

Annual Report

2015



Agricultural and Agrarian Insurance Board

No. 117, Subhadrarama Road, Gangodawila

Nugegoda

Contents

• Submitting the 2015 Annual Report to the Hon. Secretary	01
• Message of the Chairman	02
• Vision and Mission of the Institution	03
• Board of Directors	04
• Organizational Structure of the Institution	05
• Forward	06
Reports of Directors in charge of divisions	
• Operations Division	09
• Insurance Division	13
❖ Agricultural Insurance Activities and Livestock Insurance Activities	
• Farmers' Pension Division	16
❖ Farmers' Pension & Social Security Benefits Scheme and Fishermen's Pension & Social Security Benefits Scheme	
• Administration and Human Resources Division	23
• Internal Audit Division	28
• Finance Division	31
Accounts	
• Financial information for previous five years	33
• Consolidated Financial Statements for all Schemes	37
• Agricultural Insurance Scheme	40
• Farmers' Pension and Social Security Benefit Scheme	64
• Fishermen's Pension & Social Security Benefits Scheme	82
Auditor General's Report	
• Agricultural Insurance Scheme	98
• Farmers' Pension and Social Security Benefit Scheme	108
• Fishermen's Pension & Social Security Benefits Scheme	117
Answers to Auditor General's Reports	
• Agricultural Insurance Scheme	126
• Farmers' Pension and Social Security Benefit Scheme	136
• Fishermen's Pension & Social Security Benefits Scheme	142



காசிகார்திக னை ஁வீசன ரக்தஸை மஸ்திடலுட
கமத்தொழில் மற்றும் கமநலக் காப்புறுதிச் சபை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

பி஁஁஁ பகிபி஁ } ரக்தஸை
தந்தி } ரக்ஷண
Telegrams } **Rakshana**

117, ஐ஁஁஁஁஁஁ பார, ஁஁஁஁஁஁஁஁, ஁஁஁஁஁஁஁஁

117, Subadrarama Rd., Gangodavlla, Nugegoda

மீ஁஁஁ ஁஁஁஁஁
஁஁஁஁஁ ஁஁஁஁஁஁஁஁ } AAIB 8C
My Ref. No. }

஁஁஁஁஁ ஁஁஁஁஁஁஁஁
஁஁஁஁஁ ஁஁஁஁஁஁஁஁ }
Your Ref. No. }

஁஁஁஁஁ } 2016-05-16
தி஁஁஁஁ }
Date }

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

Hon. Secretary,

Annual Report -2015

I submit herewith the Annual Report on the working of the administrative, operational, and financial activities of the Board which incorporates all its activities during the year 2015.

Sydney Gajanayake
Chairman
Agricultural and Agrarian Insurance Board

஁஁஁஁஁஁
தொ஁஁஁஁஁஁஁஁
Telephones }
஁஁஁஁஁
஁஁஁஁஁஁஁஁
Fax }

஁஁஁஁஁஁
த஁஁஁஁஁஁஁
Chairman
011-2812571
011-2812572

஁஁஁஁஁஁஁஁஁
ப஁஁஁஁஁஁஁஁஁஁஁
Director General
011-5732397

஁஁஁஁஁஁஁஁஁
த஁஁஁஁஁஁஁஁஁஁஁
Head Office
011-5384000

Message of the Chairman

The primary function of the Agricultural and Agrarian Insurance Board is the implementation of agricultural insurance schemes as a risk management strategy in order to minimize the impact on economy of farmer community caused by the loss to their crops from unmanageable natural disasters and help in stabilizing their economy.

With this prime objective to the fore, 2015 can be termed as a year in which priority was accorded for the promotion of agricultural insurance schemes and this was further boosted by the decision of the government to award the insurance coverage of all paddy cultivations cultivated under the fertilizer subsidy scheme from the Maha season of 2014/15 itself to the Agricultural and Agrarian Insurance Board.

The premium income generated by the Board through agricultural insurance schemes in the year 2015 was Rs. 1137.5 million which incidentally is the highest ever recorded by the Board in its history. Compared to year 2014, the growth in the premium income in 2015 was 851%.

While 2015 was the best year for the Board in terms of income, it also paid Rs. 1104.2 million by way of indemnity to farmers whose crops were destroyed by flash floods in major agricultural districts of the island during the Maha season and this once again showcases the Board's commitment to render maximum service to the farmer community.

Hence the year 2015 is not only the year the Board grossed its highest income from premium income but it is also the year the Board paid the highest amount of benefits to farmers.

Sydney Gajanayake
Chairman
Agricultural and Agrarian Insurance Board

Agricultural and Agrarian Insurance Board

Vision

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

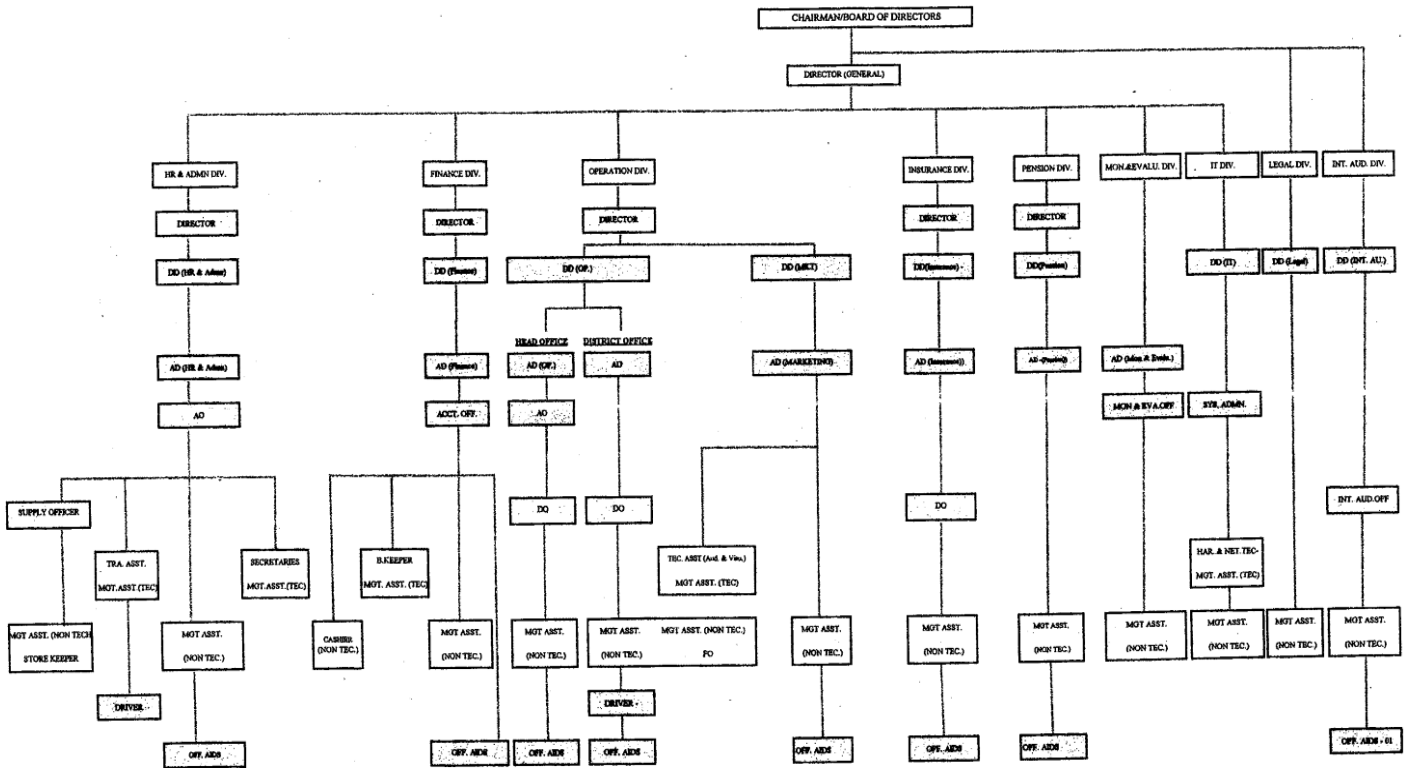
Mission

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

Board of Directors -2015

Mr. Sydney Gajanayake Chairman Agricultural and Agrarian Insurance Board	Chairman
1. Mr. M.A.S. Weerasinghe Commissioner General of Agrarian Development Department of Agrarian Development Colombo-07	Member
2. Ms Champa Balasuriya Director Department of Public Enterprises General Treasury Colombo 01	Member
3. Mr. N.P.V.C.Piyathilake Additional Secretary (Administrative and Finance) Ministry of Agriculture “Govijana Mandiraya” Battaramulla	Member

ORGANIZATIONAL STRUCTURE AGRICULTURAL & AGRARIAN INSURANCE BOARD

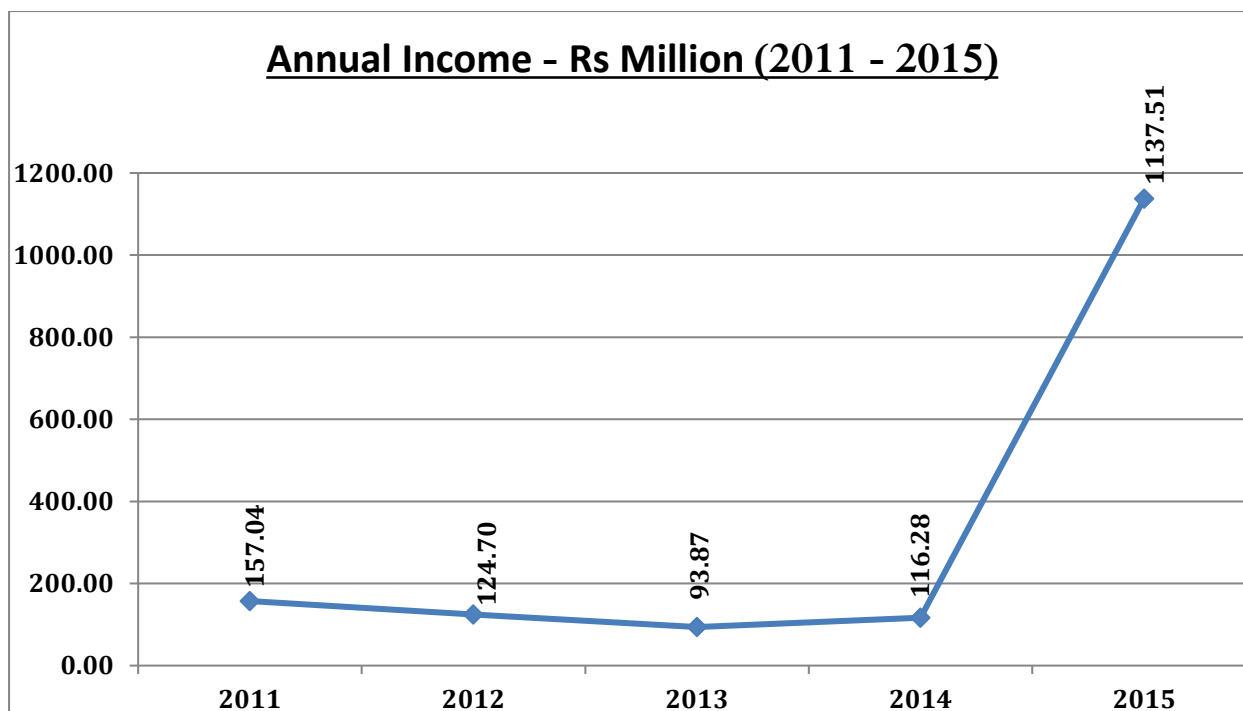


Foreward

The adverse impact caused by natural disasters triggered by weather and climatic changes to local agriculture is on the rise as never before. Damages to crops cultivated spending time, labour and money and looked after with immense difficulties from such natural disasters have become increasingly common occurrence. The Agricultural Insurance Board established by Act No. 27 of 1973 for the introduction of internationally recognized “agricultural insurance” to the local insurance sector as the only alternative to indemnify against the economic losses incurred by farmers as a result of unpreventable natural disasters has today become the foremost institution in the country for the protection of agriculture as well as agriculturalists.

Accordingly, over the past four decades, the Board has continuously discharged this responsibility entrusted to it and in the year 2015 too, the Board initiated measures to implement a host of insurance schemes island-wide. The premium income generated by the Board through these insurance schemes in the year 2015 was Rs. 1137.5 million which incidentally was the highest ever recorded by the Board in its history. Compared to year 2014, the growth of premium income in 2015 was 851%. Hence, year 2015 marked a watershed in the journey of the Board.

Insurance scheme	2011	2012	2013	2014	2015
Crop cultivation insurance schemes	119.07	99.80	82.18	94.25	104.60
'Kethata Aruna' insurance scheme					1006.40
Livestock insurance schemes	17.86	15.80	8.90	13.74	9.00
Warehouse and agricultural implements insurance scheme	5.88	6.55	1.53	0.62	1.08
Suwasetha and accident insurance scheme	14.23	2.55	1.26	7.67	16.43
Total (Rs Million)	157.04	124.70	93.87	116.28	1137.51



The primary function of the Agricultural and Agrarian Insurance Board is the implementation of the crop cultivation insurance schemes and in the year 2015 too this function was accorded the highest priority by the Board. Significantly, of the total insurance premium income of Rs. 1137.5 million in the year 2015, Rs. 1062 million was generated through crop insurance schemes.

Against the backdrop of farmers demonstrating less inclination towards agricultural insurance activities, the Board had been struggling to attain annual financial targets from crop cultivation schemes. Central to the record income in the year 2015 was the government's decision to entrust the insurance coverage of all paddy cultivations cultivated under fertilizer subsidy programme from the Maha season of 2014/2015 to the Agricultural and Agrarian Insurance Board. While 2015 was the best year for the Board in terms of income, it also paid staggering Rs. 1104.2 million as compensation for farmers whose crops were destroyed by flash floods in major agricultural districts of the island during the Maha season. Taking measures to stabilize the economy of farmers through the payment of speedy compensation was the standout achievement of the Board in the year 2015.

In addition to working towards safety and protection of agriculture as well as agriculturalists, the Board laid emphasis on the promotion of more profitable insurance schemes in the year 2015 with the objective of achieving financial stability for the Board. Accordingly, as per the powers vested in the Board through the Agricultural Insurance Act, the Board inaugurated and implemented the third party insurance scheme for motor vehicles in the year 2015. Thus the income of Rs 0.25 million earned from the Warehouse and Agricultural Implements Insurance Scheme increased up to Rs. 1.08 million in 2015. Similarly, the premium income from the Suwasetha health insurance which stood at Rs. 7.74 million in the year 2014 posted Rs 16.43 million in 2015 recording a two fold growth.

Since the insurance of cattle and goats under the Livestock Insurance Scheme is mostly carried out under special projects and livestock credit facilities, the premium income of this scheme is determined

in relation to this. Accordingly, though there was a year on year decline in the premium income from livestock development, the compensation paid under this scheme was only Rs 7.5 million as against the premium income of Rs. 9.0 million.

Though action was taken to introduce new insurance scheme as a solution to the financial crisis faced by the Farmers' Pension Scheme implemented by the Board, the new scheme could not be implemented due to several practical and social issues. Thus, though new members were not enrolled, the payment of benefits to farmers who had already subscribed to the scheme were paid using funds provided by the Treasury and the funds generated by post- premium income of the scheme.

Up to December 2015, Rs 2482 million was paid to 136421 farmers as pension and Rs. 12,164,421 was paid as death gratuity to 586 subscribers in 2015. The amount paid as disability benefit to 13 subscribers was Rs. 423,657 million.

Enrollment to Fishermen's Pension Scheme and payment of benefits continued unabated and as of December 2015, the total number of subscribers was 68840 and the number receiving pension benefits was 3322. During the year 2015, Rs. 49.4 million was paid as compensation and Rs 1.2 million was disbursed as death gratuity among 47 subscribers.

No officials were recruited to the Board in 2015 and two officers retired from the service during the year. Though the approved cadre of the Board is 421 as per the approved cadre plan, the number of employees at present is 294. Thus there are 127 vacancies in the Board at present.

2015 is a record year for the Board in terms of income growth as well as payment of benefits and the activities of the Board and its performance is set out in this report.

Operations Division

Operations Division

Though located outside the zone prone to constant natural disasters by the grace of Mother Nature, on the back of climatic changes and revolutionary advancement of technology, Sri Lanka too has run into a potentially explosive situation. According to the experts, the brunt of the deteriorating situation has to be borne by the agricultural sector. As a country with agriculture driven economy with agriculture labour force constituting 30% of the total labour force, one of the foremost responsibilities of the government is to identify and introduce strategies to mitigate agricultural risks. In the agricultural risk management involving minimizing the risks faced by agriculturalists and ensuring proper value for agro products, one of the key alternatives adopted by the government is agricultural insurance. The Agricultural and Agrarian Insurance Board as the foremost protector of the local agriculture is the only public sector insurance institution that plays a pivotal role in granting stability to agriculturalists and promoting agro products.

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

As the sole public sector institution that provides insurance services in the agricultural sector, the Operations Division took the initiative to implement a slew of insurance schemes island-wide in the year 2015 with the objective of fulfilling its responsibility of uplifting the local agriculture and stabilizing the economy of the agriculturalist to the maximum. The insurance premia income earned by the Board through these insurance schemes in the year 2015 was Rs. 126 million. In achieving this increase, the Board implemented a host of insurance schemes during the year 2015 as stated below giving priority to agricultural insurance.

