4. Further, insurance cover levels for these zones too were increased. In particular, when loans were granted by banks, insurance cover was designed to cover the loan amount.

5. Tea cultivation insurance too was amended and the application forms used in crop cultivation insurance were amended suitably and updated.

6. Several amendments were made to livestock insurance scheme, too. Specially, insurance conditions and methods for identifying animals were amended.

7. Measures required for speedy issuance of livestock insurance policy were taken and steps have been taken to minimize delays in the payment of livestock insurance.

8. Steps were taken to award the insurance cover offered free of charge for tractors under Tractor Insurance (Browns' Project) for a period of two years.

9. Action was pursued to introduce new application used in insurance activities as per the market needs and to amend the existing application forms. Temporary applications and corroborative statements were introduced for livestock insurance,

Compensation Activities

10. Payment of compensation for crop cultivation damages caused by severe drought in the Yala season of 2012 and within a short period of one month. Five mobile compensation units were established for this purpose and a sum of Rs. 40 million was released.
11. The amount of compensation released as the liability of the Board in the year 2012 was Rs 100 million. It is as follows.

Payment of Compensation

Insurance Scheme	Compensation Paid
Paddy cultivation insurance	75,770,287.50
Maize cultivation insurance	9456453.05
Other crop insurance	6,341,753.10
Livestock insurance	7,818,212.51
General Insurance	979,359.55
Total	100,366,065.71

Special Projects

Training workshops to educate officers on problems encountered in carrying out insurance activities and releasing compensation as well as basic understanding needed in implementing insurance schemes were conducted covering all districts.

The pilot project launched to ascertain whether the GIS technology can be employed in insurance activities was completed.

Formulation of the insurance scheme for insuring risks caused by the threat of wild elephants finalized. Though the scheme was approved to be implemented with an initial fund, it did not get off the ground as an initial fund could not be secured. In addition, an insurance scheme concurrent to the fertilizer subsidy programme was prepared, but the opportunity of implementing it was lost to the Board during the year.

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 and Fishermen's Pension and Social Security Benefit Scheme

By the end of 2012, the Farmers' Pension and Social Security Benefit Scheme launched in 1987 with the aim of ensuring secured future for the agriculturalist marked 25 years. The total number of subscribers to this scheme was 959,254 and the number of subscribers who received pension benefits at the beginning of the year 2012 was 90,573.

As a result of the decision taken to pay a higher pension than the pension planned to be paid in compliance with the provisions made available through Farmers' Pension and Social Security Benefit Scheme Act, the Farmers' Pension Fund became zero by the end of July 2010. From then onwards up to December 2011, action was taken to pay the pension using the provisions allocated by the Treasury and other funds maintained by the Board with the approval of the Treasury. However, as the required provisions could no longer be secured, the beneficiaries could not be paid the pension during the year 2012.

However action was taken to pay a pension allowance of Rs 6000/= as an initial step from March 2012 to 1230 contributors who were newly listed in the pension register on reaching 60 years of age as at 31 December 2011 and who had not been paid pension and the total amount paid to these contributors was Rs. 7.3 million. Accordingly, from the inception of this scheme up to 2012, a sum of Rs. 6877 million has been paid to pensioners.

A series of proposals has been put forth on the instructions of the Ministry of Finance and Planning with a view to offering a lasting solution to this problem and ensuring continuity of the project and accordingly the Board has taken all possible measures to pursue a sustainable solution.

Payment of Death and Disabled Benefits

Despite facing a problematic situation as regards securing provisions for the payment of pension in the year 2012, steps were taken to pay all the entitled benefits to contributors who either died or became disabled after becoming contributors of the scheme and in the year 2012 a total sum of Rs. 7,012,987/= was paid as gratuity to 444 contributors and a sum of Rs. 135,827/= was paid as disabled benefits to 05 contributors who became disabled. (Annex 01)

Payment of net premium and interest

The Board took action to pay a sum of Rs. 4,569,943/= as net premia to 455 contributors whose subscription was cancelled owing to the failure to pay premium as required or those who resigned from the scheme after securing employment. (Annex 02)

Survey to gather data of beneficiaries of farmers' pension scheme to regularize the payment of farmes' pension

As the Board has faced a problem as regards the financial viability of paying farmers' pension, an island-wide survey was conducted in February 2012 with the assistance of Grama Niladharis and Divisional Secretaries to gather accurate data and to ascertain whether the beneficiaries of the Farmers' Pension Scheme who receive pension benefits having contributed to the Scheme are entitled to receive such benefits under the provisions of the Act. According to the survey, it was revealed that 88% of pension beneficiaries had satisfied the required qualifications to be entitled to the pension.

Fishermen's Pension Scheme

By the end of 2012, the total number of fishermen registered with the Scheme was 68,054 and a sum of Rs. 30,068,226/= was paid as pension to 2185 pension beneficiaries. These payments were made through 390 post offices. (Annex 3)

Under the Fishermen's Pension Scheme, a sum of Rs. 919,000/= was paid as death gratuity to contributors who died during the year.

Agricultural and Agrarian Insurance Board

Farmers' Pension and Social Security Benefit Scheme

Payment of Net Premium and Interest-2012

District	Total No of Contributors	Amount Paid (Rs)
Colombo	15	109502
Gampaha	36	316862
Kalutara	25	217676
Kandy	29	340215
Matale	21	191764
Nuwaraeliya	19	252505
Galle	48	442465
Matara	25	219480
Ampara	7	54139
Trincomalee	3	34799
Puttalam	22	179677
Kurunegala	29	310250
Maho	9	151839
Anuradhapura	10	117199
Polonnaruwa	14	160333
Monaragala	4	65583
Hambantota	26	267785
Ratnapura	38	392288
Mahaweli-H	1	8103
Badulla	28	302219
Kegalle	23	228402
Mahaweli C	23	206858
Total	455	4569943

	District	Total No of Pensioners as at 30.10.2011	Amount paid to all pensioners	Amount paid from 1992 up to now	No of Post Offices
1	Colombo	3606	3,671,498.00	257,057,499.00	167
2	Gampaha	6985	7,150,325.00	508,813,182.00	267
3	Kalutara	5882	5,977,524.00	435,104,209.00	165
4	Kandy	8850	9,042,635.00	702,995,185.00	382
5	Matale	2392	2,465,610.00	180,284,097.00	112
6	Nuwaraeliya	2498	2,567,154.00	183,363,987.00	127
7	Galle	8760	8,966,913.00	744,928,857.00	261
8	Matara	5837	5,954,299.00	433,463,775.00	240
9	Hambantota	4438	4,558,663.00	311,045,693.00	136
10	Jaffna/ Kilinochchi	1544	1,622,609,00	136,906,922.00	147
11	Mannar	32	33,019.00	1,518,697.00	9
12	Vavuniya	235	246,579.00	23,469,774.00	42
13	Mulaitivu	59	61,942.00	7,448,883.00	14
14	Batticaloa	588	613,130.00	51,680,431.00	69
15	Ampara	2426	2,513,944.00	194,418,169.00	111
16	Trincomalee	531	547,043.00	42,610,286.00	45
17	Kurunegala-Maho	10094	10,357,950.00	716,418,299.00	364
18	Puttalam	3075	3,176,364.00	226,819,681.00	135
19	Anuradhapura/Mahaweli-H	3941	4,078,390.00	293,140,935.00	213
20	Polonnaruwa- B G	3031	3,127,218.00	231,769,380.00	203
21	Badulla/Mahaweli C	3650	3,743,157.00	278,656,007.00	216
22	Monaragala	2746	2,861,553.00	216,690,559.00	94
23	Ratnapura/Udawalawa	4162	4,269,904.00	318,550,773.00	211
24	Kegalle	5211	5,306,231.00	372,950,155.00	235
	Total	90573	92,913,654.00	6,870,105,435.00	3965

Agricultural and Agrarian Insurance Board

Farmers' Pension and Social Security Benefit Scheme

Payment of Disabled Benefits from January 01 to December 31, 2012

	District	No of deaths	Amount paid	No of disabled	Amount Paid –	Total of persons	Total
		Number	Rs		Rs.		(Rs)
1	**Colombo**	08	107583.00	-	-	8	107,583.00
2	**Gampaha**	29	506,132.00	-	-	29	506,132.00
3	**Kalutara**	20	279,645.00	2	43,654.00	22	323,299.00
4	**Kandy**	38	551,612.00	1	32,173.00	39	583,785.00
5	**Matale**	05	90,770.00	-	-	5	90,770.00
6	**Nuwraeliya**	15	204,451.00	-	-	15	204,451.00
7	**Galle**	36	480,613.00	-	-	36	480,613.00
8	**Matara**	12	199,221.00	-	-	12	199,221.00
9	**Hambantota**	23	403,217.00	1	30,000.00	24	433,217.00
10	**Jaffna**	08	83,000.00	-	-	8	83,000.00
11	**Mannar**	01	30,199.00	-	-	1	30,199.00
12	**Vavuniya**	04	63,000.00	-	-	4	63,000.00
13	**Mulativu**	00	-	-	-	-	-
14	**Batticaloa**	04	64,372.00	-	-	4	64,372.00
15	**Ampara**	01	24,563.00	-	-	1	24,563.00
16	**Trincomalee**	01	8,000.00	-	-	1	8,000.00
17	**Puttalam**	19	334,535,00	-	-	19	334,535.00
18	**Kurunegala**	35	513,654.00	-	-	35	513,654.00
19	**Maho**	30	479,505.00	-	-	30	479,505.00
20	**Anuradhapura**	18	306,536.00	-	-	18	306,536.00
21	**Polonnaruwa**	08	161,441.00	-	-	8	161,441.00
22	**Monaragala**	22	297,528.00	-	-	22	297,528.00
23	**Badulla**	18	300,593.00	1	30,000.00	19	330,593.00
24	**Ratnapura**	26	488,729,00	-	-	26	488,729.00
25	**Keglle**	23	405,662.00	-	-	23	405,662.00
26	**Mahaweli E**	20	298,360.00	-	-	20	298,360.00
27	**Mahaweli C**	10	194,207.00	-	-	10	194,207.00
28	**Mahaweli G**	07	80,000.00	-	-	7	80,000.00
29	**Mahaweli B**	02	30,000.00	-	-	2	30,000.00
30	**Udawalawa**	01	25,859.00	-	-	1	25,859.00
		444	7,012,987.00	5	135,827.00	449	7,148,814.00

Fishermen's Pension and Social Security Benefit Scheme
Payment of Death/ Disabled Gratuity in 2012

	District Fisheries Extension Division	Payment of Death Gratuity		Disabled gratuity payment		
1	Kalutara	-	-	-	-	-
2	Galle	2	14,000.00	-	-	-
3	Mahawewa	3	38,000.00	-	-	-
4	Matara	8	121,000.00	-	-	-
5	Colombo	1	10,000.00	-	-	-
6	Tangalle	1	10,000.00	-	-	-
7	Puttalam	-	-	-	-	-
8	Negambo	9	89,000.00	-	-	-
9	Batticaloa	2	16,000.00	-	-	-
10	Trincomalee	-	-	-	-	-
11	Mannar	3	38,000.00	-	-	-
12	Kalmunai	5	63,000.00	-	-	-
13	Mullativu	1	6,000.00	-	-	-
14	Kilinochchi	18	358,000.00	-	-	--
15	Jaffna	10	126,000.00	-	-	-
	Inland fisheries					
16	Nuwaraeliya	-	-	-	-	-
17	Polonnaruwa	-	-	-	-	-
18	Ratnapura	-	-	-	-	-
19	Monaragala	-	-	-	-	-
20	Kurunegala	-	-	-	-	-
21	Anuradhapura	-	-	-	-	-
22	Matale	-	-	-	-	-
23	Kandy	-	-	-	-	-
24	Kegalle	-	-	-	-	-
25	Badulla	-	-	-	-	-
26	Vavuniya	-	-	-	-	-
27	Batticaloe (Inland)	2	30,000.00	-	-	-
	Total	65	919,000.00	-	-	-

Fishermen's Pension and Social Security Benefit Scheme

Enrollment as at 31.12.2012

District Fisheries Extension Division	No of contributors as per age						Total No of contributors as of last month	Total No. of contributors-i2012
	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	3251	1700	2035	611	254	239	8090	8090
Matara	1747	973	1223	345	197	164	4647	4649
Colombo	576	359	478	140	62	38	1653	1653
Tangalle	2505	1384	1622	407	198	166	6282	6282
Puttalam	2166	1156	1222	255	107	61	4967	4967
Negambo	2538	1597	2155	732	415	375	7812	7812
Batticaloa	2230	1360	1603	544	259	262	6258	6258
Trincomalee	654	516	550	129	81	78	2008	2008
Mannar	1991	1145	1208	387	199	199	4938	5129
Kalmunai	1564	1108	1513	478	242	206	5095	5111
Mullaitivu	88	79	141	50	27	44	429	429
Kilinochchi	519	340	540	250	185	183	2017	2017
Jaffna	2091	1037	1360	633	360	576	6057	6057
Inland Fisheries								**66561**
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	1		42	42
Kurunegala	45	24	24	1	1	2	96	96
Anuradhapura	169	81	84	17	7	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	**24794**	**14493**	**17654**	**5472**	**2851**	**2790**	**67845**	**68054**

Fishermen's Pension and Social Security Benefit Scheme

Payment of Fishermen's Pension- January to December 2012

District Fisheries Extension Division	No of contributors	Amount	**No of Pot Offices**
Kalutara	61	846,222.00	13
Galle	78	1,039,418.00	22
Mahawewa	223	3,077,496.00	21
Matara	227	2,989,928.00	18
Colombo	39	504,448.00	10
Tangalle	123	1,671,338.00	27
Puttalam	33	466,238.00	11
Negambo	395	5,361,791.00	33
Batticaloa	230	2,974,732.00	57
Trincomalee	62	837,826.00	14
Mannar	196	2,472,204.00	16
Kalmunai	225	3,037,228.00	37
Mullativu	-		--
Kilinochchi	21	712,442,00	12
Jaffna	240	4,319,082.00	43
Inland fisheries			
Nuwaraeliya	8	117,004.00	3
Polonnaruwa	1	12,000.00	1
Ratnapura	1	14,196.00	1
Monaragala	-	8,000.00	1
Kurunegala	1	14,004.00	1
Anuradhapura	2	26,798.00	3
Matale	4	52,476.00	4
Kandy	3	39,000.00	3
Kegalle	-		-
Badulla	2	24,000.00	2
Vavuniya	-		-
Batticaloe (Inland)	10	125,996.00	6
Total	**2185**	**30,743,867.00**	**359**

Administration and Human Resources Division

Administration and Human Resources Division

Staff

The staff of the Agricultural and Agrarian Board was as follows as at 31.12.2012.

Composition of the Staff

Service Category	Post	Approved Cadre	Existing Cadre	Vacancies
Senior Management				
HM	**Director General**	1	1	-
HM	**Director**	5	1	4
Management				
MM	**Deputy Director / Assistant Director**	45	32	13
Junior Management				
JM	**Administrative Officer**	2	-	2
	Systems Administrator	1	-	1
	Financial Officer	1	-	1
	Planning Officer	1	-	1
Associated Officer				
ASS.O	**Development Officer**	55	38	17
	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	175	45
Primary (Technical)				
PL - Skilled	**Driver**	38	22	16
Primary (Non Technical)				
PL - Non Skilled	**Office Assistant**	42	34	8
		421	**306**	**115**

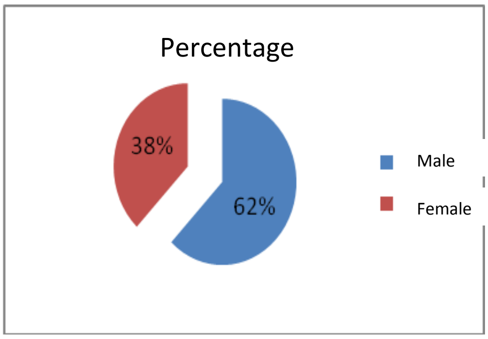
Analysis of Staff as at 31.12.2012

Staff- Gender Analysis

Male -190

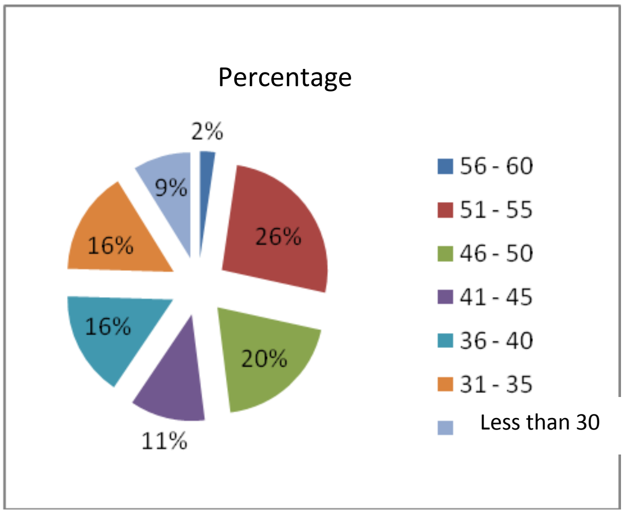
Female -116

Total -306



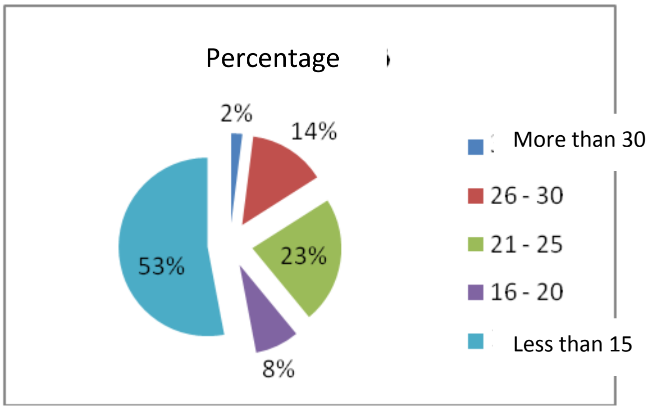
Age Analysis

Age Group	No of Employees	Percentage
56 - 60	7	2%
51 – 55	80	26%
46 – 50	60	20%
41 – 45	35	11%
36 – 40	49	16%
31 – 35	48	16%
Less than 30	27	9%
Total	306	100%



Analysis as per period of service

Years	No of Employees	Percentage
More than 30	10	2%
26 – 30	40	14%
21 – 25	72	23%
16 – 20	26	8%
Less than 15	158	53%
Total	306	100%



Retirement and vacation of posts in 2012

Male -10

Female -07

Total- -17

Recruitment and Promotions in 2012

External recruitment - None

Internal recruitment -04

Promotions -01

Employee Training and Educational Activities

Mrs. Chandrika Kularatne and Mrs. R.P.Liyanage participated in the short term training programme on the preparation of salary sheets conducted by MILODA Institution of the Ministry of Finance and Planning and Transport Assistant Mr. Roshan Gunathilake participated in the short term training course on hybrid vehicle technology of the Institute of Construction Training and Development.

Employee Welfare

The programme of supplying morning and evening tea for the staff of the Board continued this year too as was done during the last year. In addition the cricket club of the Board organized an exhibition match between the district office team and the head office team and a friendly match between the district team and Kurunegala District Team of People's Bank and another friendly match with the cricket team of the Fertilizer Corporation in May 2012. A New Year festival was held with the participation of staffs of all district offices on 28 April 2012.

Procurement and Transport

In 2012 too, the Board continued to purchase, as was done during the past several years, office equipment, capital goods, and stationary to meet the requirements of the Head Office and the District offices. Routine repairs and services of the vehicles of the vehicle pool of the Board were carried out and no new vehicles were purchased during the year.

Office Buildings

The Head Office of the Board was maintained at No. 117, Subhadrarama Road, Gangodawila, Nugegoda as in the year 2011. The Board maintains 26 Regional Offices of which six are housed in buildings owned by the Board. Other offices are housed in rented buildings which belong either to the government or private parties.

Employee Disciplinary Activities

The following is the status with regard to the cases filed by the Board and against the Board in 2012.

1. Case No HCT/33/2004(T) filed in the High Court Trincomalee against Mr. G.L.G.Shantha Kumra, Field Officer now under interdiction was concluded.
2. Case No HC/ 2327/06 filed in the high Court against Mr. K.B.Karunananda, Field Officer was concluded.
3. 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.
4. Case No HC/05/ 2009 filed against Mr. W.B.L. Susil Premaratne, Field Officer at the High Court, Anuradhapura was terminated as he passed away on 28.11.2011.
5. Case No B/3012 filed in the Magistrate's Court, Kandy, in respect of the fraud of farmers' pension premia at the District Office is pending.
6. The petition of appeal in case No 23/KU/6833/98 filed by Mr. M.I.M.Illiyas, who had been dismissed from service is pending in High Court, Kurunegala.
7. 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.
8. 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.
9. Case No. CA 555/11 filed against the Board by Mrs R.P.Bandumathi in the Civil Appellate Court over sending her on retirement at the age of 57 years was dismissed.
10. Case No 33/1007/2011 filed by Assistant Director A.L.D.P.S. Ambepitiya in the Labour Tribunal, Maharagama was terminated as the plaintiff withdrew the case.
11. Case No 6E/7079/11 filed by Assistant Director H.Suranga Vithanage in the Labour Tribunal, Embilipitiya was terminated as the plaintiff withdrew the case.