1. Crop insurance schemes

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

2. Warehouse insurance scheme
3. Agricultural implements insurance scheme including tractors
4. Livestock insurance scheme
 - Goat
 - Cattle
5. Accident insurance scheme
6. Suwasetha health insurance scheme

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

1. At the 67th Independence Day Ceremony held at Polonnaruwa, the AAIB contributed a financial donation of Rs. 15,000.00 for the loud speaker system to carry out pre-publicity campaign of the ceremony. Through this, the Board was able give wide publicity to its insurance schemes and as a marketing promotion programme it was highly practical.
2. A workshop to create awareness amongst Divisional Agrarian Development Officers regarding the survey on farmers' pension on was held on 20/01/2015 at the Kurunegala District Office Hall of the Agrarian Services Development Department.
3. The traditional "Aluth Sahal Mangalya" or new rice festival at the Sri Maha Bodhi premises was held on 03.04.2015 under the patronage of His Excellency the President Maitrheepala Sirisena and the erection of the Pirith Mandapa, conducting the Maha Sangha to the venue of pirith chanting and attending to the needs of the bhikkus chanting pirith were sponsored by the Board and carried out by the members of the staff.
4. A ceremony to award compensation to farmers whose crops were damaged during the Maha season of 2014/15 was held under the aegis of the Hon. Ministers at Daya Apparels Reception Hall in Ampara on 05.04.2015. In addition, a ceremony to award 'Keethata Aruna Pohora Diriya' insurance compensation in respect of the Maha season of 2014/15 in the Gampaha District was held on 22.07.2015 at Sugatha Subdrarama Vihara, Ganemulla. Further, awarding 'Kethata Aruna- Pohora Diriya' compensation relevant to the Maha Season of 2014/15 of the Anuradhapura District was held on 03-04, 07.2015 at the Agrarian Services Centres at Koanwewa, Medawachchiya and Kemitigollewa under the patronage of the Minister of Agriculture Hon. Duminda Dissanayake.
5. Arrangements have been put in place for the preparation of posters, banners and leaflets required for the propaganda and promotional programmes conducted at the district level through the district offices and upon requests received from several districts including Anuradhapura, Ampara and Polonnaruwa the required materials were supplied by the Operations Division.
6. At the agricultural exhibition held in Anuradhapura from July 09 to 12 on a concept of the Minister of Agriculture Hon. Duminda Dissanayake, a stall demonstrating the activities and services of the Board was maintained and the public were made aware of the services of the Board through leaflets.

7. “Krusha Navodaya” agricultural, educational and trade exhibition organized by the Department of Agriculture was held from 28.07.2015 to 02.08.2015 at the Government Farm, Labuduwa, Galle a stall demonstrating the activities and services of the Board was maintained and the public were made aware of the services of the Board through leaflets.
8. An awareness programme on the third party vehicle insurance scheme introduced as a new scheme implemented by the Board and a programme for enrolling Agricultural Research and Production Assistants as agents of the new scheme were held on 22.08.2015 at the Rambukkana Pradeshiya Sabha building under the supervision of the Kegalle District Office.
9. At the meeting held at the Hambantota District Secretariat auditorium on 01.10.2015 concurrent to the national food production programme 2016-2018, officials participated representing the Board and the contribution that could be made by the Board in respect of the said programme was explained.
10. The opening of the new office of the Board in the Vavuniya district took place on 24.11.2015 with the participation of the Chairman, Director General, District Secretary of Vavuniya district and other senior public sector officials.
11. “Galu Samaya-2015 Educational, Agricultural, Commerce and Industrial Exhibition and Carnival” organized by the Agriculture Department of Southern Province was held from 27.12.2015 to 31.12.2015 at Dharmapala Park, Galle and people were educated on the services provided by the Board using handbills and posters.

Insurance Division
Agricultural Insurance Scheme
&
Livestock Insurance Scheme

As has been done in previous years, this year too the Insurance Division had to discharge its duties laying greater emphasis on paying compensation. Similar to the Maha season of 2014/2015, damages were caused to cultivations during the Yala season of 2015 as well and prompt action was taken to release funds to enabling speedy payment of compensation to affected farmers.

As the loss caused to paddy cultivation due to natural disasters was extensive and the number of loss claims were large, nine mobile programmes were conducted to release insurance compensation expeditiously covering the entire island.

Mobile programmes enabled the speedy release of funds for indemnity payable and the farmers of the entire district could be paid compensation at once.

Funds for the claims to indemnity submitted under “Kethata Aruna”, the national paddy cultivation insurance too could be released immediately.

The majority of claims to indemnity was made in the Anuradhapura, Batticaloa, Trincomalee and Ampara districts.

Further, a new computer programme (Use of access programme for claim process) was designed to facilitate the process of releasing indemnities under the ‘Kethata Aruna’ insurance scheme a workshop was conducted to brief the officers on its usage. A summary of the award of indemnity during the year 2015 is given below.

Summary of the award of indemnity in the year 2015

Agriculture loans						
Paddy cultivation -				Maize cultivation -		
Season	No of farmers paid compensation	Acreage for which compensation was paid	Compensation Rs. Mn	No of farmers paid compensation	Acreage for which compensation was paid	Compensation Rs. Mn
Maha14/15	5315	16476	141.2	2133	30244	31.9
Yala 15	221	590	5.1			
Total	5536	17068	146.9	2133	30244	31.9

Kethata Aruna			
Season	No of farmers paid compensation	Acreage for which compensation was paid	Compensation Rs. Mn
Maha 14/15	123160	237819	881
Yala 15	11206	12896	79.5
Total	134368	250688	970

Accordingly, action was taken to release a sum exceeding Rs. 1150 million in the year 2015 as crop insurance indemnity.

Several programmes were also conducted to educate officials of Regional Development Banks as to how crop cultivation activities would be operated in the future.

Similarly, taking into account the market requirements received from districts, action was taken to expand insurance cover for cultivations done during the intermediate season.

Measures were also initiated to further update and implement promotional programmes operated under Suwasetha medical insurance and accident insurance and steps were taken to motivate the staff by increasing the incentive paid under this scheme up to 15%.

Necessary measures were taken to operate an insurance scheme for local paddy cultivation carried out using organic fertilizer.

Under the livestock insurance, action was taken to update and operate the insurance scheme for calves.

Similarly, methods for simplifying the issues that arose in paying compensation in respect of livestock insurance and awareness sessions were conducted in several institutions. The summary of compensation paid under livestock insurance is given below.

Award of livestock indemnity - 2015		
Type	No of animals	Indemnity Rs . Mn.
Cattle	158	7.4
Goats	27	0.18
Total	185	7.5

Enhancing performance- Making the fullest contribution for the operation of the insurance scheme planned to be operated by the Board to improve the performance of the Board. Initiating necessary action to further simplify the methods of awarding indemnity, taking measures to identify and operate new insurance schemes, pursuing action to upgrade existing insurance schemes, taking steps to update forms being used to suit the market needs are the functions undertaken by the Board to improve the performance of the staff of the Board.

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

Though the payment of pension was resumed in the year 2014 under the Farmers' Pension Scheme having restructured it as a new scheme as a solution to the financial crisis faced by the said scheme, the subscription of farmers to the new scheme and the absorption of farmers of the old scheme into the new scheme in the year 2015 had to be deferred until a solution was found to the following problems.

- The amount of pension to be paid after 60 years for the farmers of lower age groups of age as per the contracts of the old scheme became less under the new scheme introduced in 2014.
- There is nearly a ten-fold increase in the amount of the premium to be paid by farmers of the old scheme who are over 50 years of age when they are enrolled into the new scheme.

As it was assumed that the proposal of such a scheme to the farmers may give rise to social problem in view of the above situation, the new scheme was drafted as a scheme where benefits are computed on the returns of investment which is similar to the scheme designed for senior citizens and was forwarded to the Treasury in the year 2015 for its observations.

As contained in the proposal in the 2015 budget for the payment of farmers' pension, the funds required for the payment of farmers' pension were raised through the funds released by the Treasury and the funds generated through Farmers' Pension Scheme.

Accordingly, the amount disbursed among 136,421 farmers up to December in the year 2015 was Rs. 2482 million.

Payment of Death and Disablement Benefits of the Farmers' Pension Scheme

Amounts of benefits paid as death gratuity entitlement to the inheritors of those who subscribed to the farmers pension scheme but died before receiving the pension and as disablement benefits to those who having subscribed to the scheme and became disabled subsequently are as follows.

		Amount paid (Rs.)
No of persons to whom death gratuity was paid	586	121,64,421.00
No of beneficiaries who received disablement benefit	13	423,657.00

(Note)

Fishermen's Pension Scheme

The total number of fishermen registered with the Farmers' Pension Scheme up to December 2015 was 68,840 and the number receiving pension was 3322. A sum of Rs. 49.4 million was paid as pension during the year 2015. (Note)

Since the Fishermen's Pension Scheme runs parallel to the Farmers' Pension Scheme, the funds of the Fishermen's Pension Scheme too will be used up in the next 05 years. Therefore

proposals to operate the Farmers' Pension Scheme and the Fishermen's Pension Scheme as one single scheme were submitted to the Treasury in the year 2015.

Payment of Death and Disabled Benefits

A sum of Rs. 1.2 million was paid as death gratuity benefits to 47 contributors of the Fishermen's Pension Scheme in the year 2015. (Note

Payment of farmers' pension -2015

	District	No of pensioners	Pension paid Rs.
1	Colombo	5,080	92,258,041
2	Gampaha	10,324	182,690,432
3	Kalutara	8,233	148,230,501
4	Kandy	12,871	225,972,586
5	Matale	3939	69,368,050
6	Nuwaraeliya	2844	68,944,234
7	Galle	12,453	244,240,648
8	Matara	8803	160,412,128
9	Hambantota	7116	126,126,695
10	Batticaloa	918	16,190,142
11	Ampara	3,556	62,217,551
12	Trincomalee	778	14,055,373
13	Puttalam	5004	88,888,625
14	Kurunegala	16,018	289,892,344
15	Anuradhapura	6498	110,689,234
16	Polonnaruwa	4611	82,291,332
17	Monaragala	4305	78,788,267
18	Badulla	5,897	106,206,024
19	Ratnapura	6451	116,765,962
20	Kegalle	7868	142,944,327
21	Jaffna	2,212	41,804,296
22	Mannar	82	1,238,572
23	Vavuniya	450	9,001,049
24	Mullativu	110	2,323,818
	Total	136,421	2,481,540,231

**Farmers Pension Scheme
Death and Disabled Benefits 2015**

District	No of deaths	Amount Rs	No of disabled	Amount Rs.	Total of persons	Total (Rs)
Galle	28	553076	3	108073	31	661149
Colombo	8	178707			8	178707
Hambantota	7	179054			7	179054
Kalutara	24	539262	1	34403	25	573665
Matara	37	741030	1	30327	38	771357
Monaragala	38	670854	1	43628	39	714482
Embilipitiya	8	161615			8	161615
Gampaha	21	395372	2	54053	23	449425
Manampitiya	9	201068			9	201068
Ampara	9	187552			9	187552
Badulla	21	461139	1	39494	22	500,633
Ratnapura	17	339146			17	339146
Kegalle	40	807823			40	807823
Puttalam	28	578290			28	578290
Jaffna	15	300919	1	26507	16	327426
Thambuttegama	13	316915	1	27951	14	344866
Kurunegala	63	1364430			63	1364430
Nuwaraeliya	4	65,929.00			4	65,929.00
Kandy	12	207,265.00			12	207,265.00
Puttalam	18	425,129.00			18	425,129.00
Kurunegala	9	192,682.00			9	192,682.00
Matale	28	629272	1	38898	29	668170
Nuwaraeliya	12	261037			12	261037
Trincomalee	5	106923			5	106923
Polonnaruwa	33	711679			33	711679
Vavuniya	2	57465			2	57465
Anuradhapura	31	746652			31	746652
Kandy	45	831282			45	831282
Maho	44	843859	1	20323	45	864182
	586	12164421	13	423657	599	12588078

Fishermen's Pension and Social Security Benefit Scheme
Enrollment during the year 2015

District Fisheries Extension Division	No of contributors as per age						Total No of contributors during 2015	Total No. of contributors u to 2015
	18-29	30-35	36-45	46-50	51-54	55-59		
Kalutara	-	-	-	-	-	-	-	3067
Galle	-	-	-	-	-	-	-	3032
Mahawewa	-	-	-	-	-	-	-	8098
Matara	-	2	-	1	-	-	3	4657
Colombo	-	-	-	-	-	-	-	1655
Tangalle	1						1	6301
Puttalam								4968
Negambo			3	1			4	7835
Batticaloa								6359
Trincomalee		1					1	2008
Mannar	8	3	9	5	1	11	37	5503
Kalmunai	-	-	-	-	-	-	-	5117
Mullaitivu	-	-	-	-	-	-	-	429
Kilinochchi	-	-	-	-	-	-	-	2017
Jaffna	17	4	11	4	3	6	45	6300
Inland Fisheries								
Nuwaraeliya								115
Polonnaruwa								121
Ratnapura								55
Monaragala								42
Kurunegala								96
Anuradhapura								363
Matale								78
Kandy								61
Kegalla								4
Badulla								131
Vavuniya								152
Batticaloa- Inland					1	2	3	275
Sum Total	26	10	23	11	5	19	94	68840

Payment of fishermen's pension -2015

District fisheries extension division	Payment of pension during 2015	
	No of contributors	Amount
Kalutara	82	1,150,878.00
Galle	111	1,457,5383.00
Mahawewa	311	4,264,697.00
Matara	284	3,868,796.00
Colombo	51	759,827.00
Tangalle	193	2,618,252.00
Puttalam	49	697,526.00
Negambo	493	6,868,066.00
Batticaloa	323	4,604,529.00
Trincomalee	82	1,331,532.00
Mannar	302	4,266,749.00
Kalmunai	285	3,919,050.00
Mullaitivu	16	455,505.00
Kilinochchi	172	4,120,680.00
Jaffna	518	8,278,581.00
Inland Fisheries		
Nuwaraeliya	8	101,004.00
Polonnaruwa	2	27,000.00
Ratnapura	1	14,196.00
Monaragala	1	39,000.00
Kurunegala	1	14,004.00
Anuradhapura	4	83,768.00
Matale	4	52,476.00
Kandy	5	78,930.00
Kegalla	-	
Badulla	3	36,660.00
Vavuniya		
Batticaloa- Inland	21	306,000.00
Total	3322	49,415,184.00

Fishermen's pension and social security benefit scheme
Payment of death/ disability gratuity during the year 2015

District fisheries extension division	Payment of pension during 2014	
	No of contributors	Amount Rs
Kalutara	1	32,750.00
Galle	1	21,887.00
Mahawewa	1	18,594.00
Matara		
Colombo	1	32,374.00
Tangalle	1	23,378.00
Puttalam	1	10,000.00
Negambo	5	121324.00
Batticaloa	5	127,169.00
Trincomalee	3	90,075.00
Mannar	5	147,327.00
Kalmunai	2	73,842.00
Mullaitivu		
Kilinochchi	9	179,018.00
Jaffna	12	280,059.00
Inland Fisheries		
Nuwaraeliya		
Polonnaruwa		
Ratnapura		
Monaragala		
Kurunegala		
Anuradhapura		
Matale		
Kandy		
Kegalla		
Badulla		
Vavuniya		
Batticaloa- Inland		
Total	47	1,157,797.00

**Administrative
and
Human Resources Division**

Staff

The staff of the Agricultural and Agrarian Insurance Board was as follows as at 31.12.2015.

Composition of the Staff

Service Category	Designation	Approved Cadre	Existing Cadre	Vacancies
Senior Management				
HM	Director General	1	1	-
HM	Director	5	1	4
Management				
MM	Deputy Director / Assistant Director	45	34	11
Junior Management				
JM	Administrative Officer	2	1	1
	Systems Administrator	1	-	1
	Financial Officer	1	1	-
	Planning Officer	1	-	1
Associated Officer				
ASS.O	Development Officer	55	33	22
	Supplies Officer	1	1	-
	Internal Audit Officer	1	-	1
Management Officer (Technical)				
MA - Tech	Transport Assistant	1	1	-
	Secretary	1	1	-
	Book Keeper	4	1	3
	Software /Hardware Technician	1	1	-
	Technician (Audio/Visual)	1	-	1
Management Assistant (Non-technical)				
MA-Non Tech	Management Assistant	220	163	57
Primary (Technical)				
PL - Skilled	Driver	38	24	14
Primary (Non Technical)				
PL - Non Skilled	Office Assistant	42	31	11
		421	294	127

Employee Training and Academic Activities

Assistant Director of Administrative and Human Resources Division (Administration), Mr. A.L.D.P.S. Ambepitiya participated in the training programme titled ‘Basic Procurement Procedure’ held on 31.03.2015 and organized by Prag Institute.

Supplies Officer of the Administrative and Human Resources Division Mr. W.D. Ranjith participated in the training programme “Procurement Plans” organized by Prag Institute and held on 17.11.2015.

Employee welfare

The programme of supplying morning and evening tea and the medical insurance scheme for the staff of the Board continued this year too as was done during the previous year.

Procurement and Transport

The printing of proposal papers, insurance certificate cards, receipt books, banners and leaflets of the third party insurance scheme which was the latest addition to the insurance schemes of the Board was awarded to the lowest bidders in line with the formal procurement procedures.

Uniforms for the uniformed staff such as drivers and KKSs were provided without any delay.

With the launch of the third party insurance scheme, a Call Centre was established with Hot Line facilities for the convenience of the farmer community and all the mobile telephones and computer accessories and office furniture for the Call Centre were procured respectively from Mobitel and State Trading Corporation.

Facilities required for the newly recruited officers and other officers as well as to district officers were made available on time. 26 district officers were equipped with computer and facilities and Internet connectivity.

The board of survey on fixed assets and capital goods in respect of the year 2015 was conducted and items to be disposed of were identified and auctioned.

As a measure of winning the trust of farmer community, 500,000 almanacs were printed and distributed.

Vehicle Pool

Since the vehicles of the Board’s vehicle pools were over 25 years old, two Micro Rexton jeeps and two Toyota vans were purchased with the approval of the Ministry of Finance and subject to the approval of the Procurement Committee to carry out field and other official duties more efficiently.

Three jeeps and a cab which remained condemned for several years and were beyond repair were disposed of as per the circulars of the Ministry of Finance subject to the due approvals under the procurement procedures.

Office Buildings

The Head Office of the Board was maintained at No. 117, Subhadarama Road, Gangodawila, Nugegoda . The Board maintains 27 Regional Offices of which six are housed in buildings owned by the Board. Other offices are housed in buildings owned by either the government or private parties on monthly rent basis.

Employee Disciplinary Matters

The following is the status with regard to the cases and judicial actions filed by the Board and against the Board in and disciplinary action instituted against employees during the year 2015/16.

1. Case No. B/520/03 filed against K.A. Sudath Bandara, Clerk and Case No,B/2171/2 filed against K.A.Heenbandara, Field Officer, filed in the Magistrate's Court, Anuradhapura are pending. The Board has launched its own disciplinary inquiry against these officers.
2. The petition of appeal in case No 23/KU/6833/98 filed by Mr. M.I.M.Illiyas, who had been dismissed from service, was ruled in favour of the complainant at the Civil Appellate High Court, and case filed by the Board an appeal in the Supreme Court challenging this ruling bearing No SC/HC/LA164 and 165/13 is pending.
3. 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 was ruled in favour of the Board by the Civil Appellate Court.
4. 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
5. Case No. 05/20356/2013 filed by field officer Mr. Terence Warsuavithana against the Board challenging his dismissal over a financial fraud is pending before the Labour Tribunal, Badulla.
6. The application of case No 33/1124/2013 filed by Karyala Karya Sahayaka K.S.H. Sanjeewa who was deemed to have vacated his post in the Labour Tribunal, Maharagama was dismissed owing to prescription.
7. The case No. CMC/01/B/377/01/07 filed by the Criminal Investigations Department In the Colombo Chief Magistrate's Court in regard to the payment of compensation for Mavilaru crop damage is pending.

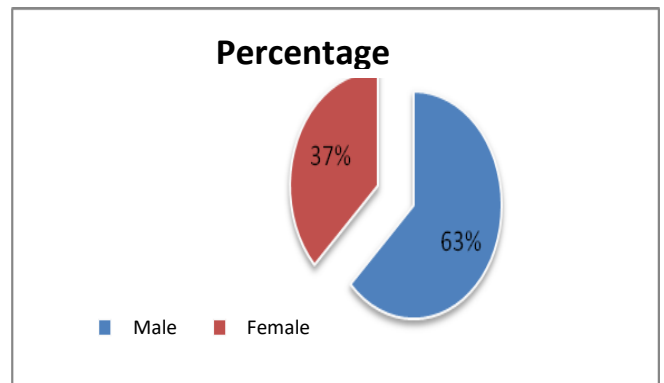
Industrial disputes/ Internal disciplinary action/ formal disciplinary inquiries

1. The formal disciplinary inquiry against Assistant Director Suranga Vithanage for misuse of vehicles is in progress.
2. The formal disciplinary inquiry against Field Officer Mr. Athula Lankathilaka Palliyaguru over an alleged financial fraud is in progress.
3. The complaint lodged by Field Officer C. Atulgama with the Colombo West Labour Commissioner is pending.

Analysis of Staff as at 31.12.2015

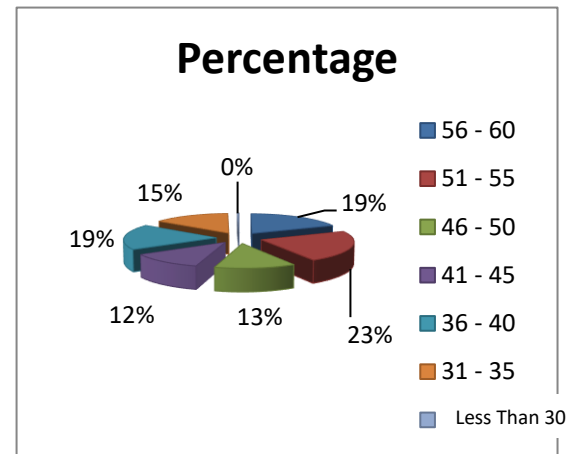
Staff- Gender Analysis

Male - 184
 Female - 110
 Total - 294



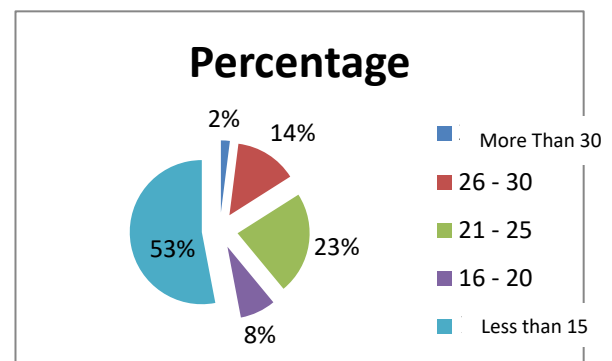
Age Analysis

Age Group	No of Employees	Percentage
56 - 60	55	19%
51 - 55	67	23%
46 - 50	38	13%
41 - 45	35	12%
36 - 40	55	19%
31 - 35	43	15%
Less than 30	1	0%
Total	294	100%



Analysis by period of service

Years	No of employees	Percentage
Over 30	20	2%
26 - 30	88	14%
21 - 25	22	23%
16 - 20	15	8%
Less than 15	149	53%
Total	294	100%



Retirement and vacation of posts in 2015

Male - 02
 Female - -
 Total - 02

Recruitment and promotions during the year 2015

- External recruitment - -
- Internal recruitment - -
- Promotions - -

Internal Audit Division

Internal Audit Division -2015

For the year 2015, 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, 66 audits were conducted with the support of the trainees at the Head Office and District Office level in respect of schemes of the Board currently in operation despite the geographical distribution and the limited human resources available. {Deputy Director, Management Assistant (audit)}

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

Inquiries were conducted on the absorption of employees to the Administrative Division as per the new recruitment procedure, forwarding reports of attendance/leave of district offices, releasing funds for distress loans, recovering defaulted distress loan balances, payment of salary increments, settlement of advances and the payment of medical benefits.

In addition, audits were conducted in respect of the final stock balance, procuring goods, revenue licenses of vehicles and legal matters.

In respect of the Finance Division, audits on the Loans and Advance account under the inspection of cash books and bank reconciliation statements, the Suwasetha insurance account, death and disablement insurance account, farmers' pension administrative account, fishermen's pension mobilization account, farmers' pension administrative account, medical assistance account and district administrative accounts of Puttalam and Galle were carried out.

Agricultural insurance administrative account, fishermen's pension administration account, medical assistance scheme, Suwasetha insurance account, maize cultivation insurance indemnity account and livestock insurance account were inspected under the examination of cash books and payment vouchers.

In addition the remittance of the received livestock insurance premia has been inspected. Further, the audit on the purchase of fixed assets, audit on the balances to be received from agencies, settlement of mixed advances, and the audit of the petty cash imprest of the head office were carried out. Under the district administrative account, audits were carried out at Puttalam, Gale and under the district office collection account audits were conducted at , Puttalam, Matara, Nuwaraeliya, Anuradhapura, Galle, Kegalle and Kandy.

Audits on levying and accuracy of and remitting livestock Insurance proposals and premia, charging and remitting insurance premia by lending agencies, remitting premia by agrarian service centres were carried out covering the activities of the Insurance Division. Further the inspection of the payment of livestock insurance benefits (Kandy), levying of Suwasetha insurance premium and payment of benefits, payment of paddy cultivation insurance compensation (Hambanttoa), remitting insurance premia by Agrarian Service Centres under the Kethara Aruna Pohora Diriya programme (Hambantota,

Matale, Anuradhapura, Polonnaruwa), payment of insurance compensation (Matara, Kurunegala) were inspected.

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

Payment of pension of farmers' pension scheme through post offices, payment of death and disablement benefits, recovering arrears of the farmers pension scheme (through agencies), updating individual accounts, the process of transferring and payment of pension to the spouse, payments of death gratuity and administrative expenses of the fishermen's insurance scheme, collection of premia were audited in relation to the Pension Division.

Under the inspection of district offices, activities of the Kegalle, Hambantota, Anuradhapura, Polonnaruwa , Matara and Kurunegala were examined.

Finance Division

Financial Summary

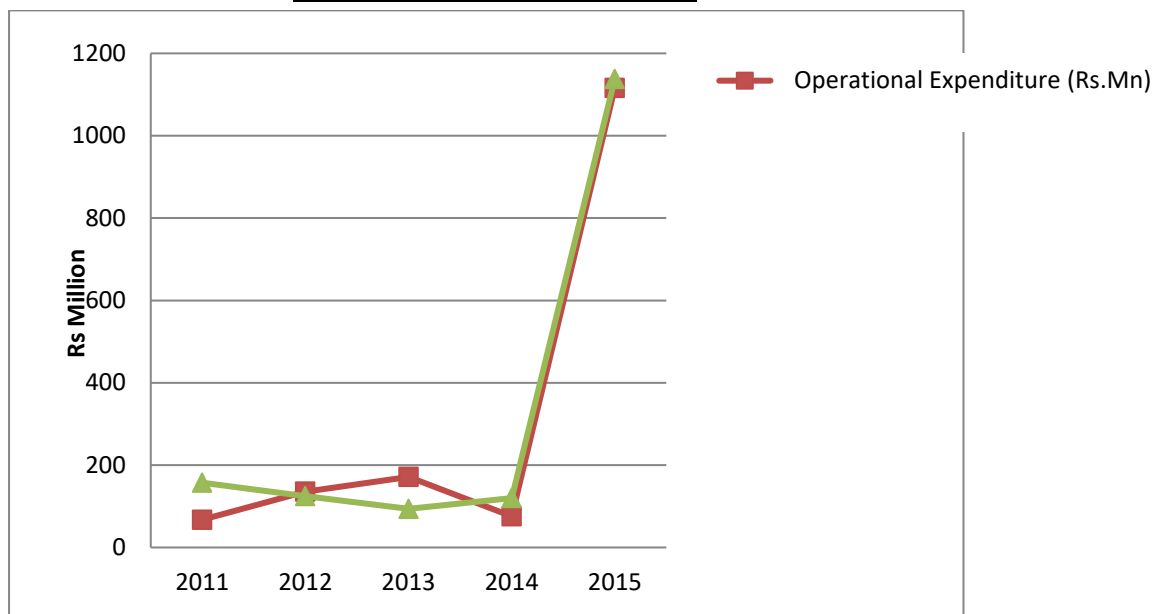
In comparison to the year 2014, the income from the agricultural insurance schemes has posted a growth of 851%. Thus the premia income which stood at Rs 119.6 million in the year 2014 increased to Rs 1,137.6 million in 2015. Central to this increase was the assigning of the responsibility of implementing 'Kethata Aruna' fertilizer subsidy insurance scheme to the Board. Accordingly, all paddy lands cultivated under the fertilizer subsidy programme were insured by the Board. Further, compensation amounting to Rs. 1104.2 million was paid during the year and the scheme could post a net profit of Rs. 8.7 million in the current year.

Payment of pension of the new scheme which came into operation in January 2014 was successfully conducted during this year too and a sum of Rs. 2380 million (net) was paid during the year. As a result of future liabilities of the Farmers' Pension Scheme being brought to accounts, the net assets took a negative value. Though it was proposed from the budget of 2015 to release treasury bonds amounting to Rs. 5000 million gradually to the Board to counter this situation, not a single treasury bond was issued to the Board during the current year.

Financial Information in respect of the five preceding years

Profitability

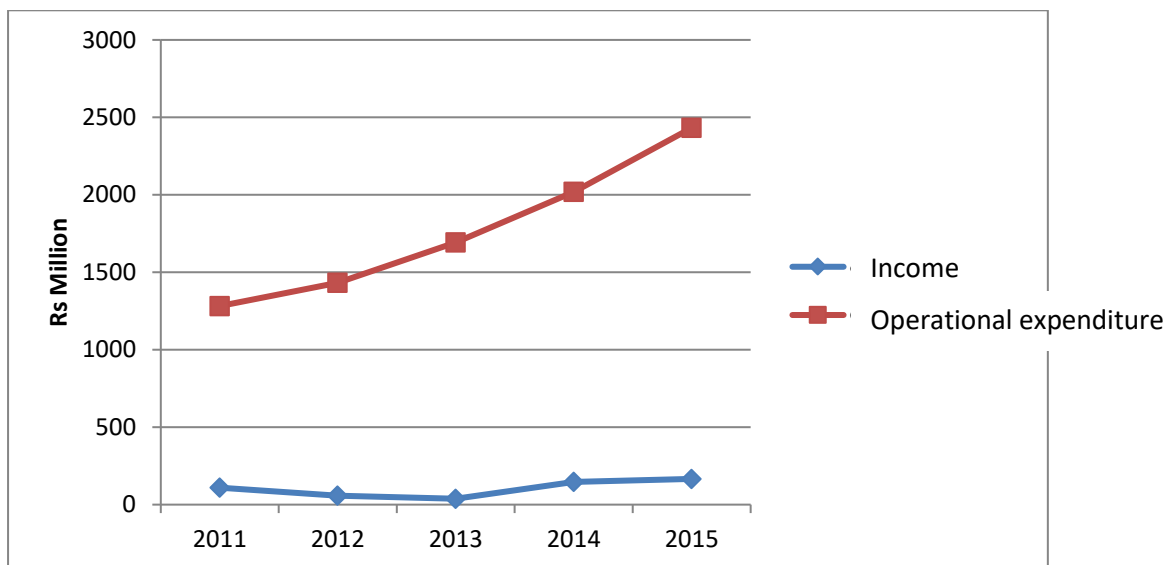
- Agricultural Insurance Scheme



	2011	2012	2013	2014	2015
Operational Expenditure (Rs.Mn)	67.4	135.2	170.9	75.6	1116.1
Premia insurance income (Rs Mn)	157.4	124.7	93.8	119.6	1137.5

As greater emphasis was laid on insurance activities to be in harmony with the restructuring programme being implemented in the Agricultural and Agrarian Insurance Board since 2008, the income of Rs. 27.5 million from agricultural insurance in 2007, increased up to Rs. 70.5 million in 2008. Though the agricultural insurance scheme posted a record Rs 157 million in the year 2011 due to the continuation of this programme, the income of the Board dropped marginally to Rs 124.7 million in the year 2012 as a result the financial crisis faced by the institution and the downward trend continued into to the year 2013 as well primarily due to unfavourable weather conditions and dropped further to Rs. 93.8 million. In comparison to the year 2014, the agricultural insurance income registered an increase of Rs. 1017.9 million in the year 2014 and this was a year on year increase of 851%. The key for this phenomenal growth was the entrusting of the implementation of the Kethata Aruna fertilizer subsidy programme to the Board.

Farmers Pensions and Social Security Benefits Scheme

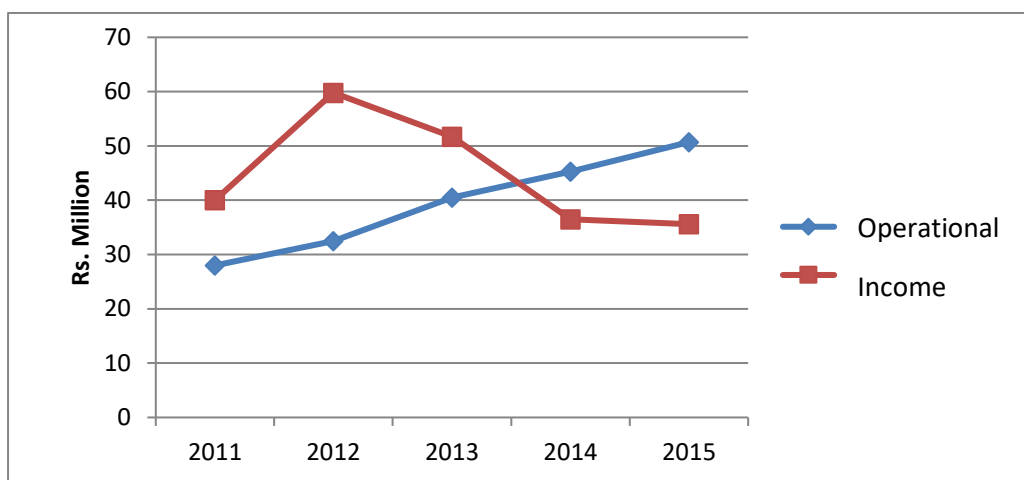


	2011	2012	2013	2014	2015
Income	110	58.1	38	147	166
Operational expenditure	1282	1433	1693	2019	2432

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

Farmers' pension was not paid in 2012 and 2013 and a new pension scheme was introduced in the year 2014 and pensions were paid as per the new scheme that year. Further, all provisions required for the payment of pensions were provided by the Treasury.

Fishermen’s Pensions and Social Security Benefits Scheme



	2011	2012	2013	2014	2015
Operational Expenditure	28	32.5	40.5	45.3	50.7
Income	40	59.8	51.7	36.5	35.6

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 is approximately Rs. 2.9 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 2021 it will reach zero.