Internal Audit Division

Internal Audit Division

For the year 2012, 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, 68 audits were conducted at the Head Office and District Office level in respect of schemes currently in operation by securing the assistance of trainees despite the geographical location of district offices (26) and limited human resources available. (Deputy Director, internal auditor, audit clerk, clerk)

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

Audits on gratuity payments, payments to the Employees' Provident Fund and Employees' Trust Fund, attendance at district offices, maintenance of leave and inventory registers, receipt and banking of cheques, releasing loans, recovering defaulted distress loan balances, placing in the relevant salary step, attendance and leave, submission of attendance/leave reports and settlement of advances were conducted for the Administrative Division.

In addition, audits were conducted in respect of the payment of overtime allowance, payment of electricity bills, running charts, vehicle maintenance (log book), ascertaining the ownership of assets, stores activities, new recruitment procedure, recruitment of new employees and provisions for gratuity.

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

Farmers' pension administration account, fishermen's pension administration account, agricultural insurance administration scheme, loans and advance account, livestock insurance compensation, payment of medical assistance, and paddy cultivation compensation under the examination of cash books and payment vouchers were carried out.

In addition audits were conducted on the allocations for gratuity, receipt of capital provisions, remitting of paddy cultivation insurance premia, issuing receipt books, and the remittance of the received livestock insurance premia were inspected. Further, purchasing of assets, receipt and banking of cheques, recovery of premia in arrears through agencies, gratuity payment, loan repayments, recovering loan balances in arrears and settlement of advances. Under the district administrative account, audits were carried out in the Kegalle, Kandy, Batticaloa and Badulla districts.

Remitting Livestock Insurance premia and proposals, charging Suwasetha premia, charging and remitting supplementary crops premia and proposals, insuring agricultural implements, charging and remitting insurance premia by lending agencies, inspection of the issuance of receipt books were examined covering activities of the Insurance Division. In addition, auditing of livestock compensation claims (Ratnapura, Kandy and Vavuniya), payment of Suwasetha insurance benefits, paddy cultivation insurance compensation (Hambantota), maize cultivation insurance compensation (Anuradhapura) were conducted.

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

Brining back unclaimed pensions, payment of death and disabled benefits, procedure for the suspension of the farmers' pension, identifying pensioners who had not claimed pensions for 06 successive months and pensioners who had passed away, recovering premia in arrears (through agencies and officials), identifying pensioners who had not claimed pension entitlements and payment of administrative expenses were audited in relation to the Pension Division.

Under the examination of district offices, activities of the Hambantota, Kandy and Badulla and Kurunegala district offices were examined.

Finance Division

Finance Division –Accounts

Financial Summary

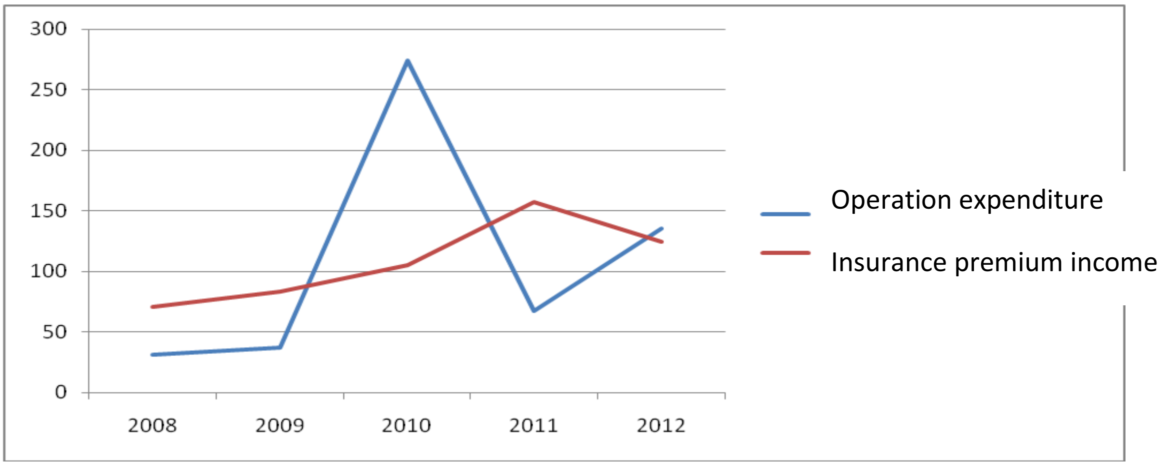
In comparison to the year 2012, the income from the Agricultural Insurance has registered a slight decrease. The premia income which stood at Rs 157.4 million in the year 2011 dropped to Rs 124.7 million in 2012. Further, as compensation amounting to Rs. 126.6 million had to be paid during the year, the scheme posted a net loss in the current year.

The Farmers' Pension Scheme and Social Security Benefit Scheme implemented by the Board too ran into crisis during the current year and due to the inability to secure funds, the payment of pension for the year 2012 had to be delayed.

Profitability

Agricultural Insurance Scheme

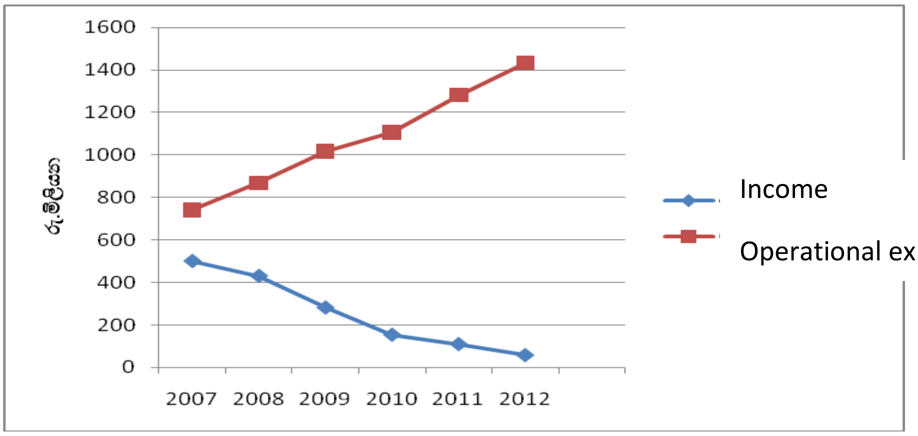
	2008	2009	2010	2011	2012
Operational Expenses (Rs Mn)	31.1	36.7	274.3	67.4	135.2
Insurance premia income (Rs Mn)	70.5	83.3	105.1	157.4	124.7



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.

Farmers Pensions and Social Security Benefits Scheme

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

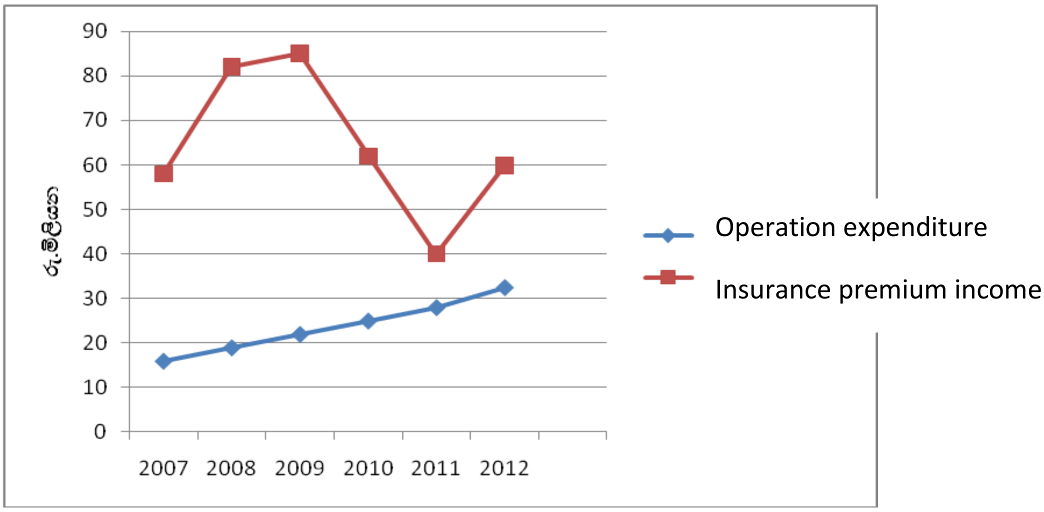


Farmers Pensions and Social Security Benefits Scheme

From 2004 onwards, an income sufficient for covering the operations cost of the scheme has not been recorded. The major reasons for this situation are the raising of the minimum pension from Rs. 200/= to Rs. 1000/= without a corresponding rise in the income from premia and addition of around 15,000 new pensioners annually on reaching 60 years of age. However, the enlistment of contributors to the Farmers' Pension Scheme was not encouraged during the current year. As the promotion of a scheme without a proper financial feasibility study is likely to further aggravate the future problems, no publicity was given to the enlistment of members for this scheme. In August 2010, the Farmers' Pension Scheme Fund reached the zero level, however the Board continued to pay the Farmers' Pension utilizing the other funds available with the Board up to October this year. It has been estimated that the existing liability for farmers who have contributed to the Farmers' Pension Scheme amounts to Rs. 46.5 billion. In view of the difficulties experienced by the Board in securing funds, farmers' pension could not be paid in any month of the year 2012.

Fishermen's Pensions and Social Security Benefits Scheme

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



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. 1.9 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 202 2 it will reach zero level.

Overall Schemes and Consolidated Financial Statements

For the year 2012

AGRICULTURAL AND AGRARIAN INSURANCE BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31st DECEMBER 2012

	2012	2011
ASSETS		
Non Curent Assets		
Plant, Property & Equipments	16,808,881.64	20,557,346.76
Current Assets	468,652,106	742,803,198.42
TOTAL ASSETS	**485,460,987.79**	**763,360,545.18**
EQUITY & LIABILITIES		
Capital & Reserve		
AIB Accumulated (Deficit) / Surplus	57,219,657.79	72,640,254.26
Government Grant Capital	10,646,168.92	11,349,460.71
Government Grant	50,000,000.00	50,000,000.00
Farmer's Pension Fund	(48,945,122,405.64)	(44,154,270,181.96)
Group Insurance Fund - FPS	572,821,505.88	513,653,284.90
F.A.O. Grant	547,885.14	547,885.14
Group Insurance Contribution	1,000,000.00	1,000,000.00
Fishermen's Pension Fund	(1,529,127,538.52)	(1,374,434,361.89)
Staff Medical Insurance Fund	2,355,867.72	1,945,482.88
Group Insurance fund - FHS	19,198,329.70	18,207,786.70
Other Fund		
AAIB Reserve Fund	15,883,054.25	15,883,054.25
	(49,744,577,474.76)	**(44,843,477,335.01)**
Non Current Libilities		
Government Loan - Capital		
Fisheries Pension Liability	2,149,338,000.00	1,968,125,000.00
Farmers Pension Liability	46,513,730,000.00	43,296,739,000.00
Farmer's Tust Fund - Loan	1,381,000.19	2,272,500.16
Provision For Gratuity	63,086,037.60	62,753,227.50
	48,727,535,037.79	**45,329,889,727.66**
Current Liabitilies	1,502,503,424.76	276,948,152.53
TOTAL EQUITY	**485,460,987.79**	**763,360,545.18**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st DECEMBER 2012

REVENUE	AAIB	FARMERS	FISHERIES	2012	2011
Premier -Insurance	124,708,184			124,708,184	157,417,465
Farmer 's Pension Collection		55,475,042		55,475,042	108,458,800
Interest - AAIB	11,988,081			11,988,081	11,268,177
Interest - FPS		2,702,921		2,702,921	1,566,195
Fishermen's Pension Collection			3,442,393	3,442,393	3,025,262
Interest - FSH			59,813,431	59,813,431	40,525,747
	136,696,265	**58,177,962**	**63,255,824**	**258,130,051**	**322,261,647**
Less : Operating Expenditure					
Indemnity - AAIB	(126,627,940)			(126,627,940)	(57,352,430)
Operational expenses - AAIB	(8,600,361)			(8,600,361)	(10,117,768)
Pension payments & commission		(1,386,826,461)	(29,839,418)	(1,416,665,879)	(1,256,171,885)
Group Insurance Paid - FPS		(34,838,790)		(34,838,790)	(36,165,270)
Other Operational expenses - FPS		(1,323,095)		(1,323,095)	(1,611,945)
Refund of Contribution &Net Interest		(10,241,593)	(939,989)	(11,181,582)	(13,661,162)
Group Insurance Paid - FSH			(1,649,340)	(1,649,340)	(1,595,580)
Incentive of - FSH			(160,054)	(160,054)	(189,896)
	(135,228,302)	**(1,433,229,939)**	**(32,588,801)**	**(1,601,047,042)**	**(1,376,865,936)**
Operational surplus / (Deficit)	**1,467,963**	**(1,375,051,977)**	**30,667,023**	**(1,342,916,991)**	**(1,054,604,289)**
Increase Of pension Liability		**(3,216,991,000)**	**(181,213,000)**	(3,398,204,000)	(3,229,862,000)
Amotization Of Gov: Grant		**1,320,949**		1,320,949	1,227,701
ADD:					
Govt. Grant for Pension Payments		8,232,560		8,232,560	664,855,487
Govt. Grant for Admin Expenses	63,322,531	63,322,532		126,645,063	125,500,000
Farmers Contribution for Admin Exp.		2,953,050		2,953,050	5,392,485
Grant for Admin: Expenses - FSH				-	1,500,000
Other Income	1,773,297	16,750		1,790,047	6,264,901
	65,095,828	**74,524,892**	-	**139,620,720**	**803,512,873**
	66,563,791	**(4,516,197,136)**	**(150,545,977)**	**(4,600,179,322)**	**(3,479,725,715)**
Less : Expenses					
Admin Expenses	(81,760,128)	(81,758,906)	(4,140,729)	(167,659,763)	(204,752,913)
Finace & Others	(224,260)	(72,697,304)	(6,470)	(72,928,034)	(2,794,908)
	(81,984,387)	**(154,456,210)**	**(4,147,199)**	**(240,587,797)**	**(207,547,821)**
NET SURPLUS /(DEFICIT)	**(15,420,596)**	**(4,670,653,346)**	**(154,693,177)**	**(4,840,767,119)**	**(3,687,273,537)**
Less : Provision for A.A.I.B Reserve fund		-	-	-	(5,060,772)
Net Surplus (deficit) After Provision	**(15,420,596)**	**(4,670,653,346)**	**(154,693,177)**	**(4,840,767,119)**	**(3,692,334,309)**

Financial Statements as at 31 December 2011

Agricultural Insurance Scheme

AGRICULTURAL & AGRARIAN INSURANCE BOARD

AGRICULTURE INSURANCE SCHEME

STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2012

	NOTES	31.12.2012 Rs. Cts.	31.12.2011 Rs. Cts.
ASSETS			
Non- Current Assets			
Plant, Property & Equipment	1	14,694,477.89	18,595,766.65
		14,694,477.89	18,595,766.65
Current Assets	2	827,680,527.87	762,939,448.88
TOTAL ASSETS		**842,375,005.76**	**781,535,215.53**
EQUITY & LIABILITIES			
Capital & Reserve			
Government Grant		50,000,000.00	50,000,000.00
A.A.I.B. Accumulated Fund	3	57,219,657.79	72,640,254.26
Government Grant - Capital	4	8,534,730.73	11,349,460.71
Other Funds			
A.A.I.B Reserve Fund	5	15,883,054.25	15,883,054.25
Farmer's Life Insurance Fund	6	572,821,505.88	513,653,284.90
Staff Medical Insurance Fund		2,355,867.72	1,945,482.88
		591,060,427.85	531,481,822.03
		706,814,816.37	665,471,537.00
Non - Current Liabilities			
Farmers Trust Fund - Loan		1,381,000.19	2,272,500.16
Provision For Gratuity		29,575,370.10	31,214,220.00
		30,956,370.29	33,486,720.16
Current Liabilities	7	104,603,819.10	82,576,958.37
TOTAL EQUITY & LIABILITIES		**842,375,005.76**	**781,535,215.53**

These financial statements are in compliance with the requirements of the SriLanka 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 2012

		31.12.2012	**31.12.2011**
REVENUE	**NOTES**	**Rs. Cts.**	**Rs. Cts.**
PREMIUM - Insurance	8.01	124,708,183.94	157,417,464.94
Interest	8.02	11,988,080.83	11,268,177.42
T O T A L		**136,696,264.77**	**168,685,642.36**
Less: Operating Expenditure			
Indemnity	9.01	(126,627,940.19)	(57,352,430.17)
Operational Expenses	9.02	(8,600,361.39)	(10,117,768.15)
		(135,228,301.58)	**(67,470,198.32)**
Operational Surplus		**1,467,963.19**	**101,215,444.04**
Add:			
Govt. Grant for Admin expenses		63,322,531.00	62,750,000.00
Other Income	10	1,773,296.82	6,248,243.43
		65,095,827.82	**68,998,243.43**
		66,563,791.01	170,213,687.47
Less: Expenses			
Administrative Expenses	11	(81,760,127.83)	(82,294,896.19)
Finance & Other Expenses	12	(224,259.65)	(243,473.06)
Total Expenses		**(81,984,387.48)**	**(82,538,369.25)**
NET SURPLUS / (DEFICIT)		**(15,420,596.47)**	**87,675,318.22**
Less : Provision For A.A.I.B Reserve Fund			5,060,772.20
Net Surplus/ (Deficit) After Provision		**(15,420,596.47)**	**82,614,546.02**

AGRICULTURE & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
STATEMENT OF CHANGES IN EQUITY

FOR THE 31st DEC. 2012

	Govt. Grant for Capital	Accumulated Deficit	AAIB Reserve Fund	Life Insurance Fund	Staff medical insurance fund
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31 Dec.2010	**31,798**	**(9,975)**	**10,822**	**454,043**	**1,559**
Balance transfer from F.P.S					
Add: Prior year adj.					
Adj: balance as at 31st Dec.2010					
Addition during the year:			5,061	59,610	386
Govt. Grant	1,000				
2011 Depricition	(1,919)				
Amotization Gov. Grant Farmers Pension	(19,530)				
Net Surplus /(Deficit)		82,615.00			
Transfer to the reserve					
Balance as at 31 Dec.2011	**11,349**	**72,640**	**15,883**	**513,653**	**1,945**
Balance transfer from F.P.S					
Add: Prior year adj.					
Adj: balance as at 31st Dec.2011					
Addition during the year:				59,168	410
Govt. Grant					
2012 Depricition					
Amotization Gov. Grant Farmers Pension	(2,814)				
Net Surplus /(Deficit)		(15,421)			
Transfer to the reserve					
	(2,814)	**(15,421)**	-	**59,168**	**410**
Balance as at 31st Dec. 2012	**8,535**	**57,219**	**15,883**	**572,821**	**2,355**

AGRICULTURAL & AGRARIAN INSURANCE BOARD		
AGRICULTURE INSURANCE SCHEME		
CASH FLOW STATEMENT		**31.12.2012**
FOR THE 31st DEC. 2012		**Rs. Cts.**
Cash Flows from Operating Activities		
Net Surplus / (Deficit)		(15,420,596.47)
Adjustment for		
- Depreciation		5,026,650.76
- Adjustments in respect of Prior year		-
		5,026,650.76
Profit / loss on disposal of Property, Plant & Equip.		(5,025.00)
Provision for Retiring Gratuity		1,382,175.10
Operating Surplus before working capital changes		**(9,016,795.61)**
(Increase)/ Decrease in Inventories		121,586.64
(Increase)/ Decrease in Receivables		(163,414,415.03)
(Increase)/ Decrease in Interest Receivable		591,123.69
(Increase)/ Decrease Receivable Premium		3,772,950.15
(Increase)/ Decrease in Deposits & Prepayments		526,618.93
(Increase)/ Decrease in Advances		1,478,056.91
Increase /(Decrease) Provision For Indemnity		25,900,000.00
Increase /(Decrease) Provision For Contingencies		-
Increase /(Decrease) Provision For Printing		93,875.00
Increase /(Decrease) Refundable Deposit		-
Increase /(Decrease) Pre-premium advance		(1,685,963.48)
Increase /(Decrease) Other Payables		(1,102,166.67)
Increase /(Decrease) Accrued expenses		(1,178,884.12)
		(134,897,217.98)
Cash Generated from Operations		**(143,914,013.59)**
Retiring Gratuity - Paid		(3,021,025.00)
Net Cash Flows from Operating Activities		**(146,935,038.59)**
Cash Flows from Investing Activities		
Government Grant for Capital expenditure		
Medical Fund		410,384.84
Amotization of Government Grant		(2,814,729.98)
Disposal Assets		-
Life Insurance Fund		59,168,220.98
Farmers Trust Fund		(891,499.97)
Investments during the year		95,378,584.30
Purchases of Property, Plant & Equipment		(1,125,362.00)
Proceeds from sale of Property, Plant & Equipment		5,025.00
Net Cash Flows from Investing Activities		**150,130,623.17**
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		**3,195,584.58**
Cash & cash equivalents at the beginning of the year		**13,670,286.53**
Cash & cash equivalents at the end of the year		**16,865,871.11**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31ST DECEMBER 2012

01. GENERAL

01.01 Basis of Preparation

1. The statement of financial position, statement of comprehensive income, Statement of changes in equity, Statement of cash flow and Accounting Policies and Notes to the accounts Of the Board are Prepared in accordance with the Accounting standards laid Down by the institute of charted Accountants of Sri Lanka.

2. The Financial Statements of the Board are prepared under the historical cost convention.

3. No adjustments have been made for inflationary factors affecting the Financial Statements.

4. The Financial Statements of the Board are Prepared in Sri Lanka Rupees.

5. The Financial Statements of the Board have been drawn up in conformity with the Agriculture & Agrarian Insurance Act 1990.

6. The financial statements of the board are prepared according to the going concern concept.

01.02 Taxation

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

01.03 Comparative Information

The Accounting Policies has been consistently applied and previous year figures and phrases have been re- arranged whenever necessary to confirm to the current year's presentation.