**Overall schemes and
Consolidated Statement of Accounts – 2015**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
AS AT 31 st DECEMBER 2015					
	AAIB	FARMERS	FISHERIES	2015	2014
ASSETS					
<i>Non Current Assets</i>					
Plant, Property & Equipments	35,561,968.91	1,961,459.90	38,519.62	37,561,948.43	10,728,007.59
Held to maturity Investment					
Treasury Bond		1,105,827,499.92		1,105,827,499.92	1,120,743,965.00
	35,561,968.91	1,107,788,959.82	38,519.62	1,143,389,448.35	1,131,471,972.59
<i>Current Assets</i>					
Stocks	3,699,153.17	2,214,372.58	191,083.33	6,104,609.08	4,987,395.17
Receivables	636,710,259.73	36,376,027.20	629,872,254.04	71,789,922.00	67,433,463.98
Receivable Premium	21,359,296.93	4,885,853.00		26,245,149.93	33,516,052.29
Deposits & Pre Payments	4,161,918.57			4,161,918.57	4,356,073.46
Advances	1,687,865.99			1,687,865.99	1,042,581.30
Financial Instruments Held to Maturity	381,981,745.65	47,567,075.86	22,677,475.96	452,226,297.47	502,048,598.18
Cash at Bank	30,246,125.05	2,862,558.17	1,416,310.83	34,524,994.05	37,735,729.67
	1,079,846,365.09	93,905,886.81	654,157,124.16	596,740,757.09	651,119,894.05
TOTAL ASSETS	1,115,408,334.00	1,201,694,846.63	654,195,643.78	1,740,130,205.44	1,782,591,866.64
EQUITY & LIABILITIES					
<i>Capital & Reserve</i>					
AIB Accumulated (Deficit) / Surplus	(15,014,976.36)			(15,014,976.36)	(1,766,817.31)
Government Grant Capital	10,360,425.10	1,961,460.94		12,321,886.04	11,318,955.09
Government Grant	50,000,000.00			50,000,000.00	50,000,000.00
Farmer's Pension Fund		(60,714,518,840.20)		(60,714,518,840.20)	(57,249,428,978.77)
Group Insurance Fund - FPS	758,129,705.36			758,129,705.36	709,386,616.19
F.A.O. Grant		547,885.14		547,885.14	547,885.14
Group Insurance Contribution		1,000,000.00		1,000,000.00	1,000,000.00
Fishermen's Pension Fund			(2,174,633,659.27)	(2,174,633,659.27)	(1,930,371,414.21)
Staff Medical Insurance Fund	4,490,356.54			4,490,356.54	3,912,029.49
Group Insurance fund - FHS			22,780,199.70	22,780,199.70	21,525,809.70
<i>Other Fund</i>					
AAIB Reserve Fund	20,228,458.84			20,228,458.84	18,231,729.70
	828,193,969.48	(60,711,009,494.12)	(2,151,853,459.57)	(62,034,668,984.21)	(58,365,644,184.98)
<i>Non Current Liabilities</i>					
Fisheries Pension Liability			2,784,156,361.14	2,784,156,361.14	2,555,667,552.00
Farmers Pension Liability		56,279,695,153.00		56,279,695,153.00	53,083,243,089.00
Government Grant on Treasury Bond		1,081,488,000.00		1,081,488,000.00	1,081,488,000.00
Provision For Gratuity	38,190,656.52	39,495,968.47	1,182,885.23	78,869,510.22	75,904,639.81
	38,190,656.52	57,400,679,121.47	2,785,339,246.37	60,224,209,024.36	56,796,303,280.81
<i>Current Liabilities</i>					
Provision For Printing	944,166.30			944,166.30	794,166.30
Pre Premium Receipts	66,267,749.92			66,267,749.92	21,186,666.40
Other Payables	23,832,775.38	4,486,255,008.07	18,871,831.98	3,297,790,996.46	3,231,368,698.65
Accrued Expenses	8,024,516.40	25,770,211.21	1,838,025.00	35,632,752.61	11,783,239.46
Provision For Indemnity	149,954,500.00			149,954,500.00	86,800,000.00
	249,023,708.00	4,512,025,219.28	20,709,856.98	3,550,590,165.29	3,351,932,770.81
TOTAL EQUITY & LIABILITIES	1,115,408,334.00	1,201,694,846.63	654,195,643.78	1,740,130,205.44	1,782,591,866.64

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
FOR THE YEAR ENDED 31st DECEMBER 2015					
	AAIB	FARMERS	FISHERIES	2015	2014
REVENUE					
Premier -Insurance	1,137,513,225			1,137,513,224.60	119,583,563.34
Farmer 's Pension Collection		64,562,670		64,562,670.19	50,772,350.06
Interest - AAIB	18,560,294.81			18,560,294.81	2,949,291.22
Interest - FPS		101,600,294		101,600,293.98	96,620,881.96
Fishermen's Pension Collection			1,030,292	1,030,292.00	1,456,710.00
Interest - FSH			38,040,717	38,040,716.65	38,533,360.63
	1,156,073,519	166,162,964	39,071,009	1,361,307,492.23	309,916,157.21
Less : Operating Expenditure					
Indemnity - AAIB	(1,104,207,901)			(1,104,207,901.10)	(68,128,514.69)
Operational expenses - AAIB	(11,931,035)			(11,931,035.42)	(7,430,830.91)
Pension payments & commission		(2,388,632,204)	(47,981,318)	(2,436,613,521.66)	(2,026,791,150.00)
Group Insurance Paid - FPS		(27,011,280)		(27,011,280.00)	(30,003,930.00)
Other Operational expenses - FPS		(1,332,928)	(887,966)	(2,220,894.00)	(1,307,099.85)
Refund of Contribution & Net Interest		(15,240,313)		(15,240,313.00)	(4,933,879.35)
Group Insurance Paid - FSH			(1,763,390)	(1,763,390.00)	(1,675,730.00)
Incentive of - FSH			(65,604)	(65,604.00)	(88,820.00)
	(1,116,138,937)	(2,432,216,725)	(50,698,278)	(3,599,053,939.18)	(2,140,359,954.80)
Operational surplus / (Deficit)	39,934,583	(2,266,053,760)	(11,627,269)	(2,237,746,446.95)	(1,830,443,797.59)
Amotization Of Gov: Grant		767,460	-	767,459.86	612,868.20
ADD:					
Govt. Grant for Pension Payments		2,090,000,000		2,090,000,000.00	1,954,800,000.00
Govt. Grant for Admin Expenses	93,000,000	93,000,000		186,000,000.00	145,500,000.00
Farmers Contribution for Admin Exp.		2,378,895		2,378,895.00	2,859,210.00
Grant for Admin: Expenses - FSH			1,500,000	1,500,000.00	3,000,000.00
Other Income	7,807,847	24,670		7,832,517.26	2,125,172.03
	100,807,847	2,185,403,565	1,500,000	2,287,711,412.26	2,108,284,382.03
	140,742,430	(79,882,736)	(10,127,269)	50,732,425.17	278,453,452.64
Less : Expenses					
Admin Expenses	(131,056,814)	(113,042,008)	(5,015,930)	(249,114,752.25)	(197,885,276.42)
Finace & Others	(917,074)	(57,046,414)	(4,093)	(57,967,581.17)	(58,347,492.30)
	(131,973,888)	(170,088,422)	(5,020,023)	(307,082,333.42)	(256,232,768.72)
NET SURPLUS /(DEFICIT)	8,768,542	(249,971,158)	(15,147,293)	(256,349,908.25)	22,220,683.92
Less : Provision for A.A.I.B Reserve fund	(1,996,729)			(1,996,729.14)	(2,348,675.45)
Net Surplus (deficit) After Provision	6,771,813	(249,971,158)	(15,147,293)	(258,346,637.39)	19,872,008.47
Other comprehensive income					
Gratuity gains / (losses)	1,986,355.57	3,063,252.25	28,658	5,078,265.70	(10,218,373.38)
Increase in Pension Liability		(3,196,452,064.00)	(228,488,809)	(3,424,940,873.14)	(3,492,556,202.00)
	1,986,355.57	(3,193,388,811.75)	(228,460,151.26)	(3,419,862,607.44)	(3,502,774,575.38)
Net Surplus /Dificit of the Comprehensive	8,758,168.59	(3,443,359,969.38)	(243,607,444.04)	(3,678,209,244.83)	(3,482,902,566.91)

**Agricultural Insurance Scheme
Financial Statements as at 31 December
2015**

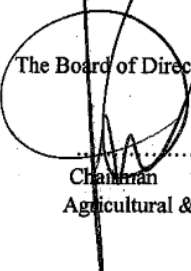
AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2015

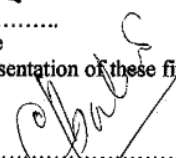
	Notes	31.12.2015		31.12.2014	
		Rs.	Cts.	Rs.	Cts.
<u>ASSETS</u>					
<u>Non- Current Assets</u>					
Plant, Property & Equipment	1	35,561,968.91		8,446,766.95	
		<hr/>		<hr/>	
		35,561,968.91		8,446,766.95	
<u>Current Assets</u>					
Stocks	2.1	3,699,153.17		2,796,797.32	
Receivables	2.2	636,710,259.73		581,857,078.84	
Receivable Premium	2.3	21,359,296.93		27,369,562.29	
Deposits & Pre Payments	2.4	4,161,918.57		4,356,073.46	
Advances	2.5	1,687,865.99		1,042,581.30	
Financial Instruments Held to Maturity	2.6	381,981,745.65		285,763,766.76	
Cash at Bank	2.7	30,246,125.05		31,019,728.23	
Total current Assets		<hr/>		<hr/>	
		1,079,846,365.09		934,205,588.20	
TOTAL ASSETS		<hr/>		<hr/>	
		1,115,408,334.00		942,652,355.15	
<u>EQUITY & LIABILITIES</u>					
<u>Capital & Reserve</u>					
Government Grant (Initial Capital)		50,000,000.00		50,000,000.00	
A.A.I.B. Accumulated Fund	3	(15,014,976.36)		(1,766,817.31)	
Government Grant - Capital	4	10,360,425.10		9,038,545.41	
A.A.I.B Reserve Fund	5	20,228,458.84		18,231,729.70	
Farmer's Death Gratuity Fund	6	758,129,705.36		709,386,616.19	
Staff Medical Insurance Fund		4,490,356.54		3,912,029.49	
		<hr/>		<hr/>	
		828,193,969.48		788,802,103.48	
<u>Non - Current Liabilities</u>					
Provision For Gratuity		38,190,656.52		36,494,673.34	
		<hr/>		<hr/>	
		38,190,656.52		36,494,673.34	
<u>Current Liabilities</u>					
Provision For Printing		944,166.30		794,166.30	
Pre Premium Receipts	7.1	66,267,749.92		21,186,666.40	
Other Payables	7.2	23,832,775.38		1,926,333.33	
Accrued Expenses	7.3	8,024,516.40		6,648,412.30	
Provision For Indemnity	7.4	149,954,500.00		86,800,000.00	
Total Current Liabilities		<hr/>		<hr/>	
		249,023,708.00		117,355,578.33	
TOTAL EQUITY & LIABILITIES		<hr/>		<hr/>	
		1,115,408,334.00		942,652,355.15	

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


 Head of Finance

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


 Chairman
 Agricultural & Agrarian Insurance Board


 Member of Director Board
 Agricultural & Agrarian Insurance Board

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st DECEMBER 2015

REVENUE	Notes	31.12.2015		31.12.2014	
		Rs.	Cts.	Rs.	Cts.
Premium - Insurance	8.1	1,137,513,224.60		119,583,563.34	
Interest	8.2	18,560,294.81		2,949,291.22	
TOTAL REVENUE		1,156,073,519.41		122,532,854.56	
OPERATING EXPENSES					
Indemnity	9.1	(1,104,207,901.10)		(68,128,514.69)	
Operating Expenses	9.2	(11,931,035.42)		(7,430,830.91)	
		(1,116,138,936.52)		(75,559,345.60)	
OPERATING SURPLUS/(DIFICT)					
		39,934,582.89		46,973,508.96	
Govt. Grant for Admin Expenses		93,000,000.00		72,750,000.00	
Other Income	10	7,807,847.26		2,082,371.45	
		100,807,847.26		74,832,371.45	
		140,742,430.15		121,805,880.41	
EXPENSES					
Administrative Expenses	11	(131,056,813.88)		(96,111,432.68)	
Finance & Other Expenses	12	(917,074.11)		(312,495.50)	
TOTAL EXPENSES		(131,973,887.99)		(96,423,928.18)	
NET SURPLUS/ (DEFICIT)					
		8,768,542.16		25,381,952.23	
Provision For A.A.I.B Reserve Fund		(1,996,729.14)		(2,348,675.45)	
NET SURPLUS/ (DEFICIT) AFTER PROVISION		6,771,813.02		23,033,276.78	
COMPREHENSIVE INCOME					
Gratuity Gain/Loss		1,986,355.57		(5,251,054.46)	
		1,986,355.57		(5,251,054.46)	
NET SURPLUS/ (DEFICIT) AFTER COMPREHENSIVE INCOME		8,758,168.59		17,782,222.32	

AGRICULTURE & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
STATEMENT OF CHANGES IN EQUITY AS AT 31ST DECEMBER 2015

	Govt. Grant for Capital Rs.'000	Accumulate d Deficit Rs.'000	AAIB Reserve Fund Rs.'000	Farmer's Death Gratuity Rs.'000	Staff Medical Insurance Rs.'000
Balance as at 31st Dec 2013	8,242	(20,913)	15,883	647,785	2,760
Balance transfer from F.P.S					
Prior year adj.		1,364			
Addition during the year:			2,348	61,601	1,152
Govt. Grant	3,000				
2013 Depreciation					
Amotization Gov. Grant Farmers Pension	(2,204)				
Net Surplus /(Deficit)		17,782			
Transfer to the reserve					
Balance as at 31st Dec 2014	9,039	(1,767)	18,231	709,386	3,912
Balance transfer from F.P.S					
Prior year adj.		(22,006)			
Addition during the year:			1,997	48,743	578
Govt. Grant	4000				
2013 Depreciation					
Amotization Gov. Grant Farmers Pension	(2,678)				
Net Surplus /(Deficit)		8,758			
Transfer to the reserve					
	1,322	(13,248)	1,997	48,743	578
Balance as at 31st Dec 2015	10,361	(15,015)	20,228	758,129	4,490

AGRICULTURAL & AGRARIAN INSURANCE BOARD				
AGRICULTURE INSURANCE SCHEME				
CASH FLOW STATEMENT AS AT 31ST DECEMBER 2015				
	31.12.2015		31.12.2014	
	Rs.	Cts.	Rs.	Cts.
Cash Flows from Operating Activities				
Net Surplus / (Deficit)	8,758,168.59		17,782,222.32	
Adjustment for				
Depreciation	4,186,968.77		3,659,087.36	
Adjustments in respect of Prior year	(22,006,327.64)		1,364,103.73	
Provision For A.A.I.B Reserve Fund	1,996,729.14		2,348,675.45	
Gratuity Gain/Loss	(1,986,355.57)		5,251,054.46	
	(17,808,985.30)		12,622,921.00	
Profit / loss on disposal of Property, Plant & Equip.	(5,613,057.50)			
Non Cash proceeds from sale of Property, Plant & Equipment	1,535,000.00			
Provision for Retiring Gratuity	3,756,213.74		3,245,227.71	
Operating Surplus before working capital changes	(9,372,660.47)		33,650,371.03	
(Increase)/ Decrease in Inventories	(902,355.85)		(240,905.03)	
(Increase)/ Decrease in Receivables	(54,853,180.89)		(61,135,535.69)	
(Increase)/ Decrease Receivable Premium	6,010,265.36		(17,286,500.86)	
(Increase)/ Decrease in Deposits & Prepayments	194,154.89		(162,401.46)	
(Increase)/ Decrease in Advances	(645,284.69)		(25,783.73)	
Increase /(Decrease) Provision For Indemnity	63,154,500.00		(8,945,000.00)	
Increase /(Decrease) Provision For Printing	150,000.00		32,205.00	
Increase /(Decrease) Pre-premium advance	45,081,083.52		20,046,920.01	
Increase /(Decrease) Other Payables	21,906,442.05		(150,000.00)	
Increase /(Decrease) Accrued expenses	1,376,104.10		814,023.26	
	81,471,728.49		(67,052,978.50)	
Cash Generated from Operations	72,099,068.02		(33,402,607.47)	
Retiring Gratuity - Paid	(73,875.00)		(393,250.00)	
Net Cash Flows from Operating Activities	72,025,193.02		(33,795,857.47)	
Cash Flows from Investing Activities				
Medical Fund	578,327.05		1,151,087.93	
Farmer's Death Gratuity Fund	48,743,089.17		61,601,377.25	
Farmers Trust Fund	-		(525,500.27)	
Investments during the year	(96,217,978.88)		(11,544,393.64)	
Purchases of Property, Plant & Equipment	(31,307,863.23)		(1,410,180.50)	
Proceeds from sale of Property, Plant & Equipment	4,083,750.00			
Net Cash Flows from Investing Activities	(74,120,675.89)		49,272,390.77	
Cash Flows from Financing Activities				
Government Grant for Capital expenditure	4,000,000.00		3,000,000.00	
Amotization of Government Grant	(2,678,120.31)		(2,203,492.21)	
Net Cash Flows from Financing Activities	1,321,879.69		796,507.79	
Net Increase / (Decrease) in Cash & Cash Equivalents	(773,603.18)		16,273,041.09	
Cash & cash equivalents at the beginning of the year	31,019,728.23		14,746,687.14	
Cash & cash equivalents at the end of the year	30,246,125.05		31,019,728.23	

Agricultural and Agrarian Insurance Board

Agriculture Insurance Scheme

Significant Accounting Policies

For the Year Ended 31st December 2015

1. General Policies

1.1 Reporting Entity

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

1.2 Principal Activities and Nature of Operations

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

1.3 Basis of Preparation

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Comparative Information

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

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

(d) Functional and Presentation Currency

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

(e) Use of Estimates and Judgments

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

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

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

(f) Going Concern

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

2. Assets and the Bases of their Valuation

2.1 Property, Plant and Equipment

(a) Recognition and Measurement

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

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

Fully depreciated assets with a total historical cost of Rs. 57, 441,407.81 has been included in property plant and equipment.

(b) Cost

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

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

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

(c) Depreciation

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

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

2.2 Intangible Assets

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

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

2.3 Inventories

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

2.4 Financial Assets

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

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

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

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

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

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

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

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

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

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

(b) Loans & Receivables

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

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

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

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

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

(d) Available-for-Sale Financial Investment

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other

than impairment losses are recognized in other comprehensive income and presented in the fair value reserved in funds and reserves. Interest income on available-for-sale debt securities is calculated using the effective interest rate method (EIR) and is recognized in profit or loss. When an investment is derecognized, the gain or loss accumulated in funds and reserves reclassified to profit or loss.

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

2.5 Impairment of Financial Assets

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

3. Liabilities and Provisions

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

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

3.1 Provision for Claims

Liability for outstanding claims are recognized based on the risk factors of crop and insured subject matter. Following table shows the indemnity provision made for the financial year 2015.

Insured Subject	Provision for Indemnity (Rs.)
Paddy	46,192,500.00
Livestock	8,000,000.00
Suwasetha and Agri Equipment	900,000.00
Subsidiary Crops	23,362,000.00
Kethata Aruna	71,500,000.00
	149,954,500.00

3.2 Provision for Bad Debts

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

3.3 Retirement Benefits

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

3.4 Taxation

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

3.5 Capital Commitments and Contingent Liabilities

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

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

4. Statement of Comprehensive Income

4.1 Revenue

1. The revenue of the board represents the income from insurance premium, interest income from treasury bills and loans of employees, and other miscellaneous income.
2. All income has been recognized on accrual basis.
3. Income from insurance premium collection of Maha season 2015 has been taken for the current year.

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

4. Government Grants have been received for recurrent expenditure for the year of 2015.
5. Government Grants received for capital expenditure has been recognized as income on systematic basis.

4.2 Revenue Recognition

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

3. Interest income is accrued on time basis.

4.3 Accounting for Government Grants

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

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

4.4 Expenditure

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

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

Expenditure	Rates
Salaries, EPF, ETF, Gratuity	50%
Medical Expenses	50%
Consultancy Fees	60%
Welfare	50%
Uniform	50%
Entertainment	60%
Printing	60%
Legal Fees	40%
Allowances to B/Members	60%
Rent	55%
Telephone	55%
Postage	40%
Electricity	55%
Travelling, Over Time	50%
Water Bill	55%
Daily Pay	50%
Security	75%
Main Office Equipment	75%
Main. Vehicle	57%
Computer Expenses	75%

Fuel Expenses	68%
Stationery	50%
Main. Building	55%
Publicity & Training	80%

4.3 Surplus

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

4.4 Reserve Fund

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

4.5 Pre-Premium

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

5. Statement of Cash Flows

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

6. Events After the Reporting Date

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

7. Related Party Transactions

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

8. Prior Year Adjustments

The details of the prior year adjustments are as follows.

Prior year interest receivable on investments	Rs.	46,822.76
Miscellaneous advances brought forward	Rs.	323,258.35
Outstanding EPF and ETF from 2006 to 2013	Rs.	21,729,892.05

9. Contingencies

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

Current Status of the Legal Cases of AAIB

	Court	Case No	Petitioner / Defendant	Subject	Current Status
1	Supreme Court	SC/SPL/LA/228/2013 SC/HC/LA/167/2013/165	Mr. K. A. M. Illiyas vs. AAIB	Dismissed from the Service	} Trial is On
2	Anuradhapura	B/520/03 B/2171/2	Police vs. Mr.K.A.Heen Bandara and Mr.K.A.Sudath Bandara	Fraudulent of farmers pension premium	
3	Anuradhapura	61467	Police vs. Mr. T. A. Ratnasiri and Mr. Kamal Uduwana	Engaged in illegal pyramid schemes	
4	Colombo High Court	3/8/2 M. C./2006	Police vs. AAIB	Mawillaru crop indemnity	
5	Labour Tribunal Embilipitiya	6E/7030/11	Ms. Maheshi Dilini Buddhika vs. AAIB	Non Continuation of Training	
6	Labour Tribunal Badulla	05/20356/2013	Mr. T. Warushawithana vs AAIB	Dismissed from the Service	
7	Elpitiya Magistrate Court	91838	Police vs. AAIB	Southern highway accident	
8	Civil Appeal High Court	WP/HCCA/COL/302 & 312	Bank Of Ceylon vs. AAIB	Investments and Investment Interest	Judgment was received in favor of AAIB

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2015

NOTE 1 - NON CURRENT ASSETS

ASSETS	Cost as at 31.12.2014 Rs. Cts.	Cost Addition Rs. Cts.	Disposal Assets 31.12.2015 Rs. Cts.	Cost as at 31.12.2015 Rs. Cts.	Accum.Deprn as at 31.12.2014 Rs. Cts.	Disposal Assets Accum.Deprn 31.12.2014 Rs. Cts.	Deprn For the Year Rs. Cts.	Accum.Deprn as at 31.12.2015 Rs. Cts.	W.D.V as at 31.12.2015 Rs. Cts.
FURNITURE & FITTINGS	8,753,066.33	708,871.50	0.00	9,461,937.83	7,468,288.72	0.00	393,937.76	7,862,226.48	1,599,711.35
OFFICE EQUIPMENTS	10,839,591.15	264,202.73	0.00	11,103,793.88	9,151,653.17	0.00	435,960.62	9,587,613.79	1,516,180.09
MOTOR VEHICLE	39,967,303.63	27,100,000.00	1,652,129.50	65,415,174.13	38,533,125.69	1,646,437.00	2,264,408.32	39,151,097.01	26,264,077.12
WELFARE EQUIPMENTS	510,886.00	42,750.00	0.00	553,636.00	333,161.29	0.00	40,639.25	373,800.54	179,835.46
COMPUTER EQUIPMENTS	6,811,111.89	3,162,049.00	0.00	9,973,160.89	5,527,132.46	0.00	756,050.17	6,283,182.63	3,689,978.26
TELEPHONE	1,625,627.50	29,990.00	0.00	1,655,617.50	1,577,051.83	0.00	23,065.00	1,600,116.83	55,500.67
MOTOR BICYCLE	146,300.00	0.00	0.00	146,300.00	146,300.00	0.00	0.00	146,300.00	0.00
BUILDING	5,639,880.28	0.00	0.00	5,639,880.28	3,532,194.52	0.00	172,518.11	3,704,712.63	1,935,167.65
PUBLICITY EQUIPMENTS	1,925,248.12	0.00	0.00	1,925,248.12	1,514,383.10	0.00	93,064.04	1,607,447.14	317,800.98
BICYCLE	121,227.95	0.00	0.00	121,227.95	110,185.12	0.00	7,325.50	117,510.62	3,717.33
CROP CUTTING EQUIPMENTS	60,371.00	0.00	0.00	60,371.00	60,371.00	0.00	0.00	60,371.00	0.00
LOSS PREVENTIVE EQUIP:	41,280.00	0.00	0.00	41,280.00	41,280.00	0.00	0.00	41,280.00	0.00
SURVEY EQUIPMENTS	4,399.00	0.00	0.00	4,399.00	4,399.00	0.00	0.00	4,399.00	0.00
WEIGHING SCALE	1,036.35	0.00	0.00	1,036.35	1,036.35	0.00	0.00	1,036.35	0.00
NORAD EQUIPMENTS	344,423.50	0.00	0.00	344,423.50	344,423.50	0.00	0.00	344,423.50	0.00
	76,791,752.70	31,307,863.23	1,652,129.50	106,447,486.43	68,344,985.75	1,646,437.00	4,186,968.77	70,885,517.52	35,561,968.91

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2015

	31.12.2015	31.12.2014
	Rs.Cts.	Rs.Cts.
<u>NOTE 2 - CURRENT ASSETS</u>		
<u>Note 2.1 - Stock</u>		
Printing	3,278,877.60	2,134,383.81
Stationary	420,275.57	662,413.51
	<u>3,699,153.17</u>	<u>2,796,797.32</u>

Note 2.2 - Receivables

Staff Loans & Advance	33,180,006.84	34,852,839.68
Motor cycle loan	150,435.47	183,782.27
Salary Receivables	342,023.38	342,023.38
Staff Special Loan - 2004	4,800.00	4,800.00
Life insurance premium Receivable	163,187,680.00	141,944,400.00
Sundry Debtors	51,542.75	51,542.75
Receivables from C. W. E	256,520.00	256,520.00
Receivables from Welfare Society	-	547,875.00
Motor cycle Expenses (Staff) -	2,566.70	2,566.70
Farmers Pension Scheme (Admin)	88,590,184.58	77,472,153.63
Fisheries Pension Scheme	17,143,233.96	12,487,406.38
Farmers Pension Scheme (Capital)	1,961,460.94	2,280,409.68
Farmers Pension Advance	331,963,805.45	313,173,401.37
Provision for bad debtors	(1,659,000.34)	(1,742,642.00)
Vehicle Sale proceeds	1,535,000.00	
	<u>636,710,259.73</u>	<u>581,857,078.84</u>

Note 2.3 Receivable Premium

Paddy	13,721,397.60	12,172,188.17
Subsidiary Crop	4,971,862.80	10,507,983.38
Livestock	1,133,227.00	2,251,073.40
Suwasetha and Personal	1,532,809.53	2,438,317.34
	<u>21,359,296.93</u>	<u>27,369,562.29</u>

NOTE 2.4 - Deposits & Pre Payment

Deposit - (Fuel)	100,000.00	100,000.00
Deposit - (Transport)	5,000.00	5,000.00
Insurance	4,246.57	51,401.46
Rent	4,052,672.00	4,199,672.00
	<u>4,161,918.57</u>	<u>4,356,073.46</u>

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2015

	31.12.2015	31.12.2014
	Rs.Cts.	Rs.Cts.
<u>Note 2.5 - Advances</u>		
Traveling Advance	8,000.00	16,500.00
Fuel Advance	62,060.45	43,586.70
Salary Advance	50,261.41	50,261.41
Miscellaneous Advance	1,035.00	364,293.35
Capital Advance	1,565,800.00	565,800.00
District Admin.acct	709.13	2,139.84
	<u>1,687,865.99</u>	<u>1,042,581.30</u>

Note 2.6 - Financial Instruments Held to Maturity

Treasury Bills	381,981,745.65	285,763,766.76
	<u>381,981,745.65</u>	<u>285,763,766.76</u>

Note 2.7 - Cash at Bank

B. O C A/C -164811	360,440.55	512,035.40
B.O.C A/C - 164667	595,747.05	546,519.84
B.O.C A/C -164693	683,855.31	2,792,164.72
B.O.C A/C -1622	150,509.38	1,052,254.15
B.O.C A/C -1616	2,581,491.65	4,721,834.16
B.O.C A/C -8600879	455,092.93	393,087.15
B.O.C A/C -8600818	295,128.48	816,379.38
P.B A/C -112352	525,617.25	1,457,676.35
P.B. A/C -112343	118,981.61	50,856.44
P.B A/C - 100440112349	743,719.51	136,350.65
P.B A/C - 100260112349	77,586.70	144,174.74
P.B A/C - 100350112349	39,324.52	16,581.63
P.B A/C - 100170112349	988,237.35	2,048,111.86
P.B A/C -335100190008791	18,623,778.56	16,331,701.76
P/B A/C - 335100280008791	52,994.24	
P/B A/C - 100530112349	3,567,070.77	
RDB A/C- 134010103277	386,549.19	
	<u>30,246,125.05</u>	<u>31,019,728.23</u>

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2015

	31.12.2015	31.12.2014
	Rs.Cts.	Rs.Cts.
<u>NOTE 3 - A.A.I.B. ACCUMULATED SURPLUS</u>		
B / F Balance	(1,766,817.31)	(20,913,143.36)
Prior Year Adjustment	(22,006,327.64)	1,364,103.73
Adjusted Balance on 31.12.2014	(23,773,144.95)	(19,549,039.63)
Less:		
Surplus(Deficit) for the year	8,758,168.59	17,782,222.32
Balance as at 31.12.2015	<u>(15,014,976.36)</u>	<u>(1,766,817.31)</u>

NOTE 4 - CAPITAL

Govt. Grant For Capital		
Balance as at 01.01.2015	9,038,545.41	8,242,037.62
Amotization Gov. Grant Farmers Pension		
Add:		
Grant for the year	4,000,000.00	3,000,000.00
Amotizations Gov. Grant	(2,678,120.31)	(2,203,492.21)
Balance as at 31.12.2015	<u>10,360,425.10</u>	<u>9,038,545.41</u>

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2015

	31.12.2015	31.12.2014
	Rs.Cts.	Rs.Cts.
<u>NOTE 5 - A.I.B. RESERVE FUND</u>		
Balance as at 01.01.2015	18,231,729.70	15,883,054.25
Add:		
Provision for the year	1,996,729.14	2,348,675.45
Balance as at 31.12.2015	<u>20,228,458.84</u>	<u>18,231,729.70</u>

NOTE 6 - FARMERS DEATH GRATUITY FUND

Balance as at 01.01.2015	709,386,616.19	647,785,238.94
Add :		
Death Gratuity Premium	27,011,280.00	30,003,930.00
Interest Income	27,499,809.17	34,650,447.25
	<u>54,511,089.17</u>	<u>64,654,377.25</u>
Less :		
Death Gratuity Payment	5,502,000.00	2,485,000.00
Disablement Gratuity Payment	266,000.00	568,000.00
	<u>5,768,000.00</u>	<u>3,053,000.00</u>
Balance as at 31.12.2015	<u>758,129,705.36</u>	<u>709,386,616.19</u>

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2015

	31.12.2015	31.12.2014
	Rs.Cts.	Rs.Cts.
<u>NOTE 7 - CURRENT LIABILITIES</u>		
<u>Note 7.1 - Pre - Premium Receipts</u>		
Pre - Premium - Livestock	1,614,809.73	854,964.64
Pre - Premium - Kethata Aruna	64,652,940.19	20,331,701.76
	<u>66,267,749.92</u>	<u>21,186,666.40</u>

Note 7.2 - Other Payables

Provision Special Allowance	750,000.00	750,000.00
Payable LECO	876,333.33	1,176,333.33
Payable Abans	84,000.00	
Refundable Tender deposits	390,000.00	
Payable PAYE	2,550.00	
Payable EPF & ETF	21,729,892.05	
	<u>23,832,775.38</u>	<u>1,926,333.33</u>

Note 7.3 - Accrued Expenses

Admin. Expenses	7.3.1 6,485,216.88	5,003,554.39
Commission - Crop Insurance	1,539,299.52	1,644,857.91
	<u>8,024,516.40</u>	<u>6,648,412.30</u>

Note 7.4 - Provision For Indemnity

Paddy	46,192,500.00	56,000,000.00
Livestock	8,000,000.00	8,000,000.00
Suwasetha and Agri Equipment	900,000.00	800,000.00
Subsidiary Crops	23,362,000.00	22,000,000.00
- Kethata Aruna	71,500,000.00	
	<u>149,954,500.00</u>	<u>86,800,000.00</u>

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2015

	31.12.2015	31.12.2014
	Rs.Cts.	Rs.Cts.
Electricity	198,087.50	179,185.22
Security Charges	67,150.00	68,200.00
Rent	1,112,587.92	1,084,274.72
Maintenance of Motor Vehicles	237,409.75	295,888.50
Traveling & Subsistence	664,009.00	282,117.00
Salaries	1,155,462.38	237,226.92
E.P.F	84,258.50	6,960.00
E.T.F	21,064.63	1,740.00
Overtime	211,510.00	14,868.00
Daily Pay	36,383.00	4,600.00
Publicity	-	11,989.00
Stationary	267,840.61	390,436.40
Telephone	244,733.26	270,962.12
Water Bill	27,385.83	38,090.11
Audit Fees	1,094,935.00	1,570,392.00
Fuel	55,505.00	220,806.90
Uniform	7,200.00	-
Welfare	2,538.00	-
Labour Charges	1,000.00	5,000.00
Payable Computer Expenses	19,640.00	17,800.00
Transport Expenses	2,100.00	-
Translation Fees	1,250.00	3,000.00
Bank Charges	-	2,808.60
Payable Main Building	275,100.00	22,400.00
Payable Printing	525,100.00	825.00
Payable Postage	8,860.00	6,617.00
Sundry Creditors	161,213.00	161,213.00
Payable Office Equipment	-	106,153.90
Payable Entertainment	2,893.50	
	6,485,216.88	5,003,554.39

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE INCOME STATEMENT
FOR THE 31st DECEMBER 2015

	31.12.2015	31.12.2014
	Rs. Cts.	Rs. Cts.
<u>NOTE 8 - REVENUE</u>		
<u>Note 8.1 - Premium - (Insurance)</u>		
Paddy	79,873,594.43	66,453,371.74
Livestock	9,008,734.09	12,211,640.60
Suwasetha Insurance/ Personal Acc	16,430,597.23	7,675,677.72
Subsidiary Crops	24,719,145.41	32,709,977.47
Agri equipments	1,087,327.77	112,328.67
Tactor Sales Commission	-	420,567.14
Kethata Aruna	1,006,393,825.67	
	<u>1,137,513,224.60</u>	<u>119,583,563.34</u>
<u>Note 8.2- Interest Income</u>		
Interest - Treasury bills (Crops & Other)	17,117,426.75	1,502,677.68
- Loans to employees	1,442,868.06	1,446,613.54
	<u>18,560,294.81</u>	<u>2,949,291.22</u>
<u>NOTE 9 - OPERATIONAL EXPENDITURE</u>		
<u>Note 9.1 - Indemnity - Insurance</u>		
Paddy	139,394,443.33	39,674,692.69
Livestock	7,562,341.49	4,396,137.50
Suwasetha Insurance	423,748.50	162,559.50
Subsidiary Crops	43,589,285.00	23,895,125.00
Kethata Aruna	913,238,082.78	
	<u>1,104,207,901.10</u>	<u>68,128,514.69</u>
<u>Note 9.2 - Other Operational Expenses</u>		
Insurance Commission	8,325,661.42	4,891,927.31
Admin. Allowances	15,660.00	5,760.00
Crop Assessment	1,406,454.99	415,919.69
Livestock	2,183,259.01	2,117,223.91
	<u>11,931,035.42</u>	<u>7,430,830.91</u>
<u>NOTE 10 - OTHER INCOME</u>		
Disposal of Fixed assets	5,613,057.50	-
Amotisation of Government Grant	1,910,660.45	1,590,624.01
Other income	200,487.65	491,747.44
Provision of Bad Debts	83,641.66	
	<u>7,807,847.26</u>	<u>2,082,371.45</u>

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE INCOME STATEMENT
FOR THE 31st DECEMBER 2015