02. ASSETS AND BASIS OF THEIR VALUATION

Assets Classified as current assets on the Balance Sheet are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle or within one year from the balance sheet date, whichever is shorter.

02.01 Property, plant & Equipment, and Depreciation

02.01.01 property, Plant & Equipments

Property, plant and Equipment are states at cost less Accumulated Depreciation The cost of property, plant and Equipment is the cost of purchase of contraction together with any incidental expenses incurred in bringing the assets to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending of improving assets of a permanent nature by means of which to carry on the services provided or to increase the capacity of the services provided has been treated as capital expenditure.

02.01.02 Depreciation

Depreciation is provided on the assets using straight line method at the rates as state below.

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%

Assets Purchased prior to 01/01/2009 have been depreciated over the remaining useful life and no depreciation is provided in the year of disposal, full year depreciation is provided in the year of purchase /acquisition. Assets parched after 01/01/2009 have been depreciated from the month of purchase /acquisition.

02.02 Investments

Investments on Treasury Bills are stated at cost.

02.03 Stocks

Stocks are valued at lower of cost or net realizable value.

02.04 Receivables

Receivables are stated at the amounts estimated to be realized. Provision has been made for any bad debts.

3. LIABILITIES & PROVISIONS .

3.01 Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand of within one year from the Balance sheet date.

Non – current liabilities are those balances that fall due for payment after one year from the balance sheet date.

All known liabilities have been accounted for in preparing the financial statements.

03.02 Provision for Claims

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

	Provision For Indemnity
Paddy	55,000,000.00
Livestock	8,000,000.00
Suwasetha Insurance	800,000.00
Subsidiary Crops	30,000,000.00
	93,800,000.00

3.01 Retirement Benefits

Provisions have been made for retiring gratuities from the completion of the first year of service for all permanent employees in conformity with Sri Lanka Accounting Standard 19 Retirement Benefit costs. . 1983 the liability to an employee arises only on completion of five years of continued service. The liability is not externally funded.

03.04 Provision For Bad Debts

Provisions For doubtful debts have been estimated on the basis of 10%of Unrecoverable Debtors balance.

03.05 Pre- Premia

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

03.06 Contingencies

Twelve Legal cases have been examined current of the cases disclosed as follows.

Current status of the cases of AAIB

	Court	Employment. No	Complainant Defendant	Case of action	Current Status
1	High court Trincomalee	HCT/33/2004(T)	Mr. G.L. Shantha Kumara (FO)	Non Payments of Pension Premiums.	Case is settled
2	High Court Kegalle	HC 2327/6	Mr. K.B. Karunananda (FO)	Non Payments of Pension Premiums.	
3	Magistrate Court Anuradhpuraya	B/520/03	Mr.K.A. Heen Bandara (Clerk)	Non Payments of Pension Premiums.	Trial is on
		B/2171/2	Mr. K.A.Sudath Bandara (FO)		
4	High Court Anuradhapura	HC/05/2009	Mr.W.B.L. Susil Premarathna	Non Payments of Pension Premiums.	Case is Settled for Rs.100,000
5	Magistrate Court Kandy	B/3012	Mr. S.J. Silva Mr. D.G. Karunathilaka Mr.G.M.G.Senarathna	Non Payments of Pension Premiums.	Trial is on
6	High Court Kurunagala	23/??/6833/98	Mr. M.I.M. Illiyas	Dismissed from the Service	
7	Civil Appeal Court	WP/HCCA/CO 1312/2003(F)	Bank Of Ceylon	Obtaining receivable Investment Interest	
8	Labour Judge Council Embilipitiya	6?/7030/11	Miss. Maheshi Dilini Buddhika	Non Continuation of Training	
9	Labour Judge Council Rathnapura	6?/7079/11	Mr.H. Suranga Diyaruwan (AD)	Trying to Dismiss	Case is Settled
10	Civil Appeal Court - Colombo	CA 555/11	Mrs. R.P. Bandumathi (AD)	Non Extension of Services beyond 57	Case refused
11	Labour Judge Council Maharagama	33/102/2012	Mr. K.M.L. Dias (AD)	Trying to Dismiss	Trial is on
12	Labour Judge Council Maharagama	33/1007/2011	Mr. A.L.D.P.S Ambepitiya (AD)	Trying to Dismiss	Case is settled

4. INCOME & EXPENDITURE ACCOUNT

4.01 REVENUE

1. The revenue of the Board represents the income from insurance premium, interest income from Treasury bills and loans to employees, and other miscellaneous income.

2. All Income has been recognized on as accrual basis.

3. Income from insurance premium collection of Maha season 2012 has been taken for the current year.

   Income received after balance sheet date in respect of current year season have been consider as premium income receivable

4. Govt.Grant has been received for Recurrent Expenditure for the year of 2012.

5. Government Grants received for capital expenditure recognized as income on systematic basis.

4.02 Revenue Recognition

1. Insurance Premia revenue is recognized for the time of insured
2. The above revenue is of an accrual basis and matched with related Expenditure

3. Interest income is accrued on a time basis

4.03 Surplus

The surplus of the Board computed after making provision for dad and doughtful debts. All known liabilities and depreciation of property, plant & Equipment.

4.04 Reserve Fund.

A Contingencies reserve fund was created year 2002 and 5% of operational surplus have to be provided in the year.

4.05 Farmers Insurance Fund

Farmer's life insurance fund which had been maintained under farmer's pension scheme has been transferred to AAIB.

4.06 Expenditure

1. All expenditure incurred in the operation of the Fishermen's Pension Insurance

Scheme activities and in maintaining the capital assets in a state of efficiency

Has been charged to revenue on an accrual basis in arriving at the surplus or deficit for the year.

2. **The Indirect Expenses of the Board apportioned on the following rates by the Board paper No.401/4 – 2008.10.15**

Expenditure	**Rates**
Salaries.EPF, ETF, Gratuity	50%
Medical Expenses	50%
Consultancy fees	50%
Welfare	50%
Uniform	50%
Entertainment	60%
Printing	60%
Legal Fees	40%
Allowances to B/M	60%
Rent,	55%
Telephone	55%
Postage	40%
Electricity	55%
Traveling, 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%

05. CASH FLOW STATEMENT.

The Cash Flow Statement of the Scheme has been presented using the indirect method accordance With the Sri Lanka Accounting Standard – 07 Cash Flow Statement.

06. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

All material Post Balance Sheet events have been considered and disclosed and adjusted where Applicable.

AGRICULTURAL & AGRARIAN INSURANCE BOARD

AGRICULTURE INSURANCE SCHEME

NOTES TO THE ACCOUNTS

NOTE 01

PLANT, PROPERTY & EQUIPMENT AS AT 31ST DECEMBER 2012

ASSETS	Cost as at 31.12.2011 Rs. Cts.	Cost Addition Rs. Cts.	Disposal Assets 31.12.2012 Rs. Cts.	Cost as at 31.12.2012 Rs. Cts.	Accum.Depn as at 31.12.2011 Rs. Cts.	Disposal Assets Accum.Depn 31.12.2012 Rs. Cts.	Depn For the Year Rs. Cts.	Accum.Depn as at 31.12.2012 Rs. Cts.	W.D.V as at 31.12.2012 Rs. Cts.
FURNITURE & FITTINGS	8,604,851.33	0.00	18,875.00	8,585,976.33	(6,259,344.66)	(18,875.00)	(417,345.22)	(6,657,814.88)	1,928,161.45
OFFICE EQUIPMENTS	10,150,755.35	520,945.80	-	10,671,701.15	(7,854,396.38)	-	(429,030.42)	(8,283,426.80)	2,388,274.36
MOTOR VEHICLE	44,962,929.90	429,291.20	-	45,392,221.10	(35,759,237.05)	-	(3,436,051.22)	(39,195,288.27)	6,196,932.83
WELFARE EQUIPMENTS	439,636.00	0.00	-	439,636.00	(224,659.30)	-	(35,495.60)	(260,154.90)	179,481.10
COMPUTER EQUIPMENTS	5,420,118.89	161,185.00	-	5,581,303.89	(4,462,996.33)	-	(321,202.38)	(4,784,198.71)	797,105.18
TELEPHONE	1,574,747.50	-	-	1,574,747.50	(1,467,399.50)	-	(56,588.00)	(1,523,987.50)	50,760.00
MOTOR BICYCLE	146,300.00	-	-	146,300.00	(146,300.00)	-	0.00	(146,300.00)	0.00
BUILDING	5,639,880.28	-	-	5,639,880.28	(2,894,649.02)	-	(225,595.21)	(3,120,244.23)	2,519,636.07
PUBLICITY EQUIPMENTS	1,925,248.12	-		1,925,248.12	(1,235,190.98)	-	(93,064.04)	(1,328,255.02)	596,993.10
BICYCLE	110,577.95	13,940.00	3,290.00	121,227.95	(75,105.45)	(3,290.00)	(12,278.67)	(84,094.12)	37,133.83
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
WEIGHTING SCALE	1,036.35	-	-	1,036.35	(1,036.35)	-	0.00	(1,036.35)	0.00
NORAD EQUIPMENTS	344,423.50	-	-	344,423.50	(344,423.50)	-	0.00	(344,423.50)	0.00
	79,426,555.17	**1,125,362.00**	**22,165.00**	**80,529,752.17**	**(60,830,788.52)**	**(22,165.00)**	**(5,026,650.76)**	**(65,835,274.28)**	**14,694,477.89**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2012

		31.12.2012 Rs.Cts.	31.12.2011 Rs.Cts.
NOTE 02 - CURRENT ASSETS			
Stocks	2.01	2,632,066.37	2,753,653.01
Receivables	2.02	460,347,874.86	296,933,459.83
Receivables Interest	2.03	2,060,613.17	2,651,736.86
Receivable Premium	2.04	16,602,432.98	20,375,383.13
Deposits & Pre Payments	2.05	4,240,680.00	4,767,298.93
Advances	2.06	1,152,475.36	2,630,532.27
Investments	2.07	323,778,514.02	419,157,098.32
Cash at Bank	2.08	16,865,871.11	13,670,286.53
		827,680,527.87	**762,939,448.88**
NOTE 03 - A.A.I.B. ACCUMULATED DEFICIT			
B / F Balance		72,640,254.26	(9,974,291.76)
Adjusted Balance on 31.12.2011		**72,640,254.26**	(9,974,291.76)
Less:			
Surplus(Deficit) for the year		(15,420,596.47)	82,614,546.02
Balance as at 31.12.2012		**57,219,657.79**	**72,640,254.26**
NOTE 04 - CAPITAL			
Govt. Grant For Capital			
Balance as at 01.01.2012		11,349,460.71	31,798,319.02
Amotization Gov. Grant Farmers Pension			(19,529,669.52)
Add:			
Grant for the year			1,000,000.00
Amotizations Gov. Grant		(2,814,729.98)	(1,919,188.79)
Balance as at 31.12.2012		**8,534,730.73**	**11,349,460.71**

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS		31.12.2012	31.12.2011
FOR THE 31st DECEMBER 2012	NOTES	Rs.Cts.	Rs.Cts.
NOTE 05 - A.I.B. RESERVE FUND			
Balance as at 01.01.2012		15,883,054.25	10,822,282.05
Add:			
Provision for the year		-	5,060,772.20
Balance as at 31.12.2012		**15,883,054.25**	**15,883,054.25**
NOTE 06 - Farmer's Life Insurance Fund			
Balance as at 01.01.2012		513,653,284.90	454,043,998.99
Add :			
Life Insurance Premium		34,838,790.00	36,165,270.00
Interest *income*		29,767,430.98	29,838,015.91
		64,606,220.98	66,003,285.91
Less :			
Death Gratuity Payment		5,318,000.00	6,159,000.00
Disablement Gratuity Payment		120,000.00	235,000.00
		5,438,000.00	6,394,000.00
Balance as at 31.12.2012		**572,821,505.88**	**513,653,284.90**
NOTE - 07 - CURRENT LIABILITIES			
Provision For Printing		687,946.30	594,071.30
Pre Premium Receipts	7.01	2,326,251.27	4,012,214.75
Other Payables	7.02	2,681,133.33	3,783,300.00
Accrued Expenses	7.03	5,108,488.20	6,287,372.32
Provision For Indemnity	7.04	93,800,000.00	67,900,000.00
		104,603,819.10	**82,576,958.37**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME

NOTES TO THE INCOME STATEMENT	31.12.2012	31.12.2011
FOR THE 31st DECEMBER 2012	Rs. Cts.	Rs. Cts.
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NOTE 08 - REVENUE		
8.01 - Premium - (Insurance)		
Paddy - 2011/2012 Maha	57,939,164.00	71,187,414.00
- 2012 Yala	19,991,409.00	20,449,190.00
Livestock	15,807,854.41	18,258,281.84
Suwasetha Insurance personal Acc	2,494,794.25	14,225,662.00
Subsidiary Crops	22,016,546.00	24,576,295.69
Agri equipments	929,428.86	833,920.66
Stores Insurance	199,987.42	39,700.75
Tactor Sales Commission	5,329,000.00	7,847,000.00
	124,708,183.94	**157,417,464.94**
8.02 - Interest Income		
Interest - Treasury bills (Crops & Other)	10,413,622.00	9,734,536.16
- Loans to employees	1,574,458.83	1,533,641.26
	11,988,080.83	**11,268,177.42**
NOTE 9 - OPERATIONAL EXPENDITURE		
9.01 - Indemnity - Insurance		
Paddy - 2011 /2012Maha	66,901,118.70	27,239,664.50
- 2012 Yala	33,402,504.08	6,350,362.00
Livestock	5,241,680.21	10,391,117.50
Suwasetha Insurance	787,276.50	909,356.00
Subsidiary Crops	20,065,955.70	12,387,079.52
Agri Equipment	129,405.00	74,850.65
Storse Insurance Indiminity	100,000.00	
	126,627,940.19	**57,352,430.17**
9.02 - Other Operational Expenses		
Insurance Commission	4,281,913.79	5,937,309.11
Admin. Allowances	16,740.00	12,060.00
Crop Assessment	1,282,823.90	149,585.00
Livestock - Fuel	74,131.90	29,165.00
- Incentives	1,356,452.06	1,512,930.47
Suwasetha - Peace Rate	-	25,304.00
Commission Tractor sales	1,588,299.74	2,451,414.57
	8,600,361.39	**10,117,768.15**
NOTE 10 - OTHER INCOME		
Disposal of Fixed assets	5,025.00	3,806,792.22
Amotisation of Government Grant	1,493,781.26	1,919,188.79
Other income	274,490.56	522,262.42
	1,773,296.82	**6,248,243.43**

	31.12.2012	31.12.2011
AGRICULTURAL & AGRARIAN INSURANCE BOARD		
AGRICULTURE INSURANCE SCHEME		
NOTES TO THE INCOME STATEMENT	**31.12.2012**	**31.12.2011**
FOR THE 31st DECEMBER 2012	**Rs.Cts.**	**Rs.Cts.**
	---------------	---------------
NOTE 11 - ADMINISTRATIVE EXPENSES		
Salaries & Wages	46,186,586.76	43,812,179.90
Contribution E.P.F.	3,462,020.43	3,551,583.78
Contribution E.T.F.	865,507.17	887,895.97
Traveling & Subsistence	1,302,748.21	1,256,517.00
Overtime	584,916.70	1,176,872.21
Daily Pay	33,778.18	57,558.87
Medical Expenses	279,072.00	296,510.00
Allowance to Board Members	167,235.00	160,158.00
Gratuity	1,382,175.10	2,387,329.42
Consultancy Fees	-	4,950.00
Welfare	261,702.50	151,403.00
Special allowance	248,800.00	446,650.00
Fuel	4,276,828.03	3,554,013.85
Stationery	1,369,511.10	1,430,235.90
Entertainment Allowance	21,570.30	192,710.10
Legal Fees	69,166.14	38,172.40
Transport	391,057.16	232,633.00
Printing	825,005.48	439,242.70
Publicity & Training	802,855.16	2,745,237.01
Uniform	7,500.00	116,882.54
Rent	6,694,643.03	6,091,615.91
Telephone	1,450,012.63	1,393,020.89
Postage	395,965.10	487,286.44
Water Tax	164,201.25	211,432.57
News paper & Advertisement	31,980.00	231,798.20
Security	488,720.86	342,650.13
Electricity	1,257,032.06	973,249.75
Maintenance - Moter Vehicles	2,475,386.62	2,752,618.73
Maintenance - Buildings	80,262.90	204,638.61
Maintenance - Office Equipments	261,327.26	447,552.22
Labour Charges	122,150.00	130,252.00
Translation Fees	66,278.50	70,650.50
Computer Expenses	271,176.44	154,130.40
Miscellaneous Expenses	2,500.00	50,115.00
Depreciation	5,026,650.76	5,376,959.19
Bad Debts	183,805.00	188,190.00
Audit Fees	250,000.00	250,000.00
	81,760,127.83	**82,294,896.19**
NOTE12 - FINANCE CHARGES		
Bank Charges	223,880.75	226,522.05
Debit Tax	378.90	16,951.01
	224,259.65	**243,473.06**

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS		31.12.2012	31.12.2011
FOR THE 31st DECEMBER 2012		Rs.Cts.	Rs.Cts.
NOTE 02.01 - Stock	**Schedule**		
Printing	2.01.01	2,266,779.25	2,229,342.33
Stationary		365,287.12	524,310.68
		2,632,066.37	**2,753,653.01**
NOTE 02.02 - Receivables			
Staff Loans & Advance -	2.02.01	35,688,596.28	35,715,851.92
Moter cycle loan	2.02.02	2,084,080.05	3,337,862.48
Staff Special Loan - 2004		4,800.00	4,800.00
Life insurance premium Receivable		86,704,870.00	57,304,080.00
Sundry Debtors		51,542.75	51,542.75
Motor cycle Expenses (Staff) -	2.02.03	2,566.70	2,566.70
Farmers Pension Scheme (Admin)		57,147,178.08	43,945,494.19
Fisheries Pension Scheme		5,596,546.85	1,526,813.92
Farmers Pension Scheme (Capital)		2,111,438.19	1,957,386.91
Farmers Pension Advance		272,829,074.27	154,776,074.27
Less: Provision for bad debtors		(1,872,818.31)	(1,689,013.31)
		460,347,874.86	**296,933,459.83**
NOTE 02.03 Receivable TR Interest			
Investments Crops & other Insurance		995,220.10	206,509.84
Investments Life insurance		1,065,393.07	2,445,227.02
		2,060,613.17	**2,651,736.86**
NOTE 02.04 Receivable premium			
Insurance Premium		16,602,432.98	20,375,383.13
		16,602,432.98	**20,375,383.13**
NOTE 02.05 - Deposits & Pre Payment			
Deposit - (Fuel)		100,000.00	100,000.00
Deposit - (Security)		-	-
Deposit - (Transport)		5,000.00	5,000.00
Insurance		-	526,618.93
Rent		4,135,680.00	4,135,680.00
		4,240,680.00	**4,767,298.93**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2012

NOTE 02.06 - Advances	**31.12.2012**	**31.12.2011**
	Rs.Cts.	**Rs.Cts.**
Traveling Advance - 2003	8,000.00	10,000.00
Fuel Advance	192,796.53	193,112.23
Salary Advance	50,261.41	50,261.41
Miscellaneous Advance -	330,732.35	324,293.35
Capital Advance	565,800.00	2,040,800.00
District Admin.acct	4,885.07	12,065.28
	1,152,475.36	**2,630,532.27**

NOTE 02.07 - Investment		
	Rs.Cts.	**Rs.Cts.**
Treasury Bills (Crop & Other)	111,555,000.00	119,962,080.50
Treasury Bills (L.I.S)	212,223,514.02	299,195,017.82
	323,778,514.02	**419,157,098.32**

NOTE 02.08 - Cash at Bank		
B. O C A/C -164811	5,302.62	283,664.62
B.O.C A/C - 164667	1,807,265.17	1,096,500.73
B.O.C A/C -164693	2,145,885.66	1,071,384.72
B.O.C A/C -1622	824,668.47	2,100,921.26
B.O.C A/C -1616	6,505,533.77	3,257,331.19
B.O.C A/C -8600879	143,830.62	2,515,760.13
B.O.C A/C -8600818	513,095.64	99,245.27
P.B A/C -112352	630,075.96	233,829.14
P.B. A/C -112343	8,545.13	28,586.39
P.B A/C - 100440112349	1,560,431.18	1,247,504.51
P.B A/C - 100260112349	117,232.56	191,195.58
P.B A/C - 100350112349	370,728.03	70,136.93
P.B A/C - 100170112349	2,233,276.30	1,474,226.06
	16,865,871.11	**13,670,286.53**

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS		31.12.2012	31.12.2011
FOR THE 31st DECEMBER 2012		Rs.Cts.	Rs.Cts.
NOTE 07.01 - Pre - Premium Receipts			
Pre - Premium - Livestock		2,326,251.27	4,012,214.75
		2,326,251.27	**4,012,214.75**
NOTE 07.02 - Other Payables			
Sundries		-	1,000.00
Provision Special Allowance		600,000.00	963,000.00
Refundable Tax (Treasury) - 1991		604,800.00	604,800.00
Payable LECO		1,476,333.33	2,214,500.00
		2,681,133.33	**3,783,300.00**
NOTE 07.03 - Accrued Expenses			
Admin. Expenses	07.03.01	4,442,796.60	4,715,930.44
Commission - Crop Insurance		665,691.60	1,571,441.88
		5,108,488.20	**6,287,372.32**
NOTE 07.04 - Provision For indemnity			
Paddy - 2012/2013 Maha		55,000,000.00	32,000,000.00
Livestock		8,000,000.00	10,000,000.00
Suwasetha Insurance		800,000.00	900,000.00
Subsidiary Crops		30,000,000.00	25,000,000.00
		93,800,000.00	**67,900,000.00**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME

NOTES TO THE ACCOUNTS

FOR THE 31st DECEMBER 2012

	31.12.2012	31.12.2011
	Rs.Cts.	Rs.Cts.
NOTE 07.03.01 - Accrued Expenses		
Electricity	150,569.42	128,104.29
Security Charges	56,054.01	56,054.00
Rent	950,062.88	1,099,800.24
Maintenance of Motor Vehicles	72,492.50	141,870.00
Traveling & Subsistence	83,419.00	207,482.50
Salaries	369,988.47	319,643.47
E.P.F	3,119.78	5,495.47
E.T.F	779.95	1,373.87
Overtime	92,559.00	184,164.90
Daily Pay	-	9,206.25
Publicity	-	31,635.00
Stationary	7,500.00	83,947.00
Telephone	183,958.51	49,499.39
Water Bill	25,352.92	28,632.29
Audit Fees	2,329,384.00	2,079,384.00
Fuel	61,883.16	185,545.77
Uniform	-	7,200.00
Printing	-	71,120.00
Welfare	3,673.00	-
Labour Charges	2,000.00	2,000.00
Transport Expenses	50,000.00	-
Payable office consumables	-	23,772.00
	4,442,796.60	**4,715,930.44**

Financial Statements as at 31 December 2011

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 2012

		31.12.2012	**31.12.2011**
ASSETS	***Note***	Rs. Cts.	Rs. Cts.
Non - Current Assets			
Plant, Property & Equipment	1	2,111,437.15	1,957,386.91
		2,111,437.15	**1,957,386.91**
Current Assets			
Stock	2	2,936,249.61	2,910,056.59
Receivables	3	789,479.20	125,079,264.31
Receivable Interest	4	29,618.89	67,814.58
Receivable Income	5	4,654,022.75	9,335,445.45
Investments	6	12,470,000.00	30,721,383.80
Cash at Bank	7	2,459,103.54	5,262,474.01
		23,338,473.99	**173,376,438.74**
TOTAL ASSETS		**25,449,911.14**	**175,333,825.65**
EQUITY & LIABILITIES			
Capital & Reserves			
Farmer's Pension Fund	8	(48,945,122,405.64)	(44,154,270,181.96)
Govt. Grant for Capital	9	2,111,438.19	1,957,386.91
F.A.O Grant		547,885.14	547,885.14
Group Insurance Contribution		1,000,000.00	1,000,000.00
(from Insurance Corp.'s)		**(48,941,463,082.31)**	**(44,150,764,909.91)**
Non - Current Liabilities			
Pension Liability		46,513,730,000.00	43,296,739,000.00
Provision for Staff Gratuity		32,567,722.50	30,212,622.50
		46,546,297,722.50	**43,326,951,622.50**
Current Liabilities			
Total Payables	10	2,417,771,468.79	996,616,203.90
Accrued Expenses	11	2,843,802.16	2,530,909.16
		2,420,615,270.95	**999,147,113.06**
TOTAL EQUITY & LIABILITIES		**25,449,911.14**	**175,333,825.65**

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

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Head of Finance

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

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

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2012		31.12.2012	31.12.2011
		Rs. Cts.	Rs. Cts.
REVENUE	*Note*		
Interest Income		2,702,920.70	1,566,195.36
Farmers Contribution		49,568,941.51	97,673,829.97
Farmers Contribution for Life Insurance Premium		5,906,100.00	10,784,970.00
		58,177,962.21	110,024,995.33
Less: EXPENDITURE			
Refund of Contribution		(5,857,377.00)	(7,318,787.00)
Refund of Net Interest		(4,384,216.00)	(5,244,761.00)
Disablement Gratuity Payment		(1,323,094.94)	(1,611,945.08)
Group Insurance Premium		(34,838,790.00)	(36,165,270.00)
Pension Payments & Commission			
- Pension Payments		(1,380,677,601.00)	(1,226,744,103.00)
- Commission Payments		(6,148,860.00)	(4,465,425.00)
Total Expenditure		**(1,433,229,938.94)**	**(1,281,550,291.08)**
Revenue over Expenditure		**(1,375,051,976.73)**	**(1,171,525,295.75)**
Govt. Grant for Pension Payment		8,232,560.00	664,855,487.00
Revenue over expenditure after Govt. Grant		**(1,366,819,416.73)**	**(506,669,808.75)**
Increase of Pension Liability		(3,216,991,000.00)	(3,059,459,000.00)
Amortization of Govt. Grant		1,320,948.72	1,227,701.28
		(4,582,489,468.01)	**(3,564,901,107.47)**
INCOME - for Administration			
Farmer's Contribution for Admin. Expenses		2,953,050.00	5,392,485.00
Govt. Grant for Admin Expenses		63,322,532.00	62,750,000.00
Other Income		16,750.06	16,657.17
		66,292,332.06	**68,159,142.17**
Less: Expenses			
Administration & Estabilishment Expenses	12	(81,758,906.23)	(80,732,331.97)
Financial Expenses	13	(71,326,306.71)	(37,552,753.90)
Incentive for Enrolment of Farmers		-	(373,567.00)
Commission for Collection Agents		(1,370,997.00)	(2,169,939.00)
		-	-
Total Admin Expenses		**(154,456,209.94)**	**(120,828,591.87)**
		-	-
Admin. Expenses over Income		**(88,163,877.88)**	**(52,669,449.70)**
Total Income over Expenditure		**(4,670,653,346.93)**	**(3,617,570,557.17)**
(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 2012 Rs.'000

	Farmer's Pension Fund	Govt. Grant for Capital Expenses
Balance as at 31st Dec. 2010	**(40,538,126.00)**	**4,074.00**
Prior Year Adjustments	1,426.00	-
Amortization of Govt. Grant	-	(1,477.00)
Adjusted Balance as at 31st Dec. 2010	(40,536,700.00)	2,597.00
Net Surplus / (Deficit)	(3,617,570.00)	-
Grant for Capital	-	587.00
Amortization of Govt. Grant	-	(1,227.00)
	(3,617,570.00)	(640.00)
Balance as at 31st Dec. 2011	**(44,154,270.00)**	**1,957.00**
Prior Year Adjustments	-	-
Adjusted Balance as at 31st Dec. 2011	(44,154,270.00)	1,957.00
Net Surplus / (Deficit)	(4,670,653.00)	-
Settlment of Receivable from Treasury	(120,199.00)	
Grant for Capital	-	1,475.00
Amortization of Govt. Grant	-	(1,321.00)
Balance as at 31st Dec. 2012	**(48,945,122.00)**	**2,111.00**

AGRICULTURE & AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2012

	31.12.2012
	Rs. Cts.
Cash Flows from Operating Activities	
Net Surplus / (Deficit)	(4,670,653,346.93)
Adjustment for	
- Depreciation	1,320,948.72
- Settlment of receivable from Treasury	(120,198,875.71)
- Adjustments in respect of Prior Year	-
	(118,877,926.99)
Loss on Disposal of Property, Plant & Equipments	-
Provision for Retiring Gratuity	2,880,180.00
Amortization of Govt. Grant	(1,320,948.72)
Operating Profit before working capital changes	**(4,787,972,042.64)**
(Increase)/ Decrease in Inventories	(26,193.02)
(Increase)/ Decrease in Receivables	124,289,785.11
(Increase)/ Decrease in Interest Receivable	38,195.69
(Increase)/ Decrease in Receivable Income	4,681,422.70
Increase / (Decrease) Other Payables	1,421,155,264.89
Increase / (Decrease) Accrued Expenses	312,893.00
	1,550,451,368.37
Cash Generated from Operations	**(3,237,520,674.27)**
Retiring Gratuity - Paid	(525,080.00)
Net Cash Flows from Operating Activities	**(3,238,045,754.27)**
Cash Flows from Investing Activities	
Government Grant for Capital Expenditure	1,475,000.00
Investments during the year	18,251,383.80
Purchases of Property, Plant & Equipment	(1,475,000.00)
Net Cash Flows from Investing Activities	**18,251,383.80**
Cash Flows from Financing Activities	
Pension Liability	3,216,991,000.00
Repayment of Long Term Borrowings	-
Net Cash Flows from Financing Activities	**3,216,991,000.00**
Net Increase / (Decrease) in Cash & Cash Equivalents	**(2,803,370.47)**
Cash & Bank Balance at the Beginning of the year	5,262,474.01
Cash & Cash equivalents at the End of the year	**2,459,103.54**
Cash & Bank Balance at the end of the year	
Cash at Bank - 31.12.2012	**2,459,103.54**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
FARMER'S PENSION & SOCIAL SECURITY BENEFIT SCHEME
SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31ST DECEMBER 2012.

01. GENERAL

01.01 Basis of Preparation

1. The statement of financial position, statement of comprehensive income , Statement of changes in Equity, Statement of cash flow and Accounting Policies and Notes to the accounts Of the Board are Prepared in accordance with the Accounting standards laid Down by the institute of charted Accountants of Sri Lanka.

2. The Financial Statements of the Board are prepared under the historical cost convention.

3. No adjustments Statements has been made for inflationary factors affecting the Financial Statements.

4. The Financial Statements of the Board are prepared in Sri Lanka Rupees.

5. The Financial Statements of the Board have been drawn up in conformity with the Fishermen's Pension & Social Security benefit scheme Act No 27 of 1987.

6. The financial statements of the board are prepared according to the goings concern concept.

01.02 Taxation

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

01.03 Comparative Information

The Accounting Policies has been consistently applied and previous year figures and phrases have been re- arranged whenever necessary to confirm to the current year's presentation

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01.04 Changes in Accounting Policies

The Method of Accounting on Government Capital Grant has been changed in year2011.Since 1987 Capital Grant had been directly taken in to Shareholder's interest. This Policy has been Changed According to the SLAS 24.

02. ASSETS AND BASIS OF THEIR VALUATION

Assets Classified as current assets on the statement of financial position are cash and bank balances and those Which are expected to be realized in cash during the normal operating cycle or within one year From the normal operating cycle or within one year from the balance sheet date whichever shorter.

FOR THE YEAR ENDED 31ST DECEMBER 2012

02. Property, plant & Equipment, and Depreciation

02.01.01 property, Plant & Equipments

Property, plant and Equipment are states at cost less Accumulated Depreciation the cost of property, plant and Equipment is the cost of purchase of contraction together with any incidental expenses incurred in bringing the assets to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending of improving assets of a permanent nature by means of which to carry on the services provided or to increase the capacity of the services provided has been treated as capital expenditure.

02.01.02 Depreciation

Depreciation is provided on the assets using straight line method at the rates as state below.

Furniture & Fittings	10%
Office Equipments	10%
Welfare Equipments	10%
Computers	20%
Motor Vehicles	20%
Publicity Equipment	10%
Air Condition	20%

Assets Purchased prior to 01/01/2010 have been depreciated over the remaining useful life and no depreciation is provided in the year of disposal, full year depreciation is provided in the year of purchase /acquisition. Assets parched after 01/01/2010 has been depreciated from the month of purchase /acquisition.

02.02 Investments

Investments on Treasury Bills and Fixed Deposits are stated at cost.

02.03 Stocks

Stocks are valued at lower of cost or net realizable value whichever is lower.

02.04 Receivables

Receivables are stated at the amounts estimated to be realized.

FOR THE YEAR ENDED 31ST DECEMBER 2012

3. LIABILITIES & PROVISIONS .

3.01 Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand of within one year from the Balance sheet date.

Non – current liabilities are those balances that fall due for payment after one year from the balance sheet date.

All known liabilities have been accounted for in preparing the financial statements.

3.02 Retirement Benefits

Provisions have been made for retiring gratuities from the completion of the first year of service for all permanent employees in conformity with Sri Lanka Accounting Standard 19 Retirement Benefit 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.

3.03 Liability of Farmer's Pension Fund

Present Value of the liability on Farmer's Pension Scheme has been accounted in the Financial Statement.

04. CAPITAL & RESERVES

4.01 FARMER'S PENSION FUND

Total liability of the scheme has been accounted base on actuarial valuation.

ILO made a study and disclosed that the present value of the future liability of the scheme is 29.5 billion

AGRICULTURAL & AGRARIAN INSURANCE BOARD

FARMER'S PENSION & SOCIAL SECURITY BENEFIT SCHEME
SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST DECEMBER 2012

5. INCOME & EXPENDITURE ACCOUNT

5.01 REVENUE

1. The revenue of the scheme represents the income from Pension Premium, Interest income from Treasury Bills and other miscellaneous income.
2. All Income For collection of premier has been recognized on as cash basis.
3. Government Grant has been received for Recurrent, Capital Expenditure, for the year 2012.

5.02 Revenue Recognition

1. Pension Premier Revenue is recognition for at the time of enrolment.
2. The above Revenue is on as cash basis and matched with the related expenditure
3. Interest Income is accrued on a time basis.

5.03 Expenditure

All expenditure incurred in the operation of the Fishermen's Pension Insurance Scheme activities and in maintaining the capital assets in a 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
Salaries.EPF, ETF, Gratuity	50%
Medical Expenses	50%
Consultancy fees	40%
Welfare	50%
Uniform, Stationery	48%
Entertainment	40%
Printing	40%
Legal Fees	60%
Awareness & Training	20%
Allowances to B/M	40%
Rent, Telephone	40%
Postage, Water Charges	55%
Electricity	40%
Traveling, Over time	50%
Water Bill	40%
Daily Pay	50%

Security	20%
Main Office Equipment	20%
Main/Vehicle	40%
Main, Computer	40%
Fuel Expenses	30%
Main Building	40%

AGRICULTURAL & AGRARIAN INSURANCE BOARD

FARMER'S PENSION & SOCIAL SECURITY BENEFIT SCHEME

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST DECEMBER 2012 .

06 Government Grant

Government Grant has been recognized as an income over periods necessary to match them with the related cost which they are indented to compensate on systematic basis

07. Contingencies

A court case in connected with the payment of compensation to the farmers affected by the closing of the Mavil Aru Anicut is pending at magistrate court Colombo for misappropriating Mavil Aru Funds and 3 officers of the board are to be indicted at high court for misappropriating a sum of nearly 7 Mn.Rupees. The receivable amounts have not been paid back to the board by the Treasury due to pending court case.

08. CASH FLOW STATEMENT.

The Cash Flow Statement of the Scheme has been presented using the indirect method accordance With the Sri Lanka Accounting Standard – 07 Cash Flow Statement.

09. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

All material Post Balance Sheet events have been considered and disclosed and adjusted where Applicable.

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 2012

DESCRIPTION	MOTOR VEHICLE	OFFICE EQUIPMENT	WELFARE EQUIPMENT	FURNITURE & FITTINGS	AIR CONDITIONERS	COMPUTERS	PUBLICITY EQUIPMENT	COMPUTER SOFTWARE	TOTAL
COST OF AS AT 1 ST JANUARY 2012	833,637.00	1,620,558.04	22,330.75	819,738.53	360,136.62	24,519,248.94	422,837.14	-	28,598,487.02
ADDITION	-	-	-	-	-	-	-	1,475,000.00	1,475,000.00
LESS: DISPOSALS	-	-	-	-	-	-	-	-	-
TOTAL COST	**833,637.00**	**1,620,558.04**	**22,330.75**	**819,738.53**	**360,136.62**	**24,519,248.94**	**422,837.14**	**1,475,000.00**	**30,073,487.02**
DEPRECIATION RATE %	20%	10%	10%	10%	20%	20%	10%	20%	
ACCUMULATED DEP : AS AT 1st JANUARY 2012	833,637.00	1,563,844.52	14,938.55	664,638.53	360,136.62	22,781,068.79	422,837.14	-	26,641,101.15
LESS :- DISPOSALS	-	-	-	-	-	-	-	-	-
DEPRECIATION FOR THE YEAR 2012	-	32,951.64	1,514.08	32,732.40	-	958,750.60	-	295,000.00	1,320,948.72
	-	-	-	-	-				
TOTAL DEPRECIATION	**833,637.00**	**1,596,796.16**	**16,452.63**	**697,370.93**	**360,136.62**	**23,739,819.39**	**422,837.14**	**295,000.00**	**27,962,049.87**
NET VALUE	-	**23,761.88**	**5,878.13**	**122,367.60**	-	**779,429.55**	-	**1,180,000.00**	**2,111,437.15**

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

NOTES TO THE FINANCIAL STATEMENTS

	31.12.2012 Rs. Cts.	31.12.2011 Rs. Cts.
NOTE 02 - STOCKS		
Printing Materials	2,890,153.97	2,877,591.66
Stationary Stock	46,095.64	32,464.93
	2,936,249.61	**2,910,056.59**
NOTE 03 - RECEIVABLES		
Publicity Advance	-	20,427.30
Receivable Application fees	-	3,887.25
Receivables from Collection Agents	774,479.20	774,479.20
Traveling Advance	-	57,333.00
Receivable Interest for withholding tax	-	57,036.00
Death Gratuity Advance at District	15,000.00	15,000.00
Miscellaneous Advance	-	152,224.81
Govijana pola	-	3,500,000.00
Loan to Ministry	-	300,000.00
Loan Treasury (Mavil Aru)	-	120,198,876.75
	789,479.20	**125,079,264.31**
NOTE 04 - RECEIVABLE INTEREST		
Treasury Bills - P.B	23,013.70	22,142.17
Treasury Bills - B.O.C	6,605.19	45,672.41
	29,618.89	**67,814.58**
NOTE 05- RECEIVABLE INCOME		
Farmer's Contribution	3,911,252.75	7,960,380.45
Farmer's Contribution for Life Insurance Premium	495,180.00	916,710.00
Farmer's Contribution for Admin. Income	247,590.00	458,355.00
	4,654,022.75	**9,335,445.45**
NOTE 06 - INVESTMENT		
Treasury Bills - P. B.	11,400,000.00	29,900,000.00
Treasury Bills - B. O. C.	1,070,000.00	821,383.80
	12,470,000.00	**30,721,383.80**
NOTE 07 - CASH AT BANK		
A/C No.100150112345 - P/B Union Place	1,700,369.58	3,341,136.88
A/C No. 100180112344 - P/B Union Place	141,103.29	200,829.67
A/C No. 100130112351 - P/B Union Place	75,269.05	243,440.69
A/C No. 100110112347 - P/B Union Place	426,582.33	1,340,882.13
A/C No. 7979475 - B.O.C Co-op Branch	111,620.53	112,120.53
A/C No. 8403704 - B.O.C Union Place	4,158.76	24,064.11
	2,459,103.54	**5,262,474.01**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

NOTES TO THE FINANCIAL STATEMENTS

	31.12.2012	31.12.2011
	Rs. Cts.	Rs. Cts.
NOTE - 08- FARMER'S PENSION FUND		
Balance B/F	(44,154,270,181.96)	(40,536,699,624.79)
Prior Year Adjustment	-	-
	(44,154,270,181.96)	**(40,536,699,624.79)**
Add/ (Less)		
Total Revenue over Expenditure	(4,670,653,346.93)	(3,617,570,557.17)
Settlment of Mavil - Aru Compensation	(120,198,876.75)	-
	(48,945,122,405.64)	**(44,154,270,181.96)**
NOTE - 9 - GOVT. GRANT FOR CAPITAL EXPENDITURE		
Balance B/F	1,957,386.91	2,597,200.19
Add / (Less):		
Amortization of Govt. Grant	(1,320,948.72)	(1,227,701.28)
Addition during the year (from AAIB)	1,475,000.00	587,888.00
Balance C/F	**2,111,438.19**	**1,957,386.91**
NOTE 10 - PAYABLES		
Agency Commission	109,935.00	214,055.00
Staff Security Deposit	185,900.00	185,900.00
A.A.I.B. Current A/C	57,147,178.08	43,945,494.19
Pension Payment	1,386,329,200.00	187,175,644.00
Pension Commission	6,148,860.00	
Group Insurance Premium	86,704,870.00	57,304,080.00
Loan for Pension Payment		
- Fisheries Pension Scheme	608,316,450.94	553,014,955.94
- AAIB	272,829,074.77	154,776,074.77
	2,417,771,468.79	**996,616,203.90**
NOTE 11- ACCRUED EXPENSES		
Provision for Printing Charges	211,771.16	111,771.16
Accrued Administration Expenses	-	37,107.00
Provision for Audit fees		
- Previous year	2,382,031.00	2,082,031.00
- Current year	250,000.00	300,000.00
	2,843,802.16	**2,530,909.16**