	31.12.2015	31.12.2014
	Rs.Cts.	Rs.Cts.
<u>NOTE 11 - ADMINISTRATIVE EXPENSES</u>		
Salaries & Wages	72,189,216.38	53,195,306.69
Contribution E.P.F.	6,304,833.15	5,444,463.23
Contribution E.T.F.	1,576,208.28	1,360,465.82
Traveling & Subsistence	1,718,054.58	1,075,855.75
Overtime	2,583,437.39	915,492.56
Daily Pay	245,841.50	66,763.00
Medical Expenses	641,468.00	631,864.00
Allowance to Board Members	184,080.00	190,800.00
Gratuity	3,756,213.74	3,245,227.71
Welfare	652,651.84	312,948.75
Special allowance	1,370,750.00	427,516.66
Fuel	4,405,683.75	4,814,848.07
Stationery	2,036,735.99	1,440,148.71
Entertainment Allowance	228,246.36	64,593.94
Legal Fees	38,460.00	99,253.69
Transport	583,196.00	47,442.00
Printing	2,969,016.86	469,261.07
Publicity & Training	4,585,678.14	1,256,614.48
Uniform	272,558.65	123,278.50
Rent	7,038,773.53	7,822,424.11
Telephone	1,243,784.40	1,217,448.78
Postage	491,842.52	417,024.82
Water Tax	208,892.34	224,355.87
News paper & Advertisement	715,872.50	639,390.00
Security	692,737.51	567,270.00
Electricity	1,435,703.08	1,457,051.69
Maintenance - Moter Vehicles	4,896,620.60	3,604,761.13
Maintenance - Buildings	774,765.18	216,705.42
Maintenance - Office Equipments	229,493.07	501,375.95
Labour Charges	240,726.75	113,162.00
Translation Fees	106,034.00	126,364.00
Computer Expenses	197,973.75	111,386.92
Miscellaneous Expenses	15,388.50	1,480.00
Depreciation	4,186,968.77	3,659,087.36
Audit Fees	400,000.00	250,000.00
Foreign Travelling	1,838,906.77	
	<u>131,056,813.88</u>	<u>96,111,432.68</u>

NOTE 12 - FINANCE CHARGES

Bank Charges	917,074.11	312,495.50
	<u>917,074.11</u>	<u>312,495.50</u>

Farmers' Pension and Social Security Benefit Scheme

**Financial Statements as at
31st December, 2015**

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2015**

<u>ASSETS</u>	<u>Note</u>	<u>31.12.2015</u>		<u>31.12.2014</u>	
		Rs.	Cts.	Rs.	Cts.
<u>Non - Current Assets</u>					
Plant, Property & Equipment	1	1,961,459.90		2,280,408.64	
		<u>1,961,459.90</u>		<u>2,280,408.64</u>	
<u>Held to maturity Investment</u>					
Treasury Bond		1,105,827,499.92		1,120,743,965.00	
		<u>1,105,827,499.92</u>		<u>1,120,743,965.00</u>	
<u>Current Assets</u>					
Stock	2	2,214,372.58		2,001,391.58	
Receivables	3	36,376,027.20		32,556,755.20	
Held to maturity Investment	4	47,567,075.86		199,634,877.40	
Receivable Income	5	4,885,853.00		6,146,490.00	
Cash at Bank	6	2,862,558.17		5,658,575.75	
		<u>93,905,886.81</u>		<u>245,998,089.93</u>	
TOTAL ASSETS		<u>1,201,694,846.63</u>		<u>1,369,022,463.57</u>	
<u>EQUITY & LIABILITIES</u>					
<u>Capital & Reserves</u>					
Farmer's Pension Fund	8	(60,714,518,840.20)		(57,249,428,978.77)	
Govt. Grant for Capital	9	1,961,460.94		2,280,409.68	
F.A.O Grant		547,885.14		547,885.14	
Group Insurance Contribution		1,000,000.00		1,000,000.00	
		<u>(60,711,009,494.12)</u>		<u>(57,245,600,683.95)</u>	
<u>Non - Current Liabilities</u>					
Pension Liability		56,279,695,153.00		53,083,243,089.00	
Government Grant on Treasury Bond		1,081,488,000.00		1,081,488,000.00	
Provision for Staff Gratuity		39,495,968.47		38,322,090.89	
		<u>57,400,679,121.47</u>		<u>54,203,053,179.89</u>	
<u>Current Liabilities</u>					
Current Payables	10	4,486,255,008.07		4,408,026,165.47	
Accrued Expenses	11	25,770,211.21		3,543,802.16	
		<u>4,512,025,219.28</u>		<u>4,411,569,967.63</u>	
TOTAL EQUITY & LIABILITIES		<u>1,201,694,846.63</u>		<u>1,369,022,463.57</u>	

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

.....
Head of Finance

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

.....
Chairman

Agricultural & Agrarian Insurance Board

.....
Member of Director Board

Agricultural & Agrarian Insurance Board

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
STATEMENT OF COMPREHENSIVE INCOME					
FOR THE YEAR ENDED 31ST DECEMBER 2015					
		31.12.2015		31.12.2014	
		Rs.	Cts.	Rs.	Cts.
<u>REVENUE</u>	<u>Note</u>				
Interest Income		101,600,293.98		96,620,881.96	
Farmers Contribution		59,804,880.19		45,053,930.06	
Farmers Contribution for Life Insurance Premium		4,757,790.00		5,718,420.00	
		166,162,964.17		147,393,232.02	
<u>Expenses</u>					
Refund of Contribution		(9,539,156.00)		(1,999,278.00)	
Refund of Net Interest		(5,701,157.00)		(1,728,962.35)	
Disablement Gratuity Payment		(1,332,928.00)		(1,307,099.85)	
Group Insurance Premium		(27,011,280.00)		(30,003,930.00)	
Pension Payments & Commission					
- Pension Payments		(2,380,815,023.66)		(1,977,916,191.00)	
- Commission Payments		(7,817,180.00)		(6,518,265.00)	
Total Expenditure		(2,432,216,724.66)		(2,019,473,726.20)	
Operating Surplus/(Dificit)		(2,266,053,760.49)		(1,872,080,494.18)	
Government Grant- Recurrent		2,090,000,000.00		1,954,800,000.00	
		(176,053,760.49)		82,719,505.82	
Amortization of Govt. Grant		767,459.86		612,868.20	
		(175,286,300.63)		83,332,374.02	
<u>INCOME - for Administration</u>					
Farmer's Contribution for Admin. Expenses		2,378,895.00		2,859,210.00	
Govt. Grant for Admin Expenses		93,000,000.00		72,750,000.00	
Other Income		24,670.00		42,800.58	
		95,403,565.00		75,652,010.58	
<u>Expenses</u>					
Administration & Establishment Expenses	12	(113,042,007.94)		(96,940,912.37)	
Financial Expenses	13	(55,934,454.06)		(56,683,239.64)	
Commission for Collection Agents		(1,111,960.00)		(1,351,196.00)	
Total Admin Expenses		(170,088,422.00)		(154,975,348.01)	
		(74,684,857.00)		(79,323,337.43)	
Surplus/Dificit for the year		(249,971,157.63)		4,009,036.59	
Other comprehensive income					
Gratuity gains / (losses)		3,063,252.25		(4,810,552.97)	
Increase in Pension Liability		(3,196,452,064.00)		(3,281,159,469.00)	
		(3,193,388,811.75)		(3,285,970,021.97)	
Net Surplus /Dificit of the Comprehensive income		(3,443,359,969.38)		(3,281,960,985.38)	
(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 2015

		Rs.
Description	Farmer's Pension Fund	Govt. Grant for Capital Expenses
Balance as at 01 January 2013	(48,945,122,406)	2,111,438
Additions		228,273
Amortization of Govt. Grant		(711,443)
Profit/Loss for the year	(5,026,459,340)	-
Prior Adjustment	(60,000)	
Balance as at 31st December 2013	(53,971,641,746)	1,628,268
Additions	-	1,265,010
Amortization of Govt. Grant		(612,868)
Prior Adjustment	4,173,752	-
Profit/Loss for the year	(3,281,960,985)	-
Balance as at 31st Dec. 2014	(57,249,428,979)	2,280,410
Prior year adjustment	(21,729,892)	-
Adjusted Balance as at 31st Dec. 2014	(57,271,158,871)	2,280,410
Additions	-	448,511
Amortization of Govt. Grant		(767,460)
Profit/Loss for the year	(3,443,359,969)	-
Balance as at 31st Dec. 2015	(60,714,518,840)	1,961,461

AGRICULTURE & AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2015

	<u>31.12.2015</u>	<u>31.12.2014</u>
<u>Cash Flows from Operating Activities</u>		
Net Surplus / (Deficit)	(3,443,359,969)	(3,281,960,985)
Adjustment for		
- Depreciation	767,460	634,933
- Adjustments in respect of Prior Year	(21,729,892)	4,100
- Gain /loss on gratuity	(3,063,252)	4,810,553
	(24,025,684)	5,449,586
Provision for Retiring Gratuity	4,237,130	3,838,365
Pension Liability	3,196,452,064	3,281,159,469
	3,200,689,194	3,284,997,834
Operating Profit before working capital changes	(266,696,460)	8,486,434
(Increase)/ Decrease in Inventories	(212,981)	242,888
(Increase)/ Decrease in Receivables	(3,819,272)	(31,842,276)
(Increase)/ Decrease in Receivable Income	1,260,637	493,563
Increase / (Decrease) Other Payables	78,228,843	248,481,079
Increase / (Decrease) Accrued Expenses	22,226,409	350,000
	97,683,636	217,725,254
Cash Generated from Operations	(169,012,824)	226,211,688
Retiring Gratuity - Paid	-	(777,597)
Net Cash Flows from Operating Activities	(169,012,824)	225,434,091
<u>Cash Flows from Investing Activities</u>		
Investments during the year	152,067,802	(185,179,539)
Purchases of Property, Plant & Equipment	(448,511)	(1,265,010)
Net Cash Flows from Investing Activities	151,619,290	(186,444,549)
<u>Cash Flows from Financing Activities</u>		
Government Grant for Capital Expenditure	448,511	1,265,010
Amortization for government grant	(767,460)	(612,868)
Government Bond	14,916,465	(1,120,743,965)
Government Grant for Treasury Bond	-	1,081,488,000
Net Cash Flows from Financing Activities	14,597,516	(38,603,823)
Net Increase / (Decrease) in Cash & Cash Equivalent	(2,796,018)	385,720
Cash & Bank Balance at the Beginning of the year	5,658,576	5,272,856
Cash & Cash equivalents at the End of the year	2,862,558	5,658,576
Cash & Bank Balance at the end of the year		
Cash at Bank - End of the year	2,862,558	5,658,576

Agricultural and Agrarian Insurance Board
Farmer's Pension & Social Security Benefits Scheme
Significant Accounting Policies
For the Year Ended 31st December 2015

1. General Policies

1.1 Reporting Entity

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

1.2 Principal Activities and Nature of Operations

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

1.3 Basis of Preparation

(g) Statement Of Compliance

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

(h) Basis of Measurement

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

(i) Comparative Information

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

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

(j) Functional and Presentation Currency

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

(k) Use of Estimates and Judgments

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

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

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

(l) Going Concern

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

2. Assets and the Bases of their Valuation

2.1 Property, Plant and Equipment

(d) Recognition and Measurement

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

All items of property, plant and equipment are initially recorded at cost less accumulated depreciation or impairment losses. Significant components of an asset are identified and depreciated separately. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity derecognizes the replaced part, and recognizes the new part with

its own associated useful life and depreciation. All other repair and maintenance costs are recognized in the income statement as incurred.

Fully depreciated assets with a total historical cost of Rs. 28,909,288.72 has been included in property plant and equipment

(e) Cost

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

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

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

(f) Depreciation

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

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

Intangible Assets

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

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

2.2 Inventories

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

2.3 Financial Assets

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

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

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

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

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

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

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

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

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

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

(f) Loans & Receivables

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

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

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

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

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

(h) Available-for-Sale Financial Investment

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

2.4 Impairment of Financial Assets

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

3. Liabilities and Provisions

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

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

3.1 Retirement Benefits

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

3.2 Taxation

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

3.3 Capital Commitments and Contingent Liabilities

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

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

3.4 Liability of Farmer's Pension Fund

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

4. Statement of Comprehensive Income

4.1 Revenue

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

4.2 Revenue Recognition

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

4.3 Accounting for Government Grants

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

4.4 Expenditure

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

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

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

Fuel Expenses	30%
Main. Building	40%
Stationery	48%

5. Cash Flow Statement

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

6. Events After The Reporting Date

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

10.Related Party Transactions

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

11.Prior Year Adjustments

The details of the prior year adjustments are as follows.

Outstanding EPF and ETF from 2006 to 2013 Rs. 21,729,892.05

7. Contingencies

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

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

NOTE - 01

PLANT, PROPERTY & EQUIPMENT AS AT 31ST DECEMBER 2015

DESCRIPTION	MOTOR VEHICLE	OFFICE EQUIPMENT	WELFARE EQUIPMENT	FURNITURE & FITTINGS	AIR CONDITIONERS	COMPUTERS	PUBLICITY EQUIPMENT	COMPUTER SOFTWARE	TOTAL
COST AS AT 1 ST JANUARY 2015	2,102,060.70	1,620,558.04	22,330.75	819,738.53	360,136.62	26,012,531.74	422,837.14	1,475,000.00	32,835,193.52
ADDITION		-	-	239,350.00	167,261.12	41,900.00	-	-	448,511.12
TRANSFER FORM AAIB	-	-	-	-	-	-	-	-	-
TOTAL COST	2,102,060.70	1,620,558.04	22,330.75	1,059,088.53	527,397.74	26,054,431.74	422,837.14	1,475,000.00	33,283,704.64
DEPRECIATION RATE %	20%	10%	10%	10%	20%	20%	10%	20%	
ACCUMULATED DEP : AS AT 1st JANUARY 2015	2,102,060.70	1,617,009.04	19,480.75	762,835.73	360,136.62	24,385,424.90	422,837.14	885,000.00	30,554,784.88
TRANSFER FORM AAIB									-
DEPRECIATION FOR THE YEAR 2015	-	2,339.00	950.00	45,543.86	1,393.84	422,233.16	-	295,000.00	767,459.86
TOTAL DEPRECIATION	2,102,060.70	1,619,348.04	20,430.75	808,379.59	361,530.46	24,807,658.06	422,837.14	1,180,000.00	31,322,244.74
NET VALUE	-	1,210.00	1,900.00	250,708.94	165,867.28	1,246,773.68	-	295,000.00	1,961,459.90

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

NOTES TO THE FINANCIAL STATEMENTS

	<u>31.12.2015</u>	<u>31.12.2014</u>
	Rs. Cts.	Rs. Cts.
<u>NOTE 02 - STOCKS</u>		
Printing Materials	2,125,022.06	2,001,150.32
Stationary Stock	89,350.52	241.26
	<u>2,214,372.58</u>	<u>2,001,391.58</u>
<u>NOTE 03 - RECEIVABLES</u>		
Receivables from Collection Agents	686,979.20	704,479.20
Receivable from Postal Department	35,689,048.00	31,852,276.00
	<u>36,376,027.20</u>	<u>32,556,755.20</u>
<u>NOTE 04 - HELD TO MATURITY INVESTMENT</u>		
Treasury Bills - P.B	47,567,075.86	199,634,877.40
	<u>47,567,075.86</u>	<u>199,634,877.40</u>
<u>NOTE 05- RECEIVABLE INCOME</u>		
Farmer's Contribution	4,077,203.00	5,115,990.00
Farmer's Contribution for Life Insurance Premium	539,100.00	687,000.00
Farmer's Contribution for Admin. Income	269,550.00	343,500.00
	<u>4,885,853.00</u>	<u>6,146,490.00</u>
<u>NOTE 06 - CASH AT BANK</u>		
A/C No.100150112345 - P/B Union Place	1,541,453.62	3,119,630.91
A/C No. 100180112344 - P/B Union Place	370,525.91	781,857.21
A/C No. 100130112351 - P/B Union Place	314,440.14	321,613.64
A/C No. 100110112347 - P/B Union Place	600,887.40	800,749.89
A/C No. 8403704 - B.O.C Union Place	24,684.10	152,327.10
Collection Accounts	10,567.00	482,397.00
	<u>2,862,558.17</u>	<u>5,658,575.75</u>
<u>NOTE - 08- FARMER'S PENSION FUND</u>		
Balance B/F	(57,249,428,978.77)	(53,967,472,093.39)
Prior Year Adjustment	(21,729,892.05)	4,100.00
	<u>(57,271,158,870.82)</u>	<u>(53,967,467,993.39)</u>
<u>Add/ (Less)</u>		
Total Revenue over Expenditure	(3,443,359,969.38)	(3,281,960,985.38)
	<u>(60,714,518,840.20)</u>	<u>(57,249,428,978.77)</u>

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
<u>NOTES TO THE FINANCIAL STATEMENTS</u>					
		<u>31.12.2015</u>		<u>31.12.2014</u>	
		Rs.	Cts.	Rs.	Cts.
<u>NOTE - 9 - GOVT. GRANT FOR CAPITAL EXPENDITURE</u>					
Balance B/F		2,280,409.68		1,628,267.88	
<u>Add / (Less):</u>					
Amortization of Govt. Grant		(767,459.86)		(612,868.20)	
Addition during the year		448,511.12		1,265,010.00	
Balance C/F		<u>1,961,460.94</u>		<u>2,280,409.68</u>	
<u>NOTE 10 - PAYABLES</u>					
Agency Commission		125,790.00		160,300.00	
Staff Security Deposit		154,600.00		154,600.00	
A.A.I.B. Current A/C		88,590,184.58		77,472,153.63	
Pension Payment		3,260,216,029.00		3,215,242,501.00	
Pension Commission		13,694,665.00		13,631,400.00	
Group Insurance Premium		163,187,680.00		141,944,400.00	
Loan for Pension Payment					
- Fisheries Pension Scheme		628,322,254.04		646,247,409.47	
- AAIB		331,963,805.45		313,173,401.37	
		<u>4,486,255,008.07</u>		<u>4,408,026,165.47</u>	
<u>NOTE 11- ACCRUED EXPENSES</u>					
Provision for Printing Charges		531,771.16		411,771.16	
Accrued Expenses		126,517.00			
Staff ETF & EPF Payable		21,729,892.05			
Provision for Audit fees					
- Previous year		3,132,031.00		2,882,031.00	
- Current year		250,000.00		250,000.00	
		<u>25,770,211.21</u>		<u>3,543,802.16</u>	

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
<u>NOTES TO THE FINANCIAL STATEMENTS</u>					
		31.12.2015		31.12.2014	
		Rs.	Cts.	Rs.	Cts.
<u>NOTE 12 - ADMINISTRATION EXPENSES</u>					
Salaries & Wages		72,189,216.37		53,195,306.69	
E.P.F.		6,304,833.14		5,444,463.21	
E.T.F.		1,576,208.28		1,360,465.80	
Traveling & Subsistence		1,718,954.58		1,090,285.75	
Over Time		2,916,614.56		4,210,540.55	
Daily Pay		284,940.50		448,763.00	
Medical Expenses		641,468.00		631,864.00	
Gratuity		4,237,129.83		3,838,364.80	
T.A.C. Allowances		-		59,455.00	
Staff welfare		652,651.83		316,898.75	
Legal Fees		57,690.00		148,880.52	
Staff Uniform		261,656.29		118,347.36	
Allowance to Board Members		168,620.00		127,200.00	
Consultation Fees		112,000.00		403,600.00	
Rent		5,119,108.03		5,689,035.71	
Telephone		904,570.47		885,417.29	
Postage		941,760.46		878,888.62	
Security		184,730.00		151,272.00	
Electricity		1,044,147.69		1,059,674.13	
Water Bill		151,921.71		163,167.90	
Audit Fees		250,000.00		250,000.00	
Translation Fees		-		2,000.00	
Fuel		2,047,609.01		2,422,206.17	
Awareness & Training		2,129,189.53		6,880,543.09	
Printing		1,026,979.26		1,922,592.92	
Stationery & Consumables		1,995,681.77		1,522,603.19	
Entertainments		157,426.24		65,738.62	
Main. of Motor Vehicle		3,436,224.98		2,530,356.93	
Main. of Building		563,465.60		157,603.94	
Main. of Office Equipment		61,198.15		133,700.23	
Main. of Computer & Software		1,133,551.80		196,743.17	
Depreciation		767,459.86		634,933.03	
		113,042,007.94		96,940,912.37	
<u>NOTE 13 - FINANCE & OTHER</u>					
Loan Interest		55,865,248.65		55,297,404.38	
Bank Charges		69,205.41		1,385,835.26	
		55,934,454.06		56,683,239.64	

**Financial Statements as at 31st December,
2015**

**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 2015

	<u>Note</u>	<u>31.12.2015</u>		<u>31.12.2014</u>	
		Rs.	Cts.	Rs.	Cts.
<u>ASSETS</u>					
<u>Non - Current Assets</u>					
Plant , Property & Equipment	1	38,519.62		832.00	
		<u>38,519.62</u>		<u>832.00</u>	
<u>Current Assets</u>					
Stock	2	191,083.33		189,206.27	
Receivables	3	629,872,254.04		646,624,810.47	
held to Maturity Investment	4	22,677,475.96		16,649,954.02	
Cash at Bank	5	1,416,310.83		1,057,425.69	
		<u>654,157,124.16</u>		<u>664,521,396.45</u>	
TOTAL ASSETS		<u>654,195,643.78</u>		<u>664,522,228.45</u>	
<u>EQUITY & LIABILITIES</u>					
<u>Capital & Reserves</u>					
Fishermen's Pension Fund	6	(2,174,633,659.27)		(1,930,371,414.21)	
Death Gratuity Fund	7	22,780,199.70		21,525,809.70	
		<u>(2,151,853,459.57)</u>		<u>(1,908,845,604.51)</u>	
<u>Non - Current Liabilities</u>					
Pension Liability		2,784,156,361.14		2,555,667,552.00	
Provision for Staff Gratuity		1,182,885.23		1,087,875.58	
		<u>2,785,339,246.37</u>		<u>2,556,755,427.58</u>	
<u>Current Liabilities</u>					
Total Payables	8	18,871,831.98		15,021,380.38	
Accrued Expenses	9	1,838,025.00		1,591,025.00	
		<u>20,709,856.98</u>		<u>16,612,405.38</u>	
TOTAL EQUITY & LIABILITIES		<u>654,195,643.78</u>		<u>664,522,228.45</u>	

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


 Head Of Finance

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


 Chairman
 Agricultural & Agrarian Insurance Board


 Member of Director Board
 Agricultural & Agrarian Insurance Board

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
<u>STATEMENT OF COMPREHENSIVE INCOME</u>					
<u>FOR THE YEAR ENDED 31ST DECEMBER 2015</u>					
		31.12.2015		31.12.2014	
		Rs. Cts.		Rs. Cts.	
		<i>Note</i>			
Interest Income		38,040,716.65		38,533,360.63	
Fishermen's Contribution		<u>1,030,292.00</u>		<u>1,456,710.00</u>	
		39,071,008.65		39,990,070.63	
Less:					
Interest Income trf. to Admin Exp.		<u>(3,500,000.00)</u>		<u>(3,500,000.00)</u>	
Total Revenue for Fund		35,571,008.65		36,490,070.63	
<u>Less: EXPENDITURE</u>					
Refund of Net Contribution		(412,085.00)		(577,016.00)	
Refund of Net Interest		(475,881.00)		(628,623.00)	
Incentive Payment		(65,604.00)		(88,820.00)	
Group Insurance Premium		(1,763,390.00)		(1,675,730.00)	
Pension Payments & Commission					
- Pension Payments		(47,418,578.00)		(41,867,619.00)	
- Commission for Pension Payments		<u>(562,740.00)</u>		<u>(489,075.00)</u>	
Total Expenditure		<u>(50,698,278.00)</u>		<u>(45,326,883.00)</u>	
Operational Surplus/ Deficit		(15,127,269.35)		(8,836,812.37)	
<u>INCOME - for Administration</u>					
Interest Income for Admin. Expenses		3,500,000.00		3,500,000.00	
Govt. Grant for Admin Expenses		<u>1,500,000.00</u>		<u>3,000,000.00</u>	
		5,000,000.00		6,500,000.00	
		5,000,000.00		6,500,000.00	
		<u>(10,127,269.35)</u>		<u>(2,336,812.37)</u>	
<u>Less: Expenses</u>					
Admin: & Establishment Expenses	10	5,015,930.43		4,832,931.37	
Finance Charges	11	<u>4,093.00</u>		<u>561.16</u>	
Total Admin Expenses		<u>5,020,023.43</u>		<u>4,833,492.53</u>	
Profit/ (loss) for the year		(15,147,292.78)		(7,170,304.90)	
<u>Other Comprehensive Income</u>					
Gratuity gains/ (loss)		28,657.88		(156,765.95)	
Increase of Pension Liability		<u>(228,488,809.14)</u>		<u>(211,396,733.00)</u>	
		(228,460,151.26)		(211,553,498.95)	
Total Comprehensive Income For the year		(243,607,444.04)		(218,723,803.85)	

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
STATEMENT OF CHANGES IN EQUITY			
FOR THE YEAR ENDED 31ST DECEMBER 2015			
	Fishermen's Pension Fund	Death Gratuity Fund	Total
Balance as at 31 st December 2013	(1,711,647,610.36)	20,210,079.70	(1,691,437,530.66)
PV of Pension Liability	-	-	-
Balance as at 31 st Dec. 2013	(1,711,647,610.36)	20,210,079.70	(1,691,437,530.66)
Additions during the year - 2014			
Net Surplus	(218,723,803.85)		(218,723,803.85)
Income Over Expenditure - life Insurance	-	1,315,730.00	1,315,730.00
Balance as at 31 st Dec. 2014	(1,930,371,414.21)	21,525,809.70	(1,908,845,604.51)
Prior year Adjustment	(654,801.02)	-	(654,801.02)
Adjusted Balance as at 31 st Dec. 2014	(1,931,026,215.23)	-	(1,909,500,405.53)
Additions during the year - 2015			
Net Surplus	(243,607,444.04)		(243,607,444.04)
Income Over Expenditure - life Insurance		1,254,390.00	1,254,390.00
Balance as at 31st Dec 2015	(2,174,633,659.27)	22,780,199.70	(2,151,853,459.57)

AGRICULTURAL AND AGRARIAN INSURANCE BOARD				
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME				
CASH FLOW STATEMENT				
FOR THE YEAR ENDED 31ST DECEMBER 2015				
	31.12.2015		31.12.2014	
	Rs.	Cts.	Rs.	Cts.
<u>Cash flows from Operating actives</u>				
Net Surplus	(243,607,444.04)		(218,723,803.85)	
<u>Adjustments For</u>				
Depreciation	4,032.38		908.00	
Adjustments in respect of Prior Year	(654,801.02)		-	
Deficit/ Gain on Gratuity	(28,657.88)		156,765.95	
Increase Pension Liability	228,488,809.14		211,396,733.00	
Provision for Retiring Gratuity	123,667.53		106,160.81	
Operating profit before working capital changes	(15,674,393.89)		(7,063,236.09)	
(Increase) / Decrease in Inventories	(1,877.06)		(34,953.72)	
(Increase) / Decrease in Receivables	16,420,155.43		(5,909,920.08)	
(Increase) / Decrease in Other Payables	3,850,451.60		4,141,760.28	
(Increase) / Decrease in Accrued expenses	247,000.00		175,000.00	
	20,515,729.97		(1,628,113.52)	
Cash Generated from operation Activities	4,841,336.08		(8,691,349.61)	
Retiring Gratuity - Paid	-		-	
Net Cash Flows from Operating Activities	4,841,336.08		(8,691,349.61)	
<u>Cash Flows from Investing Activities</u>				
Financial Instrument	(6,027,521.94)		7,406,817.78	
Purchases of Property, Plant & Equipment	(41,720.00)		-	
Contribution for group insurance scheme	1,763,390.00		1,675,730.00	
Benefits during the year	(509,000.00)		(360,000.00)	
Net Cash flows from Investing Activities	(4,814,851.94)		8,722,547.78	
<u>Cash Flows from financing Activities</u>				
	-		-	
Net Cash Flows from Financing Activities	-		-	
Net Increase / (Decrease) in cash & Cash Equivalentents	26,484.14		31,198.17	
Cash & Cash equivalentents at Beginning of the year	1,389,826.69		1,358,628.52	
	1,416,310.83		1,389,826.69	
<u>Cash & Bank balance at the end of the year</u>				
Cash at Bank - 31.12.2015	1,416,310.83		1,389,826.69	

Agricultural and Agrarian Insurance Board
Fisherman's Pension & Social Security Benefits Scheme
Significant Accounting Policies
For the Year Ended 31st December 2015

1 General Policies

1.1 Reporting Entity

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

1.2 Principal Activities and Nature of Operations

Operating a pension and social security benefits scheme for fishermen.

1.3 Basis of Preparation

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Comparative Information

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

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

(d) Functional and Presentation Currency

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

(e) Use of Estimates and Judgments

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

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

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

(f) Going Concern

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

2 Assets and the Bases of their Valuation

2.1 Property, Plant and Equipment

(a) Recognition and Measurement

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

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

Fully depreciated assets with a total historical cost of Rs. 691,945.42 has been included in property plant and equipment.

(b) Cost

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

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

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

(c) Depreciation

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

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

2.2 Intangible Assets

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

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

2.3 Inventories

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

2.4 Financial Assets

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

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

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

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

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

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

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

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

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

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

(b) Loans & Receivables

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

discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

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

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

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

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

(d) Available-for-Sale Financial Investment

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

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

2.4.1 Impairment Of Financial Assets

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

3 Liabilities and Provisions

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

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

3.1 Retirement Benefits

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

3.2 Taxation

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

3.3 Capital Commitments and Contingent Liabilities

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

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

3.4 Liability of Fishermen's Pension Fund

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

4 Statement of Comprehensive Income

4.1 Revenue

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

4.2 Revenue Recognition

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

4.3 Accounting for Government Grants

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

4.4 Expenditure

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

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

Expenditure	Rates
Rent, Telephone	5%
Postage, Water Charges	5%

Electricity	5%
Head Office Equipment	5%
Main. Building	5%
Main M/V	3%
Fuel	2%
Stationery	2%
Uniform	2%
Security	5%
Computer Expenses	5%

5 Cash Flow Statement

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

6 Events After the Reporting Date

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

7 Related Party Transactions

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

1 Prior Year Adjustments

The details of the prior year adjustment is as follows.

Outstanding EPF and ETF from 2006 to 2013 Rs. 654,801.02

8. Contingencies

Receivable Interest

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

The details as follows.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Note - 01

PLANT, PROPERTY & EQUIPMENT AS AT 31ST DECEMBER 2015

Description	Office Equipment	Welfare Equipment	Furniture & Fittings	Computers	Total
Cost of as at 1 st Jan. 2015	380,728.50	1,325.00	50,376.92	259,515.00	691,945.42
Add. Addition	3,250.00	-	28,500.00	9,970.00	41,720.00
Less. Disposals	-	-	-	-	-
Total Cost as at 31st Dec. 2015	383,978.50	1,325.00	78,876.92	269,485.00	733,665.42
Depreciation Rate	10%	10%	10%	20%	
Accumulated Dep. As at 1 st January 2015	380,728.50	1,325.00	50,376.92	258,683.00	691,113.42
Less. Disposals	-	-	-	-	-
Depreciation for the year	148.96		2,137.50	1,745.92	4,032.38
Total Depreciation	380,877.46	1,325.00	52,514.42	260,428.92	695,145.80
Net Value	3,101.04	-	26,362.50	9,056.08	38,519.62

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
<u>NOTES TO THE FINANCIAL STATEMENTS</u>			
<u>AS AT 31.12.2015</u>			
		<u>31.12.2015</u>	<u>31.12.2014</u>
<u>NOTE 02 - STOCKS</u>		Rs. Cts.	Rs. Cts.
Printing Materials		191,083.33	189,206.27
		<u>191,083.33</u>	<u>189,206.27</u>
<u>NOTE 03 - RECEIVABLES</u>			
Farmers Pension Loan		628,322,254.04	646,247,409.47
Receivable -Department of FSH		1,500,000.00	-
Death Gratuity Advance		50,000.00	45,000.00
		<u>629,872,254.04</u>	<u>646,292,409.47</u>
<u>NOTE 04 -</u>			
<u>FINANCIAL INSTRUMENTS HELD TO MATURITY</u>			
Treasury Bills - B.O.C		22,677,475.96	16,649,954.02
		<u>22,677,475.96</u>	<u>16,649,954.02</u>
<u>NOTE 05 - CASH AT BANK</u>			
A/C No. 164790 BOC Union Place		241,298.20	382,645.62
A/C No. 164795 BOC Union Place		711,493.63	674,780.07
Collection Accounts		463,519.00	332,401.00
		<u>1,416,310.83</u>	<u>1,389,826.69</u>
<u>NOTE 06 - FISHERMEN'S PENSION FUND</u>			
Balance B/F		(1,930,371,414.21)	(1,711,647,610.36)
PV of Pension Liability - Up to 2009			
Previous Year Adjustment		(654,801.02)	-
		(1,931,026,215.23)	(1,711,647,610.36)
Addition during the year			
Total Surplus/(Deficit) for the year		(243,607,444.04)	(218,723,803.85)
		<u>(2,174,633,659.27)</u>	<u>(1,930,371,414.21)</u>
		<u>(2,174,633,659.27)</u>	<u>(1,930,371,414.21)</u>



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபுதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல. }
My No. }

AGL/E/AAIB/1/15/19

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

October 2016

The Chairman,
Agricultural and Agrarian Insurance Board

Report of the Auditor General on the Financial Statements of the Agricultural and Agrarian Insurance Board for the year ended 31 December 2015 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971.

The English version of the above mentioned report is sent herewith

H.M. Gamini Wijesinghe
Auditor General

Copies to: - 01. Secretary, Ministry of Finance

02. Secretary, Ministry of Agriculture



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No. }

AGL/E/AAIB/1/15/19

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

18 October 2016

The Chairman,
Agricultural and Agrarian Insurance Board

Report of the Auditor General on the Financial Statements of the Agricultural and Agrarian Insurance Board for the year ended 31 December 2015 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 2015 comprising the statement of financial position as at 31 December 2015 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 of the Agricultural and Agrarian Insurance Board Act, No. 20 of 1999 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 issued to the Chairman of the Board on 24 June 2016.

1.2 Management's Responsibility for the Financial Statements.

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

1.3 Auditor's Responsibility.

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



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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. Subsections (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 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 2015 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 Comply with Sri Lanka Accounting Standards (LKAS).

The following observations are made.

- (a) **LKAS 08 – Accounting Policies, Changes in Accounting Estimates and Errors;** Net effect of 03 prior year adjustments amounting to Rs.22,006,328 had been adjusted to the fund account in the year under review without adjusting retrospectively.
- (b) **LKAS 16 - Property Plant and Equipment;** Thirteen fully depreciated motor vehicles are being used by the Board without reviewing the useful life of them in terms of Section 51 of the Standard.



- (c) **LKAS 19 – Employee Benefits;** Even though the actuarial valuation of Rs.38,190,657 for the contribution to the retirement benefit plan had been made, the contribution had not been invested by the Board in order to discharge the future obligation under a defined benefit plan.
- (d) **LKAS 39 - Financial Instruments;** Staff loans aggregating Rs.33,335,241 had not been recognized as a financial asset in the financial statements.

2.2.2 Accounting Deficiencies.

The following accounting deficiencies were observed in audit.

- (a) A profit of Rs.1,545,000 arrived from disposal of a vehicle in the year 2016 had been erroneously included in the income for the year under review. As such, the income for the year under review had been overstated by similar amount.
- (b) Commission expenses amounting to Rs.8,325,661 had been overstated by Rs.204,755 due to a computation error.
- (c) Paddy Insurance income of Rs.79,873,594 had been understated by Rs.5,826,623 due to delay in remitting the income to the Board that have already been collected by the banks and Agrarian Service Centers during the year under review.
- (d) A building purchased at a cost of Rs.70,000 in the year 1986 and a motor vehicle transferred by the Ministry of Finance and Planning in the year 2014 had been omitted in the financial statements.

2.2.3 Accounts Receivable.

The following observations are made.