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

NOTES TO THE FINANCIAL STATEMENTS

	31.12.2012	31.12.2011
	Rs. Cts.	Rs. Cts.
NOTE 12 - ADMINISTRATION EXPENSES		
Salaries & Wages	54,606,010.08	51,617,526.26
E.P.F.	4,472,351.25	4,488,225.34
E.T.F.	1,118,089.87	1,122,056.36
Traveling & Subsistence	1,302,748.21	1,266,018.50
Over Time	666,687.63	1,569,624.20
Daily Pay	48,022.44	92,114.85
Medical Expenses	279,072.00	296,510.00
Gratuity	2,880,180.00	3,570,790.00
T.A.C. Allowances	8,992.00	36,000.00
Staff welfare	261,702.50	151,403.00
Legal Fees	103,749.20	57,258.60
Staff Uniform	7,200.00	112,207.24
Allowance to Board Members	111,490.00	106,772.00
Consultation Fees	4,800.00	7,300.00
Labour Charges	6,900.00	21,850.00
Rent	4,868,831.30	4,430,266.12
Telephone	1,054,554.64	1,013,106.10
Postage	544,452.02	718,038.86
Security	130,325.56	91,373.37
Electricity	914,205.14	707,818.00
Water Bill	119,419.11	153,769.16
Audit Fees	250,000.00	300,000.00
Fuel	1,919,515.89	1,609,011.79
Awareness & Training	200,713.79	686,309.25
Printing	788,629.69	1,107,740.29
Stationery & Consumables	1,406,547.03	1,783,011.95
Entertainments	66,910.20	132,302.40
Main. of Motor Vehicle	1,737,113.42	1,931,662.27
Main. of Building	58,373.00	148,828.08
Main. of Office Equipment	217,867.27	126,067.26
Main. of Computer	282,504.27	49,669.44
Depreciation	1,320,948.72	1,227,701.28
	81,758,906.23	**80,732,331.97**
NOTE 13 - FINANCE & OTHER		
Loan Interest	67,154,495.00	37,037,576.33
Bank Charges	80,903.35	61,081.12
Bank Commission	-	1,333.75
Debit Tax	-	452,762.70
Unrecoverable Receivable's	4,090,908.36	-
	71,326,306.71	**37,552,753.90**

Financial Statements as at 31 December 2011

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 2012

	Note	31.12.2012	31.12.2011
		Rs. Cts.	
ASSETS			
Non - Current Assets			
Plant , Property & Equipment	1	2,966.60	4,193.20
		2,966.60	**4,193.20**
Current Assets			
Stock	2	170,081.30	186,363.08
Receivables	3	610,126,275.94	554,882,306.94
Receivable Interest	4	94,275.97	285,833.05
Investment	5	35,376,535.64	62,809,285.28
Cash at Bank	6	2,460,055.58	848,328.18
		648,227,224.43	**619,012,116.53**
TOTAL ASSETS		**648,230,191.03**	**619,016,309.73**
EQUITY & LIABILITIES			
Capital & Reserves			
Fishermen's Pension Fund	7	(1,529,127,538.52)	(1,374,434,361.89)
Group Life Insurance Fund	8	19,198,329.70	18,207,786.70
		(1,509,929,208.82)	**(1,356,226,575.19)**
Non - Current Liabilities			
Pension Liability		**2,149,338,000.00**	**1,968,125,000.00**
Provision for Staff Gratuity		**942,945.00**	**1,326,385.00**
Current Liabilities			
Total Payables	9	6,647,429.85	4,740,474.92
Accrued Expenses	10	1,231,025.00	1,051,025.00
		7,878,454.85	**5,791,499.92**
TOTAL EQUITY & LIABILITIES		**648,230,191.03**	**619,016,309.73**
		-	

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 and on behalf of the Board by:

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

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2012		31.12.2012	31.12.2011
		Rs. Cts.	
	Note		
Interest Income		59,813,431.35	40,525,747.27
Fishermen's Contribution		1,793,052.50	1,429,682.00
Fishermen's Contribution for Life Insurance Premium		1,649,340.00	1,595,580.00
		63,255,823.85	43,551,009.27
Less:			
Interest Income trf. to Admin Exp.		(3,500,000.00)	(3,500,000.00)
Total Revenue for Fund		**59,755,823.85**	**40,051,009.27**
Less: EXPENDITURE			
Refund of Net Contribution		(506,856.00)	(614,816.00)
Refund of Net Interest		(433,133.00)	(482,798.00)
Incentive Payment		(160,054.00)	(189,896.00)
Group Insurance Premium		(1,649,340.00)	(1,595,580.00)
Pension Payments & Commission			
- Pension Payments		(29,496,923.00)	(24,636,392.00)
- Commission for Pension Payments		(342,495.00)	(325,965.00)
Total Expenditure		**(32,588,801.00)**	**(27,845,447.00)**
Expenditure over Revenue		**27,167,022.85**	**12,205,562.27**
Increase of Pension Liability		**(181,213,000.00)**	**(170,403,000.00)**
		(154,045,977.15)	**(158,197,437.73)**
INCOME - for Administration			
Interest Income for Admin. Expenses		3,500,000.00	3,500,000.00
Govt. Grant for Admin Expenses		-	1,500,000.00
		3,500,000.00	**5,000,000.00**
Sundry Income		-	
		3,500,000.00	**5,000,000.00**
Less: Expenses			
Admin: & Establishment Expenses	11	4,140,729.31	4,172,931.31
Finance Charges	12	6,470.17	7,928.81
Total Admin Expenses		**4,147,199.48**	**4,180,860.12**
Admin. Expenses Surplus / (Deficit)		**(647,199.48)**	**819,139.88**
Total Surplus for the year		**(154,693,176.63)**	**(157,378,297.85)**
(Transfered to Pension Fund)			

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2012

	Fishermen's Pension Fund	Life Insurance Fund	Total
Balance as at 31st December 2010	424,677,935.96	17,699,206.70	442,377,142.66
Prior Year adjustments	-	-	-
Adjusted balance as at 31st Dec. 2010	424,677,935.96	17,699,206.70	442,377,142.66
Additions during the year - 2011			
Net Surplus	(157,378,297.85)	**508,580.00**	(156,869,717.85)
Income Over Expenditure - life Insurance	-		-
Balance as at 31st Dec 2011	**267,299,638.11**	**18,207,786.70**	**285,507,424.81**
PV of Pension Liability	(1,641,734,000.00)		
Prior year adjustments	-	-	-
Adjusted balance as at 31st Dec. 2011**(Restated)**	(1,374,434,361.89)	18,207,786.70	(1,356,226,575.19)
Additions during the year - 2012			
Net Surplus	(154,693,176.63)	-	(154,693,176.63)
Income Over Expenditure Life Insurance	-	990,543.00	990,543.00
Balance as at 31st Dec 2012	**(1,529,127,538.52)**	**19,198,329.70**	**(1,509,929,208.82)**

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2012

	31.12.2012
	Rs. Cts.
Cash flows from Operating actives	
Net Surplus	(154,693,176.63)
Adjustments For	
Depreciation	1,226.60
Adjustments in respect of Prior Year	-
	(154,691,950.03)
Provision for Retiring Gratuity	142,632.00
Operating profit before working capital changes	**(154,549,318.03)**
(Increase) / Decrease in Inventories	16,281.78
(Increase) / Decrease in Receivables	(55,243,969.00)
(Increase) / Decrease in Receivables Interest	191,557.08
(Increase) / Decrease in Other Payables	1,906,954.93
(Increase) / Decrease in Accrued expenses	180,000.00
	(52,949,175.21)
Cash Generated from operation Activities	(207,498,493.24)
Retiring Gratuity - Paid	**(526,072.00)**
Net Cash Flows from Operating Activities	**(208,024,565.24)**
Cash Flows from Investing Activities	
Govt.Grant for Capital expenditure	-
Investment during the year	27,432,749.64
Purchases of Property, Plant & Equipment	-
Contribution for group insurance scheme	1,649,340.00
Death Gratuity Payment	(658,797.00)
Net Cash flows from Investing Activities	**28,423,292.64**
Cash Flows from financing Activities	
Pension Liability	**181,213,000.00**
Repayment of long term borrowings	-
Net Cash Flows from Financing Activities	**181,213,000.00**
Net Increase / (Decrease) in cash & Cash Equivalents	**1,611,727.40**
Cash & Cash equivalents at Beginning of the year	848,328.18
	2,460,055.58
Cash& Bank balance at the end of the year	
Cash at Bank - 31.12.2012	**2,460,055.58**

AGRICULTURAL & AGRARIAN INSURANCE BOARD

FISHERS MEN'S PENSION & SOCIAL SECURITY BENEFIT SCHEME
SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST DECEMBER 2012

01. GENERAL

01.01 Basis of Preparation

1. The statement of financial position, Statement of comprehensive income, Statement of changes in Equity, Statement of cash flow and Accounting Policies and Notes to the accounts Of the Board are Prepared in accordance with the Accounting standards laid Down by the institute of charted Accountants of Sri Lanka.
2. The Financial Statements of the Board are prepared under the historical cost convention.
3. No adjustments Statements has been made for inflationary factors affecting the Financial Statements.
4. The Financial Statements of the Board are prepared in Sri Lanka Rupees.
5. The Financial Statements of the Board have been drawn up in conformity with the Fishermen's Pension & Social Security benefit scheme Act 1990.
6. The financial statements of the board are prepared according to the goings concern concept.

01.02 Taxation

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

01.03 Comparative Information

The Accounting Policies has been consistently applied and previous year figures and phrases have been re- arranged whenever necessary to confirm to the current year's presentation.

02. ASSETS AND BASIS OF THEIR VALUATION

02.01 Basis of Preparation

Assets Classified as current assets on the statement of financial position are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle or within one year from the balance sheet date, whichever is shorter.

FOR THE YEAR ENDED 31ST DECEMBER 2012

02.02 Property, plant & Equipment, and Depreciation.

02.02.01 property, Plant & Equipments

Property, plant and Equipment are states at cost less Accumulated Depreciation. The cost of property, plant and Equipment is the cost of purchase of contraction together with any incidental expenses incurred in bringing the assets to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending of improving assets of a permanent nature by means of which to carry on the services provided or to increase the capacity of the services provided has been treated as capital expenditure.

02.02.02 Depreciation

Depreciation is provided on the assets using straight line method at the rates as state below.

Furniture & Fittings	10%
Office Equipments	10%
Welfare Equipments	10%
Computers	20%

Assets Purchased prior to 01/01/2010 have been depreciated over the remaining useful life and no depreciation is provided in the year of disposal, full year depreciation is provided in the year of purchase /acquisition. Assets parched after 01/01/2010 have been depreciation from the month of purchase /acquisition.

02.03 Investments

Investments on Treasury Bills are stated at cost.

02.04 Stocks

Stocks are valued at lower of cost or net realizable value.

02.05 Receivables

Receivables are stated at the amounts estimated to be realized

Short term Loan for Farmer's Pension Scheme

Since the Farmer's Pension Scheme ran out of Funds in the month of August 2010, Special short term loans were given to the Farmer's Pension Scheme to make monthly Pension payments.

FOR THE YEAR ENDED 31ST DECEMBER 2012

3. LIABILITIES & PROVISIONS .

3.01 Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand of within one year from the statement date.

Non – current liabilities are those balances that fall due for payment after one year from the balance sheet date.

All known liabilities have been accounted for in preparing the financial statements.

3.02 Retirement Benefit

Provisions have been made for retiring gratuities from the completion of the first year of service for all permanent employees in conformity with Sri Lanka Accounting Standard 19 Retirement Benefit 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.

4. FISHERMEN'S PENSION FUND

Total liability of the scheme has been accounted base on actuarial valuation.

5. INCOME & EXPENDITURE ACCOUNT

5.01 REVENUE

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

5.02 Revenue Recognition

1 Pension Premier Revenue is recognition for at the time of enrolment.
2 The above Revenue is on as cash basis and matched with the related expenditure
3 Interest Income is accrued on a time basis.

FOR THE YEAR ENDED 31ST DECEMBER 2012

5.03 Expenditure

1 All expenditure incurred in the operation of the Fishermen's Pension Insurance Scheme activities and in maintaining the capital assets in a state of efficiency

Has been charged to revenue on an accrual basis in arriving at the surplus or deficit for the year

2 The Indirect Expenses of the Board apportioned on the following rates has been approved by the Board Paper No.2008-10-15 - 401/04

Expenditure	Rate
Rent, Telephone	5%
Postage, Water Charges	5%
Electricity	5%
Main office Equip.	5%
Main Building	5%
Main M/V	3%
Fuel	2%
Stationery	2%
Uniform	2%
Security	5%
Computer Expenses	5%

06. CONTINENCIES

Receivable Interest

The Board has file a cases 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	2,784657.55

Judgment have been given in favorable of the Board but Bank of Ceylon Has appeal to the appeal court against the above judgments.

FOR THE YEAR ENDED 31ST DECEMBER 2012

07. CASH FLOW STATEMENT.

The Cash Flow Statement of the Scheme has been presented using the indirect method in accordance With the Sri Lanka Accounting Standard – 07 Cash Flow Statement

08. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

All material Post Balance Sheet events have been considered and disclosed and adjusted where applicable.

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

NOTES TO THE FINANCIAL STATEMENTS

Note - 01

PLANT, PROPERTY & EQUIPMENT AS AT 31ST DECEMBER 2012

Description	Office Equipment	Welfare Equipment	Furniture & Fittings	Computers	Total
Cost of as at 1st Jan. 2012	380,728.50	1,325.00	50,376.92	259,515.00	691,945.42
Add. Addition	-	-	-	-	-
Less. Disposals	-	-	-	-	-
Total Cost as at 31st Dec. 2012	**380,728.50**	**1,325.00**	**50,376.92**	**259,515.00**	691,945.42
Depreciation Rate	10%	10%	10%	20%	
Accumulated Dep. As at 1st January 2012	380,091.30	1,325.00	50,376.92	255,959.00	687,752.22
Less. Disposals	-	-	-	-	-
Depreciation for the year	318.60			908.00	1,226.60
Total Depreciation	**380,409.90**	**1,325.00**	**50,376.92**	**256,867.00**	**688,978.82**
Net Value	**318.60**	-	-	**2,648.00**	**2,966.60**

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31.12.2012

	31.12.2012	31.12.2011
NOTE 02 - STOCKS	Rs. Cts.	
Printing Materials	170,081.30	186,363.08
	170,081.30	**186,363.08**
NOTE 03 - RECEIVABLES		
A.A.I.B Current A/C	-	-
Farmers Pension	608,316,450.94	553,014,955.94
Receivable -Department of FSH	1,500,000.00	1,500,000.00
Death Gratuity Advance	50,000.00	50,000.00
Receivable Premia	259,825.00	317,351.00
	610,126,275.94	**554,882,306.94**
NOTE 04 - RECEIVABLE INTEREST		
Fixed Deposit	-	-
Treasury Bill - B.O.C	94,275.97	285,833.05
	94,275.97	**285,833.05**
NOTE 05 - INVESTMENT		
Fixed Deposit - B.O.C	-	-
Treasury Bills - B.O.C	35,376,535.64	62,809,285.28
	35,376,535.64	**62,809,285.28**
NOTE 06 - CASH AT BANK		
A/C No. 164790 BOC Union Place	156,865.23	113,793.23
A/C No. 164795 BOC Union Place	2,303,190.35	734,534.95
	2,460,055.58	**848,328.18**
NOTE 07 - FISHERMEN'S PENSION FUND		
Balance B/F	(1,374,434,361.89)	(1,217,056,064.04)
PV of Pension Liability - Up to 2009		
Previous Year Adjustment	-	-
	(1,374,434,361.89)	(1,217,056,064.04)
Addition during the year		
Operational Surplus	(154,045,977.15)	(158,197,437.73)
Surplus of Income & Expenditure Account	(647,199.48)	819,139.88
	(154,693,176.63)	(157,378,297.85)
	(1,529,127,538.52)	**(1,374,434,361.89)**

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31.12.2012

	31.12.2012	31.12.2011
	Rs. Cts.	
NOTE 8 - GROUP LIFE INSURANCE FUND		
Balance B/F	18,207,786.70	17,699,206.70
Add:		
Contribution for the year	1,649,340.00	1,595,580.00
Less:		
Disablement Gratuity Payments	-	(10,000.00)
Death Gratuity Payments	(658,797.00)	(1,077,000.00)
	(658,797.00)	(1,087,000.00)
	990,543.00	**508,580.00**
	19,198,329.70	**18,207,786.70**
NOTE 09 - PAYABLES		
Payable - Pension Payment	310,059.00	2,226,246.00
Payable - Agricultural Insurance scheme	5,596,546.85	1,526,813.92
Payable - Refundable Contribution	189,740.00	252,157.00
Payable - Death Gratuity	316,000.00	456,000.00
Payable - Disable Gratuity	-	-
Payable - Incentivemen	64,371.00	69,067.00
Payable - Refund interest on Contributions	170,713.00	181,496.00
Payable - Pension Commission	-	28,695.00
	6,647,429.85	**4,740,474.92**
NOTE 10 - ACCRUED EXPENSES		
Printing Charges	155,000.00	75,000.00
Leegal Fees	17,000.00	17,000.00
Provision for Audit Fees	1,059,025.00	959,025.00
	1,231,025.00	**1,051,025.00**

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31.12.2012

	31.12.2012	31.12.2011
	Rs. Cts.	
NOTE 11 - ADMINISTRATION EXPENSES		
Salaries & Wages	1,846,497.68	1,789,702.23
Contribution E.P.F.	221,579.73	214,764.27
Contribution E.T.F.	55,390.81	53,691.07
Over Time	14,539.56	14,947.48
Allowance to TAC Members	4,500.00	19,500.00
Special Allowances	352,428.00	442,209.00
Gratuity	142,632.00	112,207.50
Consultancy Fees	-	-
Fuel	125,789.06	104,529.82
Stationery	54,780.44	57,209.44
Printing	96,281.78	182,590.39
Entertainment	-	-
Staff Uniform	300.00	4,675.30
Rent	608,603.90	553,783.30
Telephone	131,819.33	126,638.26
Postage	49,495.64	60,910.81
Water Bill	14,927.39	19,221.14
Security	32,581.39	22,843.34
Electricity	114,275.64	88,477.25
Main. of Motor Vehicle	130,283.51	144,874.67
Main. of Building	7,296.60	18,603.51
Main. of Office Equipment	17,421.82	29,836.82
Computer Expenses	18,078.43	10,275.36
Depreciation	1,226.60	1,440.35
Audit Fees	100,000.00	100,000.00
	4,140,729.31	**4,172,931.31**
NOTE 12 - FINANCE CHARGES		
Bank Charges	6,470.17	7,827.60
Debit Tax	-	101.21
	6,470.17	**7,928.81**

විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல / My No: FP/E/AAIB/FA/2012	ඔබේ අංකය / உமது இல / Your No:	දිනය / திகதி / Date: 10 December 2013

The Chairperson,
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 2012 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

With reference to my letter of even number dated 29 September 2013.

02. The Tamil version of the above mentioned report is sent herewith.

H.A.S.Samaraweera
Auditor General

Copy to Secretary, Ministry of Finance and Planning

අංක 306/72 පොල්දූව පාර, බත්තරමුල්ල , ශ්‍රී ලංකාව
இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை இலங்கை
No.306/72, Polduwa Road, Battaramulla , Sri Lanka
දුරකථනය / தொலைபேசி / Telephone: 2887028 - 34
ෆැක්ස් අංකය / பக்ஸ் இல / Fax No: 2887223
ඉලෙක්ට්‍රොනික් තැපැල් / ஈ- மெயில்: oaggov@sltnet.lk

මගේ අංකය / எனது இல / My No: FB/E/AAIB/FA/2012 ඔබේ අංකය / உமது இல / Your No

දිනය / திகதி / Date: 29 October 2013

The Chairperson.

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 2012 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 2012 comprising the balance sheet as at 31 December 2012 and the income statement. statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information. was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 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 furnished to the Chairperson of the Board on 23 August 2013.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 qualified audit opinion.

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 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 audit 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 2012 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 Going concern of the Board

(a) A reconciliation of the income, payment of indemnity and the expenditure incurred thereon for the preceding 05 years as given below indicating an uncertainty over the going concern of the Board, without any Government assistance.

Year	Premiums Received	Claims Paid	Operational Expenditure	Administrative Expenditure	Total Expenditure	Expenditure Exceeding the Premiums
	Rs.mn	Rs.mn	Rs.mn	Rs.mn	Rs.mn	Rs.mn
2008	70.5	27.0	4.2	78.7	109.9	(39.4)
2009	83.4	31.0	5.7	84.1	120.8	(37.4)
2010	105.1	268.7	5.6	86.3	360.6	(255.5)
2011	157.4	57.3	10.1	82.3	149.7	7.7
2012	124.7	126.6	8.6	81.8	217.0	(92.3)

(b) It was observed that heavy expenditure had been incurred in respect of Paddy and Subsidiary Crops insurance schemes for the year under review which was adversely affected for the operating result of the Board. Details are as follows.

Insurance Scheme	**Income**	**Total Operating Expenditure**	**Operating Expenditure as a percentage of Income**
	Rs.	Rs.	%
Paddy	77,930,573	100,303,622	129
Livestock	15,807,854	5,241,680	33
Suwasetha	2,494,794	787,277	32
Subsidiary Crops	22,016,546	20,065,955	91
Agri -Equipments	929,429	129,405	14
Store insurance	199,987	100,000	50

2.2.2 <u>Sri Lanka Accounting Standards</u>

Following observations are made.

(a) The Financial Statements had not been prepared in terms of SLFRS 1, (Fist Time Adoption of Sri Lanka Accounting Standards).

(b) In terms of LKAS 39, the Fair Value through profit or loss (FVPL), Held to maturity (HTM), Loan and Receivable (LR) and Available for sale (AFS) had not been recognized and measured in the financial instruments.

(c) In terms of SLFRS 07, Disclosures related to financial instruments had not been made

(d) In terms of LKAS 19, Actuarial valuation and accounting had not been made for the define benefit plan in order to discharge the obligation under a defined benefit plan and the contribution by the employer had not been invested.

(e) In terms of LKAS 37, a provision had not been made in the financial statements for the year under review for indemnity paid to an employee amounting to Rs.200,000 in the year 2013 as per the Court order made in the year under review.

2.2.3 <u>Accounting Deficiencies</u>

Following observations are made

(a) A provision had not been made in the accounts for the payable amounting to Rs.153,836 to the International Centre for Geo-informatics applications and training of the University of Moratuwa,in respect of feasibility report prepared on Geo-informatics technology for the operation of the Crop Insurance .

(b) The PAYE Tax amounting to Rs.12,000 deducted for the months of September, October, November and December 2012 on the allowances paid to former Chairperson had not been taken into accounts.

(c) The outstanding salary payable to the employee who was interdicted and reappointed in service during the year under review, amounting to Rs. 561,220 related to 2012 and paid in the year 2013, had not been taken into the income statement of the year under review.

(d) It was observed that the administration expenditure had been understated by Rs.423,439 in the financial statements for year under review as per original payment vouchers and as a result deficit for the year had been understated by the same amount.

(e) The rental and rates amounting to Rs. 111,451 which had been paid in advance had not been accounted for as pre payments in the financial statements. Instead it had been charged against revenue for the year under review.

2.2.4 Unexplained Differences

(a) Following differences were observed between the amounts shown in the detailed schedules of the Development Branch and the amounts shown in the financial statements, for the year ended 31 December 2012 in respect of revenue.

Insurance Schemes	As per the Financial statements Rs.	As per detailed schedules of the D evelopment Branch Rs.	Difference Rs.
Livestocks	15,807,854	13,103,900	2,703,954
Suwesetha and life	2,494,794	2,196,974	297,820
Agri- equipment	929,428	4,483,967	3,554,539
Stores	199,987	238,370	38,383

(b) Following differences had been observed between the amounts shown in the detailed schedules of the Development Branch and the amounts shown in financial statements regarding indemnity payments made during the year under review.

Insurance Schemes	As per Financial statements Rs.	As per detail Schedules of the Development Branch Rs.	Difference Rs.
Livestocks	5,241,680	7,818,212	(2,576,532)
paddy	100,303,622	75,770,287	24,533,335
Agri-equipments	129,405	165,823	(36,418)
Subsidiary crop	20,065,955	15,798,206	4,267,749
Suwesetha and life	787,276	713,365	73,740

2.2.5 Accounts Receivable and Payable.

Following observations are made.

a) Following loan and advance balances of employees' aggregating Rs.2,254,178 had remained in the accounts without being recovered .Out of this Rs.1,902,915 had remained for over five years without being recovered.

Type of Loans and Advances	Rs.
Distress loans	1,238,190
Festival advances	55,300
Special advances	17,050
Fuel advances	160,602
Motor cycle loans	341,572
Special staff loans	4,800
Miscellanies advances	324,293
Traveling advances	8,000
Salary advances	50,261
Sundry Debtors and motorcycle expenses	54,110
	2,254,178

b) Gratuity payable to the deceased employees aggregating Rs.320,944 had remained for a long period of time without being settled.
Action had not been taken to recover the balance of rental advances amounting Rs.145,008 which had been paid to the State Trading Corporation in 2007.

c) With Holding Tax which was refunded by the Department of Inland Revenue amounting to Rs. 604,800 had been shown in financial statements without being settled to the Treasury.

d) A sum of Rs. 272,829,074 paid to the Farmer's Pension Fund during the period from 2010 to 2012 to pay farmers pensions by the Agricultural and Agrarian Insurance Board had not been recovered up to 31 December 2012.

(f) Four employees had been released to the following institutions. The salaries amounting to Rs. 1,908,815 paid to these four employees had neither been recovered nor been shown as debtors in the financial statements.

- Ministry of Post Telecommunications and Udarata Development.
- Ministry of Community Development and Estate Infrastructure.
- Ministry of Power and Energy.
- Ministry of Agriculture Development and Agrarian Services.

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

Following instances of non-compliance were observed in audit.

Reference to Laws, Rules, Regulations etc.	Non-Compliance
(a) Section 10 of the Employee Providnt Fund Act No 15of 1958	The EPF contributions of 12% amounting to Rs.2,550,366 had not been deducted and paid to the EPF on the living allowance paid to an Employee amounting to Rs: 21,253,050 during the year under review.
(b) Section 16 (1) of the Employee Trust Fund Act no 46 of 1980	The ETF contributions of 3% amounting Rs. 637,592 had not been deducted and paid to the ETF on the living allowance paid to an employee amounting to Rs. 21,253,050 during the year under review.
(c) Inland Revenue Circular No PAYE/Tax/No1/2011 Dated 18 April 2011	PAYE tax amounting to Rs.11,161 had not been deducted from the allowance paid to the officers who were participated to the fund management of the fishermen pension scheme.
(d) F.R.110	A register of losses had not been maintained.

2.2.7 Uneconomic Transaction

Following observations are made.

(a) The Board had paid Rs. 18,480 as reconnection charges for the water supply which was disconnected due to nonpayment of water bills in due dates with regard to the Head Office and a branch.

(b) The Board had incurred an expenditure of Rs. 325,000 for 6 months in the year 2012 to provide transport facilities to the staff for the purpose of maintaining attendance of the employees in time .However, the Purpose had not been achieved due to late attendanc

(c) Action had not been taken to use the GPS/GLS technology for the indemnity payments of crop insurance. Hence, expenditure incurred on this regard amounting to Rs.625,346 for the pilot project of the Geo-informatics could be identified as uneconomic transaction.

3. Financial Review.

3.1 Financial Results

(a) According to the financial statements presented, the operating surplus of the Board for the year ended 31 December 2012 before taking into account the Government Grant for administrative expenses, amounted to Rs.1,467,963 as compared with the corresponding operating surplus of Rs.101,215,444 for the preceding year. After the adjustments of the Government Grant and other income of Rs.65,095,828 received for the year under review with the administrative and financial expenses, the overall deficit amounted to Rs.15,420,596 as against the overall surplus of Rs.87,675,318 after the adjustments of the Government Grant and other income of Rs. 68,998,243 with the administrative and financial expenses of that year, thus indicating a deterioration of Rs.103,095,914 in the financial results. Following are the main reasons for the above deterioration.

(i) The insurance premium had been decreased by 21% as compared with the previous year.

(ii) Operating expenditure had been increased by 100% as compared with the previous year.

(iii) Other income had been decreased by 72% as compared with the previous year.

(b) According to the financial statements an information made available, the following table gives a summary of financial results as compared with the preceding year.

Item	Current Year (2012) Rs.(000)	Previous Year (2011) Rs.(000)	Percentage of Change over previous year
Insurance-premium	124,708	157,417	(21)
Interest	11,988	11,268	6
Total Operating Income	136,696	168,685	(19)
Operating Expenditure	(135,228)	(67,470)	100
Operating Surplus/(deficit)	1,468	101,215	(99)
Government Grant for Administrative Expenditure	63,323	62,750	0.9
Other income	1,773	6,248	(72)
Administrative,Finance and Other Expenditure	(81,984)	(82,538)	(0.7)
Net Surplus/ (Deficit)	(15,420)	87,675	(118)
Provision for Agricultural andAgrarian insurance Board Reserve Fund	_	5,060	_
Net Surplus/ (Deficit) after Provision	(15,420)	82,615	(119)

3.2 Analytical Financial Review

According to the financial results of the year under review and preceding 5 years, it was indicating that net surplus before Government Grant had been decreased gradually. Details are as follows.

	2012	2011	2010	2009	2008	2007
	Rs.mn	Rs.mn	Rs.mn	Rs.mn	Rs.mn	Rs.mn
Total Income	139	175	128	114	96	48
Total Expenditure	217	150	361	121	134	50
Net Surplus(Deficit)	(78)	25	(233)	(7)	(38)	(2)
Government Grant	63	63	85	75	42	12
Surplus/ (Deficit) After Government Grant	(15)	88	(148)	68	4	10

According to the net surplus/ (deficit), it was observed that the Board depends on Government Grant during the period of 2007 to 2012 except 2011.

3.3 Transactions of Contentious Nature

Following observations are made

(a) Insurance indemnity aggregating Rs. 640,860 had been paid to 24 beneficiaries for which date of the crop insurance indemnity proposal had been changed.

(b) The indemnity payment aggregating Rs. 1,099,780 had been made twice to 49 farmers during 2010/2011 maha season in Batticaloa District .Out of this payment, Rs. 133,540 had not been recovered up to 31 January 2013.

4. Operational Review

4.1 Performance

Administration of Insurance Schemes

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

Item	Measure ment	Target				Achievement				Achievement as a percentage (%)			
		Physical		Financial		Physical		Financial		Physical		Financial	
		2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
				Rs.(000	Rs.(000)			Rs.(000)	Rs.(000)	%	%	Rs.(000)	Rs.(000)
1. Crop Insurance													
(a) Paddy	Nos Acr	90,519	97,290	71,371	85,897	101,741	66,352	94,437	77,931	112.40	68.20	132.32	90.73
(b) Chilies	Acr	823	490	1,411	1,583	431	206	826	825	52.00	42..00	58.54	52.12
(c) Big Onion	Acr	341	1,125	3,386	3,328	998	1,538	2,744	4,086	292.67	136.71	81.04	122.77
(d) Coconut	Acr	130	193	140	304	5	-	11	-	3.38	-	7.86	-
(e) Sugar Cane	Acr	1,040	1,200	2,570	2.000	30	-	28	-	2.88	-	1.09	-
(f) Maize	Acr	12,065	12,530	18,583	19,028	9,788	6,618	16,263	10,441	81.13	52.81	87.52	54.87
(g) Export and Perennial Crop	Acr	1,376	1,865	3,759	2.466	14	17	49	37	1.02	0.91	1.30	1.5
(h) Flower Plant	Nos	64,752	5,050	261	201	-	-	-	-	-	-	-	-
(i) Plantation Crop	Acr	222	1,341	444	2,575	756	2,254.	709	1,983	340.54	168	159	77
(j) Potato	Acr	600	1,280	3,037	3,200	817	732	2,919	2,886	136.17	57.18	96.11	90
(k) Other Crop	Acr	5,236	6,229	3,751	5,825	1,076	638	1,130	821	20.55	10.24	30.13	14.0
(l) Vegetable	Acr	375	400	1,273	1,200	889	631	869	937	237.07	157.75	68.26	78
2. Livestock													
Cattle	Nos	11,200	10,096	25,928	23,381	12,982	4,856	16,729	11,899	115.91	48.09	64.52	50.89
Goat	Nos	11,646	9,168	6,140	4,305	2,837	2,261	1,506	1,205	24.36	24.6	24.53	27.99
3. Stores	Nos	1,063	860	4,897	3,810	5	17	44	238	0.47	1.97	0.9	6.25
4.Agri-Equipment	Nos	3,645	4,109	13,600	13,625	402	316	5,881	4,484	11.03	7.69	43.24	32.91
5.Suwasetha	Nos	36,085	33,715	15,478	14,946	13,181	2,013	6,953	1,040	36.53	5.97	44.92	6.9
6. Life Insurance	Nos	12,069	21,931	10,189	18,185	8,105	1,433	7,272	1,157	67.16	6.53	71.37	6.36

The following observations are made in this regard.

(a) The physical targets of insurance activities in respect of Chilies, Export and Perennial Crop, Other Crops, Goat, Cattle, Stores, Agri- Equipment, Life Insurance and Suwasetha had been achieved less than 50 per cent. The physical targets in respect of Export and Perennial Crop, Other Crop, Suwasetha, Life Insurance and Stores insurance had been achieved less than 7 per cent.

(b**)** The financial targets of insurance activities in respect of Export and Perennial Crop, Other Crop, Goat, Stores, Agri Equipment, Life Insurance and Suwasetha had been achieved below 50 per cent. The financial targets in respect of Export and Perennial Crop, Life Insurance, Suwasetha and Stores insurance had been achieved below 10 per cent only.

(c) The achievement of financial targets in respect of Paddy, chilies, Maize , Potato, Other Crop, Cattle, Life Insurance, Agri Equipment and Suwasetha insurance had decreased when compared with the preceding year.

(d) Even though the physical and financial targets in respect of Flower Plant, Coconut, and Suger Cane insurance had been set out, no any single insurance had been made during the year under review.

4.2 Management Inefficiencies

An employee had filed a case against the Board in the year 2008 to extend the service period after completing the age of 57 years .The Board had failed the case in the year 2011 and an appeal had been made. However the appeal was dismissed by the Court in the year under review due to negligence of the administration of the Board.

4.3 Assets Management

Following observations are made.

(a) According to the information made available 04 vehicles had remained idle at the Head Office premises without being used for three years.

(c) Unused printing material stocks valued at Rs.526,321 had remained idle for a long period of time.

4.4 Delay in Projects

An Expenditure of Rs.585,800 had been incurred to develop a land in the year 2008 to construct a building and, shown as capital advance in the financial statements for 2012. However the land had remained idle for a long period without being constructed a building.

4.5 Construction of building without the legal owner ship of the lands

(a) The Board had constructed buildings in Embilipitiya and Thambuthegama without obtaining the legal ownership of the land. Details are as follows.

Area	Amount spent for construction
	Rs.
Embilipitiya	1,183,496
Thambuthegama	1,283,815
	2,467,311

(b) The residence Project Manager (Walawa) had informed to the Board, that Rs. 1,844,750 should have been paid as rent, delay charges and down payment for the period of 1986 to 2012.This amount had to be paid as the Board had not taken relevant actions to acquire the properties.

4.6 Human Resource Management

According to the information made available, the approved cadre, the actual cadre and vacant position for the year under review and two preceding years are given below.

Category of Staff	Approved Cadre			Actual Cadre			Vacant Cadre		
	31.12.2012	3!.12 2011	31.12.2010	31.12.2012	31.12.2011	31.12.2010	31.12.2012	31.12.2011	31.12.2010
Executives	56	56	45	34	38	39	22	18	06
Non Executives	285	285	264	216	235	176	69	50	88
Minor Employees	80	80	69	56	60	60	24	20	09
Casuals	-	-	-	02	07	68	-	-	-
Total	421	421	378	308	340	343	115	88	103

It was observed in this regard that 103, 88 and 115 vacancies were existed in the years 2010, 2011 and 2012 respectively against the approved Cadre and actions had not been taken to fill the vacancies.

4.7 Utilization of Vehicles .

Eight jeeps and one cab had been used by the Board, of which ownership had not been transferred to the Board for a long period of time. Out of these vehicles certain vehicles were used by the Board without obtaining revenue licenses and insurances during the year under review.

5. Accountability and Good Governance

5.1 Corporate Plan

Though the Board had prepared a Corporate Plan for the period 2009 – 2012, it had not been updated for the year 2012 in terms of Section 5.1.3 of Circular No. PED/ 12 dated,02 June 2003 issued by the Department of Public Enterprises .

5.2 Action Plan

It was observed that certain targets set out in the Action Plan for the year 2012 regarding the insurance of Chilies, Sugar Cane, Maize, Flower Plant ,Export and Perennial Crop, Vegetable, Cattle, Goat, Stores, Agri Equipment, Suwasetha and Life Insurance had not been achieved and it had not been used as an instrument of management control.

5.3 Budgetary Control

Significant variances were observed between the budgeted income and expenditure and the actual income and expenditure for the year 2012, thus indicating that the budget had not been made use of as an effective instrument of financial management control.

6. Systems and Controls

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

(a) Insurance Schemes
(b) Payment of Indemnity
(c) Corporate Plan and Action Plan
(d) Budget
(e) Settlement of Staff Loans and Advances
(f) Compliance with Laws, Rules and Regulations

H.A.S.Samaraweera

Auditor General

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

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MyNo. FB/FPS/FA/2012

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உமது இல
Your No.

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திகதி
Date 01 **November 2013**

The Chairperson,
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 2012 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.Wikramaratne
Actining Auditor General

Copy to:- Secretary – Ministry of Finance and Planning

අංක 306/72 පොල්දුව පාර, බත්තරමුල්ල , ශ්‍රී ලංකාව
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දිනය / திகதි / Date ;) November 2013

The Chairperson,
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 2012 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 2012 comprising the statement of financial position as at 31 December 2012 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 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 furnished to the Chairperson of the Board on 29 August 2013.

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.

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1.3 Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 the Section 13 of the Finance Act, No 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit 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 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 2012 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 Going Concern of the Scheme

Balance of the Farmers' Pension fund had decreased to a negative balance of Rs 48,945.1 million by the end of the year under review from positive balance of Rs. 2,003 million in the year 2006 as shown below. According to the Notes to the Financial Statements, all of the Funds had exhausted at the end of August 2010 and after that, monthly pension payments had been made by taking short term loans from other existing Funds of the Agricultural and Agrarian Insurance Board**.** Therefore future dependency of the Farmers' Pension Scheme would totally depend on Government Grants.

Year	Balance of the Fund
	Rs. Million
2006	2,003.7
2007	1,639.8
2008	1,404.8
2009	663.8
2010	(40,536.7)
2011	(44,154.2)
2012	(48,945.1)

2.2.2 Compliance with Sri Lanka Accounting Standards

Following observations are made

(a) Financial Statements had not been prepared in terms of SLFRS 1, First Time Adoption of Sri Lanka Accounting Standards.

(b) In terms of LKAS 39, Financial instruments such as fair value through profit or loss, held to maturity ,Loan and receivable and available for sale had not been recognized.

(c) Disclosures had not been made In terms of SLFRS 07 related to financial instruments.

(d) Actuarial valuation and its accounting had not been done for the define benefit plan.In order to discharge the obligation under the defined benefit plan In terms of LKAS 19 further contributions made by the employer and the employees had not been invested.

(e) The last, actuarial valuation of pension liability had been done in the year 2007, and since then no actuarial valuation had been done for the pension liability. Hence the accuracy of the liability shown in the financial statements is open to question.

2:2.3 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

(a) The pensions paid to farmers amounting to Rs. 7,305,897 in Anuradhapura and Polonnaruwa District had not been deducted from the pension liability in the financial statements for the year under review. Hence pension liability as at the date of statement of financial position had been overstated by the same amount.

(b) Commission paid to the Post Offices withdrawals pension payments in the year 2012 amounting to Rs.6,148,860 had been deducted from the pension liability instead of being accounted for as commission .

2.2.4 Accounts Receivable and Payable

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The Following observations are made.

(a) Out of the total balances of receivable income amounting to Rs. 4,654, 023 shown in the statements of financial position as at 31 December 2012, only a sum of Rs. 2,111,885 or 45 per cent had been confirmed by the respective parties concerned.

(b) Audit fees payable aggregating Rs, 2,382,031 had not been settled over a long period of time.

(c) As the Farmers' Pension Scheme had exhausted all of its funds, monthly pension payments had been made by obtaining short term loans of Rs 553,014,955 from Fisherman's Pension Scheme and Rs. 260,976,074 from Agricultural and Agrarian Insurance Board. Those loans and interest thereon had not been settled even up to 20 May 2013.

2:2:5 Matters of Contentious Nature

The following observations are made.

(a) Forty eight cheques valued at Rs. 2,791,679 and Bank Drafts valued at Rs.7,152,249 of Farmers' Pension and Social Security Benefits Scheme had been misappropriated in the year 2008 by 02 Directors and one Assistant Director of the Board. The Board had informed me that a case in this connection had been filed in the High Court.

(b) The case filed against the field officer who was misappropriated pension money amounting to Rs. 369,590 had been dismissed during the year under review. Only Rs.100,000 had been recovered from him and the case was closed. Therefore balance of Rs. 269,590 could not be recovered, and necessary adjustments had not been made in the accounts.

2.2.6 Lack of Evidences for Audit

Following item in the accounts could not be satisfactorily verified in audit due to lack of documentary evidences up to 20 May 2013.

Description	Amount Rs.	Evidence not available
The pensions payments made for 936 farmers in Anuradhapura and Polonnaruwa Districts	3,288,000	Details schedules of Pension payments

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the working of the Scheme for the year under review had resulted in a deficit of Rs. 4,670,653,346 as compared with the corresponding deficit of Rs.3,617,570,557 for the preceding year, thus indicating an increase of deficit by Rs.1,053,082,789 or 29 percent in the financial results. Details are given below.

	.2012 Rs.	.2011 Rs.	Variance Percentage
Interest Income	2,702,921	1,566,195	72.6
Farmers Contributions	55,475,042	108,458,800	(48.8)
Pension Payments	(1,380,677,601)	(1,226,744,103)	(12.5)
Other Operating Expenses	(52,552,338)	(54,806,188)	4.1
Revenue Over Expenditure	(1,375,051,976)	(1,171,525,296)	(17.37)
Government Grant	8,232,560	664,855,487	(98.8)
Increase of Pension Liability	(3,216,991,000)	(3,059,459,000)	(5.1)
Amortization of Government Grant	1,320,949	1,227,701	7.6
Income For Administration	66,292,332	68,159,142	(2.7)
Administrative and Finance Expenses	(154,456,210)	(120,828,592)	(27.8)
Overall deficit for the year	(4,670,653,346)	(3,617,570,557)	(29.11)

Followings are affected to the above result.

The interest income had been increased by 72.6 percent as compared with the preceding year.

The farmers' contribution had been decreased by 48.8 percent as compared with the preceding year.Farmer's Pension liability as at the balance sheet date had been determined in terms of LKAS 37 based on actuarial valuation done in the year 2007. The increase of pension liability was shown as Rs. 3,216,991,000 in the financial statements for the year under review and corresponding figures had been restated.

(d) Government Grant of Rs.8.23 million had been received to pay the pension for the year under review. It had been decreased by 98.8 percent compared with the corresponding figures of the preceding year.

3:2 Analytical Review of the Financial Results and the Financial Position

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Following observation are made**.**

(a) Even though a part of the administrative expenses had been met from the Government Grants, the financial position of the Fund continued to be in a critical position. The financial results of the Fund had deteriorated from a Deficit of Rs. 235 million in 2008 to a deficit of Rs. 4,671 million in 2012 as shown below. As such there is a serious uncertainty about the viability of the Farmers' Pension Fund.

According to the financial results of past 5 years, net deficits were as follows.

	2012 Rs.(000)	2011 Rs.(000)	2010 Rs.(000)	2009 Rs.(000)	2008 Rs.(000)
Total Income	61,148	115,434	170,898	306,607	431,209
Total Expenditure	(1,587,686)	(1,402,379)	(1,195,110)	(1,103,779)	(951,623)
Increase of pensionliability	(3,059,459)	(2,938,033)	-	-	
Net Surplus(Deficit)	(4,743,529)	(4,346,404)	(3,962,245)	(797,172)	(520,414)
Government grant	71,555	727,605	39,500	55,860	285,000
Amortization of Govt: Grant	1,321	1,228	1,477	-	-
Net Surplus/ (Deficit) after G/G	(4,670,653)	(3,617,571)	(3,921,268)	(741,312)	(235,414)

i. The income had been decreased gradually by 85 percent during the period of 2008 to 2012, due to non promoting for enrollment, whereas the total expenditure had increased by only 67 percent during the same period, due to increase number of farmers entitled to pension and withdrawal made from scheme.

ii. The net surplus before Government Grant had gradually decreased during the period of 2008 to 2012, due to establishing the pension liability in real terms and increase of expenditure.

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

Year	Contributions	Payment of Pensions
	Rs. Million	Rs. Million
2008	163.1	809.1
2009	148.7	955.6
2010	136.7	1,044.7
2011	97.6	1,226.7
2012	49.6	1,380.7

(C)The investments had decreased rapidly since the year 2007, and as a result the income from investments had recorded a sharp decrease in the year 2012 as shown below.

Year	Investments as at the end of the year	Interest Income for the year
	Rs. Million	Rs. Million
2007	1,656.0	251.3
2008	1,256.1	243.9
2009	582.2	138.9
2010	3.5	14.9
2011	30.7	1.6
2012	12.4	2.7

According to the above information investments had decreased from Rs.1,656 million in 2007 to Rs.12.4 million or 99 per cent in the year 2012 and Interest income had decreased from Rs.251.3 million in 2007 to Rs.2.7 million or 98.92 per cent in the year 2012.

4 Operating Review

4.1 Performance

The Following observations are made.

(a).The funds of the Scheme had entrusted in 2010 and as a result enrollments had been stopped due to increase of the financial arrears of the Scheme. A final decision had not been taken on the operation of Scheme. Therefore an action plan, had not been prepared for the Farmers Pension and Social Security Benefit Scheme for the year 2012

(b) Second and subsequent premium amounting to Rs. 58,428,092 had been collected during the year under review.

(c) No any single farmer had been enrolled to the scheme during the year under review.

4.2 Management Inefficiencies

The Following observations are made

(a) Action had not been taken to recover the value of the unrealized deposits amounting to Rs.1,179,624 relating to 116 cheques deposited in three Bank accounts, remaining as unrealized since 1992 Details as follows.

A/C No	Deposited period	No of cheque	Value Rs.
100-150-112345	1992-2000	81	1,112,339
100-150-112347	1993-2012	07	40, 650
100-150-112344	1993-1998	28	26 635
		116	1.179,624

4.3 Delay in Projects.

The following observations are made.

(a) Even though a sum of Rs. 21.5 million had been paid since the year 1987 for the computerizing of the personal accounts of the contributors of the Scheme, the computerization of accounts had not been completed or even updated by 31 December 2012, after lapse of 25 years. The Scheme was not in possession of adequate information to determine the contributors becoming eligible for the payment of contributions to the Farmers' Pension and Social Benefits Scheme. Accounts of the contributors had not been updated by the District Offices as well.

(b) An agreement had been entered into with the University of Colombo in the year 2008 to develop new computerized system for Farmers' Pension and Social Benefits Scheme. The expenditure incurred thereon up to the year under review amounted to Rs. 5,479,120. According to the agreement the project should be completed within six months. However, it had not been completed even by the end of the year under review.

5. Systems and Controls

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

(a) Computerized System.
(b) Financial Management.
(c) Pension Payments and Unpaid Pensions.

W.P.C.Wicramarathna

Acting Auditor General.

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Date / **November 2013**

The Chairperson,
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 2012 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.Wikramaratne
Actining Auditor General

Copy to:- Secretary – Ministry of Finance and Planming

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The Chairperson,
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 2012 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 2012 comprising the statement of financial position as at 31 December 2012 and 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 furnished to the Chairperson of the Board on 05 September 2013.

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.

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1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 audit 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 2012 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 Going Concern of the Pension Scheme

The pension liability had been assessed and established during the year under review and the provision charged against the income had resulted a huge negative impact of the financial results for the year under review and the preceding year. Accordingly, the provision will be increased in future years and would be resulted to increase the future losses. Further the net assets position shows a negative figure in the financial statements as a result of establishing pension liability. This had been badly affected the going concern of the Pension Scheme.

2.2.2 Compliance with Sri Lanka Accounting Standards

Following observations are made

(f) Financial Statements had not been prepared in terms of SLFRS 1, First Time Adoption of Sri Lanka Accounting Standards.

(g) In terms of LKAS 39, Financial instruments such as, Loans and receivables, available for sale had not been at fair value through profit or loss in a financial assets.

(h) Disclosures had not been made In terms of SLFRS 07 related to financial instruments.

(i) In terms of LKAS 19, actuarial valuation and its accounting had not been done for the define benefit plan in order to discharge the obligation under a defined benefit plan. The contribution by the employer also had not been invested.

(j) In terms of LKAS 19 , Actuarial valuation for pension liability had been done in the year 2007 and thereafter no actuarial valuation had been done for the pension liability up to 20 May 2013.

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2.2.3 Accounting Deficiencies

Following Accounting Deficiencies were observed.

(a) According to the circular No 01 dated 19 March 1991 the board Chairman of the Board and the Director of the Fisheries and Aquatic Department had agreed to reimburse the administration expenses of the Fishermen's Pension and Social Security Benefit Scheme and accordingly these expenses were reimbursed up to the year of 2010. However the amount receivable for the year 2011 had also been shown in the financial statements as receivable .The amount receivable for the year under review had not been taken into account, and as a result the income for the year had been understated by the same amount.

(b) The commission paid, amounting to Rs.371,190 for the year under review had been deducted from the pension liability. This commission had not been included when assessing the pension liability. Therefore pension liability had been understated by the same amount.

(c) According to the financial statements, it was observed that salary expenses and gratuity provision had been made for 6 employees of the Scheme. According to the physical inspection it was observed that only 4 employees had been allocated to the fisherman pension division and the salary and gratuity should be provided only for these employees. Therefore salary expenses of Rs. 602,864 and gratuity provision of Rs.304,360 had been overstated in financial statements.

2.2.4 Unexplained Differences

The following Unexplained Differences were observed in audit as per information received from the fisheries division. These differences had not been reconciled, even up to 20 May 2013. Details are given below.

Details	Amount as per the financial statements Rs.	Amount as per the records maintained by the fisheries division Rs.	Difference Rs.
Contribution to the fishermen's pension	3,442,392	2 ,934,986	507,406
Repayment of net contribution	506,856	191,600	315,256
Repayment of net interest	433,133	204,168	228,965
Payment of dead gratuity	658,797	826,000	(167,203)

2.2.5 Accounts Receivable and Payable

Following observations are made.

(a) A sum of Rs.608 million had been paid as loan to the Farmers' Pension fund to pay farmers' pensions and the outstanding amount including interest as at the balance sheet date was Rs.608 million .The Fishermen's Pension Fund had failed to recover the outstanding amount even up to 20 May 2013.

(b) Audit fees payable aggregating to Rs.1,059,025 had not been settled for long period of time.

(c) The unpaid fisherman pension amounting to Rs. 823,980 had not been shown as payable balance in the statement of financial position for the year under review.

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

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

	Reference to Laws, Rules 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 consist of 12 members, comprising 06 ex-officio members and 06 nominated members as per provisions, only 06 members had been appointed for the year 2012.
	(ii). Section 26	Action had not been taken to inform the relevant members regarding the cancellation of membership who had defaulted membership fees in terms of the Act.
(b)	Public Enterprises Circular No. PED 12 dated 02 June 2003	
	(i) Paragraph 7 of chapter 9	Special allowances totaling Rs. 352,428 had been paid to certain officers without obtaining the approval of the Treasury.

2.2.7 Transactions of Contentious Nature

The interest amounting to Rs.55,301,495 had been recognized as interest income in the year under review on funds granted to the Farmers' Pension and Social Security Benefit Scheme for the payment of farmers' pension. However there was no any agreement to make payment of fixed rate of interest between these two schemes. Since this interest income represented 92.5 percent of the total income for the year under review, recognizing the above amount as interest income of the Scheme is open to question.

3. Financial Statements

3.1 Financial Results

According to the financial statements presented, the working of the Scheme for the year under review had resulted in an operating surplus of Rs. 30,667,022 as compared with the corresponding surplus of Rs.15,705,562 for the preceding year, thus indicating an increase of Rs.14,961,460 or 95 per cent in the financial results. Details are given below.

	Year ended 31 December		Variation
	2012	2011	
	Rs.	Rs.	%
Interest Income	59,813,431	40,525,747	47.6
Fishermen's Contribution	3,442,392	3,025,262	13.78
Pension Payments	(29,496,923)	(24,636,392)	(19.72)
Other Operating Expenditure	(3,091,878)	(3,209,055)	3.6
Operating Surplus	30,667,022	15,705,562	95.0
Operating Grant	-------	1,500,000	
Increase of Pension Liability	(181,213,000)	(170,403,000)	(6.0)
Administrative & Finance Expenses	(4,147,199)	(4,180,860)	0.8
Overall deficit for the year	(154,693,177)	(157,378,298)	1.7

Following observations are made in this regard.

(a) The interest income had been increased by 47.59 percent compared with the preceding year due to increase of interest receivable on loan given to the Farmer's Pension and Social Security Benefit Scheme. The interest of treasury bill was Rs.4,511,936 and it was 7.5 per cent from the total interest income.

(b) The fishermen’s contribution had been increased by 13.78 percent compared with the preceding year. Although total contribution to the pension fund for the year under review was Rs. 3,442,392 total pension payment for the year under review was Rs.29,496,923. Therefor pension payment exceeds the contribution by 757 per cent.

(c) Pension liability as at the statement of financial position date had been assured in terms of SLAS 36 based on actuarial valuation done in the year 2007. The increase of pension liability was shown as Rs. 181,213,000 in the financial statements for the year under review.

(d) Balance of the Fishermen’s Pension Fund of the Scheme had decreased from Rs. 27.4 million or 44 percent in the year under review as compared with the preceding year.

4. Operating Review

4.1 Performance

Following observations are made.

(a). The Board had not taken action to create any promotional programme for the recruitments of contributors to the scheme during the year under review.

(b). Although 2,140 contributors had been targeted for the year under review, the actual number of contributors enrolled was only 498 thus showing an achievement of only 23.27 per cent. It was also observed that even a single contributor had not been enrolled in three districts.

(c). Although the financial target of enrolment amounted to Rs. 4,117,000 for the year under review; the actual contribution was only Rs. 2,104 381. It was also observed that the reason for the low performance was that no any single contributor had been enrolled in two districts and one contributor had been enrolled in five districts

(d). Although the target of second and subsequent premium collection amounted to Rs. 5,978,000 from 39,854 contributors for the year under review, the actual collection amounted to Rs.830,605 from 1,122 contributors only. Accordingly, actual financial achievement was only 13.89 per cent and the actual enrolment progress was only 2.81 per cent, while 11 districts had not collected even a single premium.

(e) According to the Financial Statement, pension payment amounting to Rs. 29,496,923 had been paid while total contributions collected was only Rs. 1,793,052 or 6.0 per cent from pension payment during the year under review.

4.2 Operating Inefficiencies

The Board had not taken action to identify contributors whose membership of the Fishermen's Pension Scheme had not been forfeited and to recover the installments in arrears.

5. Systems and Controls

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

(a) Achievement of Objectives

(b) Payments of Benefits to Fishermen

(c) Cash Receivable

(d) Recovery of the 2nd and post installments

(e) Function of the Consultation Committees

H.A.S.Samaraweera

Auditor General

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கமத்தொழில் மற்றும் கமநலக் காப்புறுதிச் சபை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

විදුලි පණිවිඩ / தந்தி / Telegrams: රක්ෂණ / ரக்ஷன / Rakshana

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මගේ අංකය / எமது இலக்கம் / My Ref. No.: 2012/4/5/FR/2
ඔබේ අංකය / உமது இலக்கம் / Your Ref. No.:
දිනය / திகதி / Date: 08/07/2013

Audit Superintendent
Auditor General's Department
Colombo

<u>Answering to Report 14 (2) (c) of the Year 2012 presented in connection with Agricultural Insurance Scheme</u>

Answering for Report 14(2) (c) submitted herewith in relation to the Agricultural Insurance Scheme for the year 2011.

……………………………..
Director General
Agricultural and Agrarian Insurance Board

	සභාපති / தலைவர் / Chairman	සාමාන්‍යාධිකාරී / பொது முகாமையாளர் / General Manager	ප්‍රධාන කාර්යාලය / தலைமையகம் / Head Office
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Financial statements of Agricultural and Agrarian Insurance Board for the year ended 31 December 2012

Answers for the Report of the Auditor General as per section 14(2) (c) of Finance Act No.38 of 1971

2. Financial Statements
2.1 Opinion
2.2 Comments on the financial statements
2.2.1 Going concern of the Board

a) The Agricultural and Agrarian Insurance Board, established in 1973 is the only state institution involved in the field of agricultural insurance. It is our objective to become the apex protector of local agriculture. During the last six years, except in 2010 and 2012, the Board was successful in earning an operational profit.
The data in respect of the past five years are as follows-

Year	Premier Income	Payment of insurance compensation	As a percentage (%)
2007	37.5	21.3	56.8
2008	70.5	27	38.2
2009	83.4	31	37.1
2010	105.1	268.7	(255.6)
2011	157.4	57.3	36.4
2012	124.7	126.6	(101.5)

Perusal of these data reveals that except in 2010 and 2012, the Board was able to manage the compensation payments with the insurance income. Due to extreme weather conditions experienced in 2010 and 2012, compensation had to be paid to the insured farmers in order to help them to be back on their feet.

In emergency situations in the future, in case the Fund is found to be insufficient for the payment of compensation, it is expected to discuss the matter with the Treasury to find a solution to this problem.

(b) Farmers were adversely affected due to the extreme weather conditions that prevailed over the past few years. The Board was able to revive the living standard of farmers who had obtained insurance cover from the Board through speedy payment of compensation.

2.2.2 Sri Lanka Accounting Standards

a) Though the facing was presented as per the new Sri Lanka Accounting Standards, reclassification and remeasurement that should be done when presented for the first time was not done. In the coming accounting year, reclassification and remeasurement of the assets of the Board are expected to be carried out.

b) The Agricultural Insurance Scheme does not have any long term investments and all investments are short term. Therefore there is no difference between the market value and the book value of those investments.

c) Required disclosures are expected to be made in the future.

d) Though actuarial assessment was not carried out in computing the gratuity liability, the liability has been computed on the basis of actual salary. Even if separate investments were not maintained for this liability, these investments are included in the other investments of the Board.

e) The relevant case was disclosed in the financial report and it is expected to account it in respect of the year 2013 during which compensation was paid in pursuance of the court ruling.

2.2.3 Accounting Deficiencies

a) The feasibility study pilot project on the use of geoinformatics technology for operating crop cultivation activities is a research cost and this amount of Rs.153,836/= will be accounted as expenditure in the year in which it will be paid back to the University of Moratuwa.

b) This amount of PAYE tax deducted from the monthly allowance of the former Chairman has been accounted in 2013 which is the year this expenditure was borne.

c) In pursuance of the disciplinary inquiry report conducted by the Board, this was accounted in 2013, the year in which the salary arrears were paid.

d) As final accounts have to be prepared by 28 February, all accrued expenses reported at the time of the accounts were prepared have been accounted. Expenses that were reported subsequently are expected to be accounted for the year 2013.

e) Rentals of several district offices have been paid for several months at once and have been accounted as expenditure at the time of payment. In future, if office rentals and assessment taxes are paid upfront for several months in the coming year, action will be taken to show it as an advance payment.

2.2.4 Unexplained Changes

a) The income shown in the final accounts is correct and as adjustments are made in preparing accounts and as income is received directly from Browns Limited, the insurance income indicated in the operations division and final accounts cannot be compared.

b) As allocation is made for insurance compensation in preparing the final accounts, this cannot be compared with compensation of insurance division.

2.2.5 Accounts Receivable and Payable

(a) Though the relevant debtors have been informed through letters of demand and letters about the loans and advances not being recovered as indicated by the following items out of the sum of Rs 2,254,178/= shown as employee loan advance balances, so far measures have not been taken to loan and advance balances. Therefore necessary action is expected to be pursued to recover the following balances from the guarantors, if there are any. Action will be taken to constitute legal action against other debtors as per the decision of the Board of Directors.

	Amount (Rs)
a. Distress loan	1,238,190.00
b. Festival advance	55,300.00
c. Special advance	17050.00
d. Motor cycle loans	341,572.00
e. Employee special loans	4,800.00

(b) Permission was sought from the Board of Directors on 28.12.2012 to recover the loans and advances due from employees who have passed away from their gratuity advance and settle the balances. Detailed information in this connection will be brought to the notice of the Board of Directors once again at the meeting scheduled for 01.07.2013 and once the approval is received, action will be taken to settle the balances.

(c) STC has been noticed of the sum of Rs. 145,008/ due from them and necessary action is being pursued to recover the said amount.

(d) Since this balance is more than 20 years old, action will be taken to notify the Board of Directors and write off from the accounts.

(e) Thos loan granted to the Farmers' Pension Scheme from the Agricultural Insurance Fund for the payment of farmers' pension is due to be considered under the proposed restructuring process.

(f) Employees who were released to external organizations and whose salaries had not been disbursed no longer serve in these institutions and action will be taken to notify the Board of Directors for a decision.

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

a) In calculating the Employees' Provident Fund, the Board takes into account the basic salary, farmers' pension allowance and the acting allowance. The cost of living allowance granted from time to time through budget proposals and the special allowance of 15% have not been considered for this calculation. In pursuance of the instructions of the Labour Commissioner , action was taken to include these allowances as well in calculating the EPF.

b) In calculating the Employees' Trust Fund, the Board takes into account the basic salary, farmers' pension allowance and the acting allowance. The cost of living allowance granted from time to time through budget proposals and the special allowance of 15% have not been considered for this calculation. In pursuance of the instructions of the Labour Commissioner, action was taken to include these allowances as well in calculating the ETF.

c) Though Fishermen's Pension Allowance has not been taken into consideration in calculating the PAYE tax, action has been taken to disclose this allowance in the T10 report submitted in respect of each employee to the Inland Revenue Department.

d) Instructions were given to update the register on damaged items.

2.2.6 Uneconomic Transactions

The water bill for February 2011 had been missed due to an oversight as only the bill for March had been paid. Therefore reconnection fee of Rs. 6720/= had to be paid. Action will be taken to prevent recurrence of such in future.

Transport arrangements were made having notified the Board about the inconveniences faced by the employees residing in Gampaha and surrounding areas who commute by train to report for duty on time after the head office as shifted to Gangodawila. This transport service was operated from the Maradana railway station and despite the availability of this service; the inconveniences experienced by these employees still prevailed due to delays in train services.

However as the relevant transport agreement had been signed for a period of six months, it had be continued until 31.12.2012. With the expiry of the agreement, the service was terminated on 31.12.2012. Instead these employees were granted a grace period for arrival and departure.

We wish to point out that the provision of transport facilities to employees from Gampaha area on a decision taken by the Board of Directors was a relief granted to employees having taken into account the grievances aired by these employees and not an uneconomic transaction.

(c) Though this was considered as a futile expenditure as submitted by you, it does not fall under the category of unproductive expenditure.

As per the lengthy and comprehensive answer dated 28/10/2013 to your audit query in this regard dated 16/01/2013 bearing No. FB/E/AAIB/2012/AQ/05, the importance of this project what was intended to be achieved through it were highlighted.

As discussions were held to transfer the implementation of the agricultural insurance in a more expansive manner to another institution in keeping with the policy of the government, the Board will no longer make an effort to develop other infrastructure facilities and carry forward its activities.

However, if the outcome of the research project cannot be employed effectively in the future by the Board, it can be handed over to the institution to which agricultural insurance is to be handed over in the future and they will be able to put into use for the insurance operation process.

3. Financial Review

3.1 Financial Results

3.2 Analytical Review of the Financial Results

3.3 Matters of Contentious Nature

In covering the agricultural loans issued by banks, the premium in respect of the insurance is deducted at the same time the loan is released and the receipt for same is issued at the bank itself. Since loans are released to the deserving persons who cultivate their lands, there are instances where the Board gets the insurance proposal in respect of the loan completed then and there or within a few days of releasing the loan. Since this is a process involving three parties such shortcomings do occur. As such shortcomings cannot be totally eliminated in carrying out insurance activities; measures will be taken to minimize them. District offices have been briefed on this matter from time to time.

Sine the agricultural insurance is a highly complex process, you are kindly informed that measures have been taken to release compensation if the damages caused had been verified as true and the farmers who suffered damages had been correctly identified and it had been recommended (D.A.D)

(b) The amount remains to be recovered is Rs 125, 040.00. District Assistants were briefed at the location itself where mobile compensation was computed to take necessary measures to deduct these amounts from farmers from whom arrears were due when compensation was released during the Maha season and forward the same to the Board.

4. Operational Review

4.1 Performance

Administration of Insurance Schemes

(a), (b), (c)

On account of the fund of the Farmers' Pension Scheme becoming zero in the year 2012, the payment of pension to contributors of the Farmers' Pension Scheme as well as to those contributors who qualified anew to be entitled to the pension came to a standstill. Until funds are received from the government the pension of these contributors is in limbo. With the suspension of the benefits of the Farmers' Pension Scheme which was the most beneficial scheme that brought direct benefits to farmers, the farmer community lost the trust they reposed in the AAIB. Since all insurance schemes designed and implemented by the Board exclusively focus on farmer community, it became difficult to propagate other schemes amongst farmers and convince them to join such schemes. Farmers refused to be members of other schemes until they were paid farmers' pension. Thus, both the financial as well a physical progress of all schemes registered a substantial year on year decline.

Since ours is an institution with limited number of officials, the support of other institutions involved in agriculture is fully enlisted in implementing insurance at field level. Accordingly, the help of the Agrarian Development Department, District Secretariats, Divisional Secretariats, Agriculture Department, Minor Export Crops Department, Animal Products and Health Department, Samurdhi Authority and Mahaweli Authority and their regional offices was mobilized in implementing the relevant plans and achieving goals. In particular the assistance of the relevant field staffs of these institutions was drafted outright.

Support of officials such as Agricultural Research and Production Assistants, Grama Niladharis, Agricultural Instructors, Unit Managers, Veterinary Officers and Animal Development Instructors who work very closely with farmer community in field activities was liberally rendered for this purpose. Their support was unfailingly received in popularizing the Farmers' Pension Scheme and they too had to face the crisis stemmed from the suspension of the scheme. Consequently, they stopped the support hitherto extended to the Board and making it problematic for our organization to carry out field activities. This general displeasure of the officials towards AAIB spread gradually to the District Agricultural Committees and even the support extended at district level was abandoned. The Colombo District Agricultural Committee Report outlining the decisions arrived at following discussions in this regard at the Colombo District Agricultural Committee and the letter of the Colombo District Assistant Director are submitted as Annex 01. It was stated therein that that no support would be given to propagate any insurance scheme until a solution was found to the farmers' pension problem. This situation prevailed throughout the island and the rapid downward trend in the Board's income continued when compared with 2011. A decline was registered in both physical and financial sectors and depending on the physical environment of each district the decline varied slightly.

In addition, the decrease in the volume of agricultural loans released by banks had a direct impact on the lack of progress in agricultural insurance. Crop harvests of farmers were destroyed in sweeping floods in 2010/2011 and the prolonged drought in 2011/2012 and as a result the percentage of loan repayment by farmers dropped drastically. Conversely, the agricultural loans given by banks were reduced and the progress of agriculture based insurance too declined proportionately. Loans give for other crops such chili too were restricted and the relevant targets could not achieved as a result.

The perennial export crop insurance scheme was implemented targeting the cultivations under the subsidy programme of the Export crop Department and the low level of the subsidy served as a major stumbling block in propagating such insurance activities.

Another competitor insurance company too entered this particular sector of insurance and especially institutions such as SANASA offered more attractive terms, relief measures in livestock insurance and in the livestock insurance scheme to the expected progress could not be achieved.

Premium percentages of SANASA for cattle insurance under the Livestock Insurance were less and therefore more attractive that the premium percentages of our institution. Owing to the financial constraints faced by the Board, it was not in a position to reduce premium percentage while the premium percentage charged by SANASA for cattle insurance remained a low as 3% o the insured value. Inclusive of all taxes, it has charged a value ranging from 3.56% to 4.6%.

These premium percentages were considerably less than the premium percentages charged by the Board and it was difficult for the Board to maintain similarly low level of premium. Therefore many state sector institutions who had insured their animals with Board switched to SANASA causing the progress in this sector to be severely retarded. As a result, the Board was compelled make certain revisions as regards its premia during the year. However the revised premia were still not sufficient enough to be competitive with SANASA and the cash strapped Board is not in a position currently to bring the premia down further.

Further, the goat insurance project is only applicable only for goats of state funded projects. Accordingly, the achievement of goals fluctuates with the increase or decrease of the projects carried out by the government for distributing goat s. Since there has been a decrease in the projects to which goats were distributed by the government, the progress of this insurance too is limited. Further private institutions carrying out similar insurance activities offer much more attractive commissions to officers involved than the commissions paid by the Board and this too is hindering the progress in this sector. However, in the cattle and goats insurance, the Anuradhapura and Vavuniya districts were able to exceed the relevant targets and the Gampaha, Mannar, Batticaloa, Kurunegala, Vauuniya and Manapitiya districts have recorded a progress of more than 90%. In addition, Monaragala district posted a progress exceeding 65%, Badulla district exceeding 575, Trincomalee district exceeding 46% and Kegalle district exceeding 42%. The Nuwaraeliya, Ratnapura and Puttalam districts achieved a progress over 30% while the progress of Matale, Galle and Kandy was above 20%. The Ampara and Colombo districts attained a progress exceeding 195. The progress of the Hambantota district was 15.39%. Polonnaruwa and Udawalawa registered a progress exceeding 10% and the only districts to record a progress below 10% Kalutara and Matara.

For Agricultural Equipment Insurance, Life Insurance and Suwasetha Insurance, farmers have to be motivated to join voluntarily but the non-payment of farmers' pension served as a deterrent in tempting to join these schemes. Most of the farmers flatly rejected to join any other schemes until they were paid farmers' pension.

Though the stores insurance was implemented as a state sector entity to supplement the paddy cultivation insurance by insuring paddy purchased and stored by the government, as the head office of the Sri Lanka Insurance Corporation had taken measures through the Paddy Marketing Board to insure the government paddy storage facilities, the relevant districts were unable to achieve the targets. Therefore no progress whatsoever could be made either in a district like Gampaha where paddy is a small scale cultivation or in Ampara where paddy is a large scale cultivation.

(d) All the above mentioned factors also affected the Flower, Coconut and Sugarcane Insurance. In addition the following factors too contributed to the lack of progress in the said schemes. As there aren't many large scale flower cultivations in the country, it is difficult to operate the flower insurance scheme. Similarly, in home-garden based small scale cultivations, the number of plants that withers away is insignificant and as such flower cultivators are not keen on insurance. As loans too are not granted for such small scale cultivations, the relevant targets could not be insured at all.

The Coconut Insurance was implemented on a request made by the Coconut Development Ministry and the Coconut Cultivation Board in the Kurunegala, Puttalam, Gmpaha and Kegalle- the areas coming under the purview of the coconut triangle. Accordingly, the insurance cover was offered to farmers whose lands were for cultivation selected under the coconut re-cultivation aid programme of the Coconut Cultivation Board and the insurance period was valid only for four years from the day of planting. However since the implementation of such special projects is limited, measures could not be taken to achieve these insurance targets. Under this scheme other coconut cultivations are not insured. The progress of the scheme hinges on the subsidies given by the Coconut Cultivation Board. As there was a drop in these subsidies, the expected progress could not be achieved.

Plans for sugarcane cultivation insurance scheme were designed for Hingurana and Pelawatta sugarcane plantations. A proposal was made by the management of the Hingurana Sugarcane Limited to reduce the premia, but the financial situation of the Board could not accommodate a reduction in the premia. By now SANASA has entered the insurance market as a competitor and they have agreed to insure the cultivations for lesser a premium. Insurance activities of Hingurana Plantations are now carried out by SANASA and it was yet another loss for our institution.

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

4.2 Management Inefficiencies

The arbitrator of the Labour Tribunal who heard the complaint made by former Assistant Director Mrs R.P.Bandumathi ordered the Board through a Gazette Notification to pay a sum of Rs 225,500/= as arbitration award. The Board had filed a writ application in the Civil Appellate Court challenging this ruling. However as the former Deputy Director of the Board (Legal) had not handed over the relevant documents to the attorney at law representing the Board, he did not appear before the court when the case was called on 02.05.2012. Deputy Director (Legal) Mr. K.L.M.Dias was in charge of these duties and due to his inefficiency and in the backdrop of the termination of the appointment due to non-submission of the relevant documents, the Board was unable to execute these duties under the circumstances. On account of these reasons, neither a lawyer nor a representative of the Board appeared in the court and the case was dismissed. Therefore the Labour Commissioner had filed a case in the Nugegoda Magistrate’s Court against the non-payment of the arbitration award and Board deposited a sum of Rs.200.000/- as arbitration award in the court to be paid to the employee concerned. Under the circumstances that prevailed such an oversight was unavoidable. Hence we would like to point out that this was not a deliberate act and wish to inform you that the action will be taken to pursue the matter with the support of the Attorney General’ Department.

4.3 Unutilized Assets

(a) Quotations have been called for the repair of vehicles bearing No. 31-4288, HH 7355, HH 7263, HH 6983 and necessary action is being pursued. It is expected to put these vehicles to use after repairs.

(b) Immediate action will be taken to destroy the printing stock and hereafter steps will be taken to remove the relevant assets from the accounts.

4.4 Delayed Projects

As this was a marshy land instructions were received from the Ministry of Agriculture to drain the water prior to the preparation of the ground and a sum of Rs.565,800 was spent on these development activities. However as the relevant funds could not be secured from the Treasury for future activities, the project had to be abandoned midway. However a request has been made by the Treasury to include the provisions required for the construction of the building in the budget estimates of every year. Since there is a problem pertaining to getting the provisions allocated to construct a building in this location, a discussion will be held with the Land Reclamation and Development Corporation regarding the amount paid to them and action will be taken accordingly.

(Audit query relevant to this matter EF/AAIB/2011/03 dated 01.08.2011 was responded to through No: 3/6/2 and dated 30.08.2011)

4.5 Constructing buildings in lands whose ownership is not with the Board

(a), (b)

The Board has constructed the Regional Office of Embilipitiya in a land acquired from the Sri Lanka Mahaweli Authority in 1986during that period legal ownership was for the relevant lands had not been transferred. Subsequently there had been a programme to transfer these lands to the line ministry. However the Mahaweli Authority had not sent notifications in this regard. At present, there is no direct transfer of Mahaeli lands to public enterprises (Corporations, Boards).

The office building and land in Thambuttegama belong to the H Zone o the Sri Lanka Mahaweli Authority and as in the case of Embilipitiya land, this too had not been legally transferred. This building had subsequently been repaired by the Board. It appears that the senior management of the Board had taken measures to construct buildings in these lands with the hope that their ownership would be vested in the Board.

In pursuance of the notice given in the year 2011 by the residential project manager for the payment of taxes in arrears for the Thambuttegama office, the money was paid a request was made for a 30 year lease agreement.

It was for the first time that it was noticed to pay taxes in arrears up to year 2012 for the Embilipitiya land.

This was a policy decision taken recently by the Sri Lanka Mahaweli Authority.

Though the board of directors was informed about these requests regarding the payment of taxes in arrears and a copy too was sent to Secretary of the Ministry seeking relief, and the Board had been notified to pay the said tax money in arrears.

However, under the prevailing circumstances, these lands cannot be permanently taken over by the Board and have to be retained under the long term lease agreements.

(Audit query relevant to this matter EF/AAIB/2012/AQ/10 dated291.04..2013 was responded to through No: 3/6/2 and dated 16.05.2013)

4.6 Human Resources Management

The Board of Directors had instructed to temporarily suspend the permanent appointments to vacancies indicated from 31.12.2010 to 16.05.2010 under the ongoing restructuring process

Vehicle	Reason
31-4288	Though it was mentioned that it was owned by the Agricultural Development Authority, since that Authority had now been closed down cannot proceed with the acquisition.
HH7355	The Ministry of Agriculture had estimated the price of these vehicles and notified the Board to pay the estimated prices and acquire them. However as financial provisions had not been received, the board is not in a position to proceed with the acquisition.
HH7263	
HH6983	
HH7563	
HH6105	
35-5210	The Board is unable to proceed with the acquisition as it is owned by the UN Food and Agriculture Organization.
51-2423	This vehicle belongs to the perennial crop project and since the registration book of this vehicle is in custody of the court in respect of a judicial matter, it is not possible to proceed with the taking over.
Obtaining revenue licenses and insurance activities of vehicles HH 7563, HH6105, 32-5210, 51-2423 have been updated.	

5. Accountability and Good Governance

5.1 Corporate Plan

Having reviewed the Corporate Plan compiled for 2005-2010, a new corporate plan was prepared for the period of 2008-2012 with the contribution of all executive officers of the Board and the budget and the action plan of the Board are formulated every year based on this new plan. Since the Treasury is making plans now for the restructuring of the Board, it is expected to prepare Corporate Plan in the future to be consistent with the said restructuring process.

The Action Plan was compiled in line with the Corporate Plan and operational targets were assigned to district offices. Whilst monitoring the relevant operational targets, the Board employed the Action Plan as a good governance tool

5.3 Budgetary Control

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

6. Systems and Controls

It is anticipated to take necessary action to exercise a proper control in the spheres of insurance schemes, payment o f compensation, internal audit, corporate plan, employee loans and rules and regulations.

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கமத்தொழில் மற்றும் கமநலக் காப்புறுதிச் சபை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

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Audit Superintendent
Auditor General's Department
Colombo

<u>Answering to Report 14 (2) (c) of the Year 2012 presented in connection with Farmers' Pension Scheme</u>

Answering for Report 14(2) (c) submitted herewith in relation to the Farmers' Pension Scheme for the year 2012.

……………………………..
Director General
Agricultural and Agrarian Insurance Board

දුරකථන / தொலைபேசி / Telephones	සභාපති / தலைவர் / Chairman	සාමාන්‍යාධිකාරී / பொது முகாமையாளர் / General Manager	ප්‍රධාන කාර්යාලය / தலைமையகம் / Head Office
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Answers to Report 14(2) (c) submitted herewith in relation to the Farmers' pension Scheme for the year 2012.

2. Financial Statements
2.1 Opinion
2.2 Comments on the financial statements
2.2.1 Going concern of the Pension Scheme

Agrees with the audit observations concerned. This situation has arisen owing to the continuation of the premia charged with a fivefold increase in the benefits of the Farmers' Pension Scheme and action is pursued to obtain from the General Treasury the monies required for the payment of farmers' monthly pension under the scheme now in operation.

2.2.2 Sri Lanka Accounting Standards

a) Though the facing was presented as per the new Sri Lanka Accounting Standards, reclassification and remeasurement that should be done when presented for the first time was not done. In the coming accounting year, reclassification and remeasurement of the assets of the Board are expected to be carried out.
b) The Farmers Pension Scheme does not have any long term investments and all investments are short term. Therefore there is no difference between the market value and the book value of those investments.
c) Required disclosures are expected to be made in the future.
d) Though actuarial assessment was not carried out in computing the gratuity liability, the liability has been computed on the basis of actual salary. Even if separate investments were not maintained for this liability, these investments are included in the other investments of the Board.
e) Pension liability for the year 2012 has been computed on the basis of actuary report of the year 2007.

2.2.3 Accounting Policies

(a) As provisions were directly allocated with the direct intervention of the Treasury in paying pension allowance for the districts of Polonnaruwa and Anuradhapura, adjustments were not made to the Board's liability.
(b) In accounting the liability of the pension scheme, the commission fee for the payment of pension which is a directly linked expense to the payment was taken into account.

2.2.4 Accounts Receivable and Payable

(a) Indicated as the receivable income in the balance sheet is the value that should have been received by the Board from cooperatives and rural banks as at 31.12.2012. There are 450 such entities throughout the island and though we have requested nearly 350 of them to send us the confirmation of balance, we have not received such conformation of balance from some of them. However more than 45% have sent the conformation of balance and it is a very high percentage when compared with preceding years.
(b) In view of the current financial situation of the Board, a request was made from the Auditor General to reduce the amount quoted as audit fee. Action will be taken to pay audit fees in the future on the basis of the decision to be given by the Auditor General.

(c) As per the instructions given at the discussion held at the Treasury to find a solution when the fund of the Farmers' Pension Scheme became zero, farmers' pension was paid using other funds, these funds were taken from the Fishermen's Pension Scheme Fund and the Agricultural Insurance Fund. During the proposed restructuring process to be carried out with the intervention of the Treasury, it is expected to consider the settlement of these funds.

2.2.5 Matters of Contentious Nature

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.

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..

2.2.7 Lack of Evidence for Audit

The register for the payment of farmers' pension relevant to the Polonnaruwa District has been handed over to the Board by the District Secretary.

3. Financial Review

3.1 Financial Results

3.2 Analytical Review of the Financial Situation

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

(b) The premia income has dropped as a result of not promoting the existing Pension Scheme and the expenditure for the payment of pension has increased as more contributors to the pension scheme have become entitled to pension.

(c) Investments in the scheme have gradually decreased due to the utilization of the reserve funds for the payment of farmers' pension. Since reserve funds became zero in 2010, only the premia income was invested short-term thereafter. Investment income too has registered a corresponding decrease.

4. Operational Review

4.1 Performance

(a) As the financial crisis could have further deteriorated as a result of the increase in liabilities by having more contributors to the scheme, after the Farmers' Pension Fund became zero in August 2010, the enrollment of the farmers to the scheme was suspended in August 2010.
(b) Therefore until a permanent solution is found as regards the feasibility of the scheme, no new contributors were enrolled in 2012 and therefore an Action Plan in this regard was not prepared.
(c) Since no permanent decision has hitherto been taken regarding the sustainability of the farmers' pension scheme, second and subsequent premia have been charged.
(d) As new enrollments would further increase the liability of the scheme, no new enrollments were made in the current year.

4.2 Management Inefficiencies

Necessary action is now being taken to write off these unrealized cheques which are more than 20 years old from the accounts.

4.4 Delay in Projects

(a) & (b)

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

Systems and Controls

Necessary action for the proper control of the computer system and the systems on financial management, payment of pension and unpaid pension are expected to be carried out.

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දිනය / திகதி / Date } 02/09/2013

Audit Superintendent
Auditor General's Department
Colombo

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

Answering for Report 14(2) (c) submitted herewith in relation to the Fishermen's Pension Scheme for the year 2012.

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Director General
Agricultural and Agrarian Insurance Board

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<u>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 2012</u>

2. Financial Statements

2.1 Opinion

2.2 Comments on the financial statements

2.2.1 Going concern of the Scheme

2.2.2 Accounting Standards and disagreements

2.2.2 Sri Lanka Accounting Standards

a) Though the facing was presented as per the new Sri Lanka Accounting Standards, reclassification and remeasurement that should be done when presented for the first time was not done. In the coming accounting year, reclassification and remeasurement of the assets of the Board are expected to be carried out.

b) The Farmers Pension Scheme does not have any long term investments and all investments are short term. Therefore there is no difference between the market value and the book value of those investments.

c) Required disclosures are expected to be made in the future.

d) Though actuarial assessment was not carried out in computing the gratuity liability, the liability has been computed on the basis of actual salary. Even if separate investments were not maintained for this liability, these investments are included in the other investments of the Board.

e) Pension liability for the year 2012 has been computed on the basis of actuary report of the year 2007.

2.2.3 Accounting Deficiencies

a) Though a sum of Rs. 1,500,000 is apportioned annually by the Ministry of Fisheries for the implementation of the Fishermen's Insurance Scheme, there is no formal agreement between the Ministry of Fisheries and the Board stating that it is mandatory to grant this amount. As necessary legal action is being pursued by the

Ministry of Finance and Planning to restructure this pension scheme, the Board has not been able to obtain this amount

b) The commission fee which has to be incurred in the payment of pension has been treated as a direct expenditure connected with the payment of pension. When compared with the pension liability of Rs. 2,149, there is no significant impact on the total liability by adjusting this direct liability.

c) After the responsibility of implementing the Fishermen's Pension Scheme was entrusted to the Board in 1991, a separate staff has not been recruited for this purpose. Six officials have been assigned for the duties of this section and their salaries and gratuity have been absorbed into this section on a uniform basis. Though they are deployed temporarily for other duties of the Board due to the shortage of employees, action has been taken to treat them as employees of the Fishermen's Pension Scheme.

2.2.4 **Unexplained Changes**

Information presented in accounts statements is correct.

2.2.5 **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 recover this amount under the proposed restructuring process.

b) In view of the current financial situation of the Board, a request was made from the Auditor General to reduce the amount quoted as audit fee. Action will be taken to pay audit fees in the future on the basis of the decision to be given by the Auditor General.

c) Pensions unclaimed once they were sent to the post offices for the payment of Fishermen's Pension are not accounted as a payable balance and if it had to be paid again on a special reason, such will be treated as an expenditure of the year in which it was made.

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 Fisheries and appointment were made.

With the expiry of the term of office of the members, it was conveyed to them and measures have been taken for the reappointment of members again.

(ii) Enrollment to the Fisheries Pension Scheme and the recovery of subsequent premiums is effected by the officers of the Department of Fisheries. A report on the contributors whose membership has lapsed has been submitted to the Ministry of Fisheries. A large number of contributors whose membership has lapsed are those who disappeared owing to the Tsunami and further action in this regard will be taken by the Ministry of Fisheries.

b) Some additional work connected with the Fisheries Pension Scheme operating under the Ministry of Fisheries has been entrusted to the 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 are reimbursed to the Board by the Ministry of Fisheries 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

2.2.7 Matters of contentious nature

Since the funds released from the Fishermen's Pension Scheme to the Farmers' Pension Scheme have been accounted treating such funds as a loan, interest adjustments have been made. As action is being pursued now to restructure all pension schemes a decision is expected to be taken receivable loans and the interest.

3.0 Financial Review

3.1 Financial Results

3.2 Analytical Review on Financial Situation

4. Operational Review

4.1 Performance

4.1 Performance

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

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

4.2 Inefficiencies in Operation

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

5. Systems and Control

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