- (a) A loan of Rs.331,963,805 given to the Farmers Pension Scheme for the payment of the farmers pension and interest thereon for the years from 2010 to 2014 had not been recovered even up to the end of the year under review.
- (b) Non-performing loans and advances aggregating Rs.1,056,109 had remained in the accounts for a long period without taking actions to recover those loans and advances from the respective parties.
- (c) Outstanding salary amounting to Rs.342,023 to be recovered from two employees released to the Ministry of Sports and the Ministry of National Language and Social Integrity during the years 2010 and 2011 respectively had not been recovered by the Board even up to 31 December 2015.



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

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

Reference to Laws, Rules, Regulation etc.

Non-Compliance

Government Procurement Guidelines – 2006

(i) Guideline 3.6

According to the provisions in the guideline, only 50 per cent of the original contract value should be procured under repeat order method. Even though the original contract value was Rs. 168,000, twenty one desktop computers valued at Rs.1,764,000 had been purchased during the year under review exceeding the original contract value by Rs.1,596,000.

(ii) Guideline 8.12.1 (b)

Action had not been taken to independently check the quality of 21 computers purchased during the year under review before accepting them.

3. Financial Review.

3.1 Financial Results.

According to the financial statements presented, the operations of the Board for the year under review had resulted in a surplus of Rs.8,768,542 as compared with the corresponding surplus of Rs.25,381,952 in the preceding year, thus indicating a deterioration of Rs.16,613,410 in the financial result. Even though the total revenue had increased by Rs.1,033,540,664 during the year under review, the increase of operating and administrative expenses by Rs.1,040,579,591 and Rs.34,945,381 respectively were the main reasons attributed for this deterioration in the financial results of the year under review.

3.2 Analytical Financial Review.

According to the financial statements and information made available for audit, the deficit for the preceding three years and the year under review before taking into the consideration of the Government grants had gradually increased. Details are shown below.



	2015	2014	2013	2012
	Rs.000	Rs.000	Rs.000	Rs.000
Total Income	1,163.8	124.6	109	139
Total Expenditure	1,248	171.9	260	217
Deficit Before Government Grant	(84.3)	(47.3)	(151)	(78)
Government Grant	93	72.7	69	63
Surplus/(Deficit) After Government Grant	8.7	25.4	(82)	(15)

According to the above information it was revealed that the ability to continue its operations by Board without the financial assistance of the General Treasury is in doubt.

4 Operating Review.


4.1 Performance.

The following observations are made.

- (a) The main objectives of the Board are to provide insurance for agricultural and horticultural crops and medicinal plants, livestock, fisheries and forestry, agricultural equipment and implements and the storage and preservation of agricultural and horticultural produce and the products of medicinal plants, fisheries and forest produce and to provide medical benefits and social security schemes for agriculturists.

According to the Action Plan for the year under review, the following table shows the physical and financial performance of the Insurance Schemes which implemented by the Board in order to achieve the above objectives.

Name of the Insurance Scheme	Measurement	Target				Achievement				Achievement as a percentage of Targets			
		Physical		Financial		Physical		Financial		Physical		Financial	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1. Crop Insurance				Rs.(000)	Rs.(000)			Rs.(000)	Rs.(000)	%	%	%	%
(a) Paddy	Acre	85,000	81,825	96,630	90,740	56,211	50,851	76,020	65,321	66.13	62.15	78.67	71.99
(b) Subsidiary Crops	Acre	23,000	24,000	47,300	48,165	13,759	16,550	24,456	34,241	59.82	68.96	51.70	71.09
2. Livestock Insurance	Nos.	19,900	18,450	28,767	28,250	6,007	7,287	9,861	12,057	30.10	39.50	34.27	42.68
3. Stores Insurance	Nos.	108	427	1,450	2,900	0	17	0	238	0.00	3.98	0.00	8.21
4. Agri Equipment Insurance	Nos.	1,632	2,382	7,425	12,000	35	55	135	245	2.14	2.31	1.80	2.04
5. Suwasetha Life Insurance & Third Party Insurance	Nos.	48,760	50,300	28,179	29,935	17,686	11,289	15,679	7,739	36.27	22.44	55.64	25.85



 അപരിചരിക്കുന്ന പദ്ധതികളുടെ വിഭാഗം
 Auditor General's Department
 അപരിചരിക്കുന്ന പദ്ധതികളുടെ വിഭാഗം



The following observations are made in this regard.

- (a) The Board had not drawn its attention on providing insurance for fisheries and fisheries and forest products even in the year under review.
- (b) The achievement of physical and financial targets of the Insurance Schemes of the year under review such as Livestock Insurance and Agri Equipment Insurance, were less than 35 per cent and 3 per cent respectively.
- (c) Even though the physical and financial targets for Stores Insurance were set out, no insurance coverage had been provided during the year under review.

4.2 Idle or Underutilized Property, Plant and Equipment.

Two quarters in Badulla and Embilipitiya had been idle for more than 10 years without carrying out required repairs.

4.3 Human Recourses Management.

The following observations are made.

- (a) Actions had not been taken to fill 07 vacancies in staff grade even up to the end of the year under review after obtaining required approval from the Department of Management Services.
- (b) Four officers had been appointed on contract basis for the post of Business Development Manager in order to implement Third Party Insurance Scheme without obtaining approval from the Department of Management Services. Further, this post had not included in the approved cadre of the Board and a monthly allowance of Rs.75,000, fuel allowance equal to 250 Liter and a commission of 0.5 per cent on the income collected by them had been paid to these officers without obtaining approval from the General Treasury.
- (c) Actions had not been taken to obtain the approval from the Department of Management Services for the amended cadre and the recruitment and promotion procedure approved by the Board on 30 July 2015 to address the future human resources needs.

4.4 Weaknesses in Financial Management.

The following observations are made.

- (a) Although the total insurance premium collected by the banks on behalf of the Board had to be directly remitted to the collection account maintained at the Head Office without deducting the commission as per the Circular No.391 of 11 September 2003 issued by the Chairman of the Board, net insurance premium



totalling Rs.1,513,764 had been remitted by 14 bank branches to the Head Office through district offices after deducting commission of Rs.63,073.

- (b) It was observed that the insurance premium aggregating Rs.3,897,881 remitted to 05 district offices by the banks had been forwarded to the Head Office collection account with a delay ranging from 30 days to 133 days.
- (c) According to the instruction given by the Chairman, the insurance premium collected and deposited at Agrarian Service Centers by Agricultural Research and Development Officers had to be remitted to the Head Office collection account within 07 days of collection. However, sums aggregating Rs.275,100 had been remitted to the Head Office collection account with a delay of 35 days to 118 days.

4.5 **Management Inefficiencies.**

The following observations are made.

- (a) Actions had not been taken to fill 126 vacancies in 12 posts even after receiving the approval of the Department of Management Services and interview for one post was held. It was further observed that a sum of Rs.518,825 had been incurred for the paper advertisements and other activities regarding the interviews held. In the meantime another decision had been taken by the Board in the year 2015 to re advertise the recruitment notice of these posts. Accordingly, an amount of Rs.318,209 had been paid in two instances during the year under review to advertise 03 posts out of 12 posts which had advertised earlier. However, these 03 posts too had not been filled even up to 30 June 2016.
- (b) A sum of Rs.2,467,311 had been incurred from the year 1989 to 2015 for the improvement of District Offices building in Embilipitiya and Thambuttegama which situated at the land belonging to the Mahaweli Authority of Sri Lanka. Further, it was revealed that the Mahaweli Authority of Sri Lanka had claimed a sum of Rs.2,330,750 as accumulated annual rent and penalty for the period of 1986 to 2014 relating to Embilipitiya land.

5. **Accountability and Good Governance.**

Internal Audit

It was observed that 04 posts out of 07 posts in the approved cadre of the Internal Audit Division were remained vacant since the year 2012. As a result, internal




audit in 38 areas identified and included in the annual audit programme for the year under review had not been carried out the within the year under review.

6. **Systems and Controls.**

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

<u>Control Area</u>	<u>Observation</u>
(a) Accounting.	Weaknesses in revenue recognition.
(b) Insurance Income.	Non-compliance with the approved systems in income collection.
(c) Accounts Receivable.	Weaknesses in recoveries.
(d) Assets management.	Underutilization of assets.
(e) Human Recourses Management.	Unauthorized appointments and delays in filling existing vacancies.


H.M. Gamini Wijesingha

Auditor General.



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல. }
My No. }

AGL/E/FPS/1/15/04

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி } 07 November 2016
Date }

The Chairman,
Agricultural and Agrarian Insurance Board

Report of the Auditor General on the Financial Statements of the Farmers' Pension and Social Security Benefit Scheme for the year ended 31 December 2015 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971.

The English version of the above mentioned report is sent herewith

H.M. Gamini Wijesinghe
Auditor General

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



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல. }
My No. }

AGL/E/FPS/1/15/04

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி } 07 November 2016
Date }

The Chairman,
Agricultural and Agrarian Insurance Board

Report of the Auditor General on the Financial Statements of the Farmers' Pension and Social Security Benefit Scheme for the year ended 31 December 2015 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 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 28 (4) of the Farmer's Pension and Social Security Benefit Scheme Act, No.12 of 1987 and Section 13(1) of the Finance Act, No.38 of 1971. My comments and observations which I consider should be published with the Annual Report of the Agricultural and Agrarian Insurance Board in terms of Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was issued to the Chairman of the Board on 11 May 2016.

1.2 Management's Responsibility for the Financial Statements.

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

1.3 Auditor's Responsibility.

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



reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Subsections (3) and (4) of 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 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 Farmers' Pension and Social Security Benefit Scheme as at 31 December 2015 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.

At the end of the year under review, the negative net assets position of the fund was Rs.60,714.5 million and this was mainly due to payment of pension over contributed income in the preceding years. The contributed income had decreased by 41 per cent while payment of pension had increased by 94 per cent during the period from 2011 to 2015. Hence, the ability of the Scheme to continue as a going concern without the financial assistance from the General Treasury is in doubt. The balance in the Fund account of the



Scheme, Farmers' contributions and pension expenses as at the end of the year under review and previous four years period are given below.

Year	Fund Account Balance as at end of the Year	Farmers Contribution	Pension Expense
	Rs. Million	Rs. Million	Rs. Million
2015	(60,714.5)	66.9	2380.8
2014	(57,249.4)	53.5	1977.9
2013	(53,968.5)	38.1	1646.9
2012	(48,945.1)	58.4	1380.7
2011	(44,154.2)	113.5	1226.7

2.2.2 Comply with Sri Lanka Accounting Standards (LKAS).

LKAS 19, Employee Benefits – Even though, the actuarial valuation for pension liability had been done in the year 2007, thereafter no actuarial valuation had been done for the pension liability up to the end of the year under review.

2.2.3 Accounting Deficiencies.

The following accounting deficiencies were observed in audit.

- Out of farmers contribution amounting Rs. 67,481,962 collected by the agents on behalf of the Scheme during the year under review, a sum of Rs Rs.540,397 had been remitted to the Board only in the month of March 2016. However, this income had not been accounted as receivable as at the end of the year under review.
- Unpaid pensions as at 31 December 2015 aggregating Rs.35,689,048 had been credited in pension payments without being identified the reasons. As such, the pension expenditure for the year under review had been understated by that amount.
- Provision for group insurance premium amounting Rs.27,011,280 for the year under review had been calculated based on average number of contributors without taking into account the actual number of contributors. Therefore, the accuracy and reliability of the above amount shown in the financial statements could not be ascertained in audit.



2.2.5 Accounts Receivable and Payable.

The following observations are made.

- (a) Balance confirmations for income receivables amounting to Rs.3,348,720 which representing 69 per cent of the total value of the accounts receivable had not been presented for audit.
- (b) Accumulated audit fees payable as at 31 December 2015 amounting to Rs.3,382,031 had remained in the accounts for more than 10 years without being settled.

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, Regulations etc.	Non-Compliance
.....
Farmers Pension and Social Security Benefit Scheme Act, No.12 of 1987.	
(a) Section 15	Action had not been taken to inform the relevant members regarding the cancellation of their membership who had defaulted due installments in terms of provisions in the Act.
(b) Section 20	Consultants committee should consist of 12 members, comprising 06 ex- officio members and 06 nominated members. However, only 07 members had been appointed for committee in the year 2015.



3. Financial Review.

3.1 Financial Results

According to the financial statements presented, the operations of the Scheme for the year under review had resulted in a deficit of Rs. 3,443,359,969 as compared with the corresponding deficit of Rs. 3,281,960,985 in the preceding year thus, indicating a further deterioration of Rs.161,398,984 in the financial results. Increase of pension payments by Rs.402,898,833 during the year under review was the main reason attributed for this deterioration in the financial results.

3.2 Analytical Financial Review.

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

	2015 Rs.000	2014 Rs.000	2013 Rs.000	2012 Rs.000	2011 Rs.000
Total Income	168,566	150,295	40,104	61,148	115,434
Total Expenditure	(2,602,304)	(2,174,449)	(1,847,921)	(1,587,686)	(1,402,379)
Increase of Pension Liability	(3,193,389)	(3,285,970)	(3,288,353)	(3,216,991)	(3,059,459)
Deficit for the year Before Government Grant	(5,627,127)	(5,310,124)	(5,096,170)	(4,743,529)	(4,346,404)
Government Grant	2,183,000	2,027,550	69,000	71,555	727,605
Amortization of Government Grant	767	613	711	1,321	1,228
Deficit After the Government Grant	(3,443,360)	(3,281,961)	(5,026,459)	(4,670,653)	(3,617,571)

The following observations are made in this regard.

- (i) The total income had decreased gradually by 65 per cent during the period from 2011 to 2013 while it had increased by 320 per cent during the period of 2014 and



2015. In the meantime, the total expenditure had increased by 85 per cent during these periods. Increase of pension payments after introducing the new scheme in the year 2014 was the main reason attributed for this increase in expenditure.

- (ii) The net deficit before Government grant had drastically increased during the period from 2011 to 2015 due to increase in expenditure.

4 Operating Review.

4.1 Performance.

The following observations are made.

The main objectives of establishment of the Scheme are to pay a periodical pension to farmers at their retirement, a lump sum gratuity or pension / periodical allowance in case of permanent partial or total disablement and a death gratuity. However, no enrolment to the Scheme during the last 05 years including the year under review had been happened and attention of the management in this regard had not been drawn.

Further, personal information of the farmers and contributions received from farmers had not been properly updated to the computerized system. As a result, obtaining information for reviewing the progress of the Scheme was impossible.

4.2 Deficiencies in Operation of Bank Accounts.

A decision had been taken on 18 February 2015 to write off 117 cheques valued at Rs.1,179,624 which deposited but not realized since the year 1992 in respect of 03 bank accounts. Even though an approval in this connection was sought from the General Treasury, such approval had not been received yet.

4.3 Financial Management.

In some instances, the farmers contributions collected by 06 District Offices had been remitted to the Scheme with the delay of the period ranging from 01 month to 07 months, exceeding the maximum limit of one week as per the letter of Deputy Director (Finance) dated 12 June 2013.

4.4 Management Inefficiencies

The following observations are made.

- (a) Even though the new pension scheme had to be implemented with effect from 01 January 2014 in accordance to the Extraordinary Gazette Notification No. 1853/49 of 14 March 2014, the payments of pension only had been made in accordance to the



new scheme while the contributions to the scheme is being made under old pension scheme.

Accordingly, a sum of Rs.2,436,639,690 had been paid as pensions for the period from January 2014 to December 2015 and only Rs. 27,863,242 had been collected as contributions for the same period.

- (b) Payable of pension for the years 2012 and 2013 aggregating Rs.3,033,329,200 had remained in the accounts without being settled even up to the end of the year under review.

4.5 Operating Inefficiencies

Only 11 district offices had completed survey activities required to update the members information under the new Farmers' Pension Scheme which was due to implement from January 2014, even though all district offices had to be completed surveys on or before 28 February 2015 as per the letter dated 28 January 2015 of Director General of the Board.

4.6 Matters of Contentious Nature.

The following observations are made.

A sum of Rs.1,475,000 had been paid to a University in the year 2008 for designing a new computer software in order to implement the Farmers' Pension and Social Security Benefit Scheme in a computerized system. In addition to that, sums aggregating Rs.1,200,000 had been paid in three instances to the same University for the completion of the delayed works and the similar works agreed in year 2008 by making few amendments to the earlier works.

In addition to the above, a new agreement had been entered with the same University for another 06 months period commencing from 01 March 2016 with the contract price of Rs.300,000 in order to maintain the computerized system even though an officer had been appointed internally as systems administrator to cover up these duties.

5. Accountability and Good Governance.

5.1 Action Plan.

Even though the Board had prepared a Corporate Plan for the period 2014 – 2016, an Action Plan for year 2015 had not been prepared.



5.2 Budgetary Control.

The variance between the budgeted and actual income for the year under review was 32 per cent, thus indicating that the budget had not been made use as an effective instrument of management control.

6. Systems and Controls.

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

<u>Control Area</u>	<u>Observation</u>
(a) Accounting.	Weaknesses in income / expenditure recognition.
(b) Contribution Income.	Material delays in remittances.
(c) Accounts Receivable and Payable.	Unavailability of sufficient evidence.
(d) Management Information System.	Unavailability of management information in the system.

H.M.Gamini Wijesinghe.

Auditor General.



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிப்பதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } ඒපීඑල්/ඊ/එස්අයිඑස්එච්/01 } මගේ අංකය } දිනය }
 எனது இல. } /15/02 } உமது இல. } தேதி }
 My No. } } Your No. } } Date } 2016 දෙසැම්බර් 05 දින

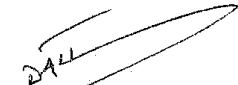
සභාපති,

කෘෂිකාර්මික හා ගොවිජන රක්ෂණ මණ්ඩලය

ධීවර විශ්‍රාම වැටුප් හා සමාජ ආරක්ෂණ ප්‍රතිලාභ යෝජනා ක්‍රමයේ 2015 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳව විගණකාධිපති වාර්තාව

මාගේ සමාංක හා 2016 සැප්තැම්බර් 05 දිනැති ලිපියට යොමුවේ.

02. ඉහත සඳහන් ලිපිය සමඟ එවන ලද මාගේ වාර්තාවේ ඉංග්‍රීසි අනුවාදය මේ සමඟ එවා ඇත.


 ඒ.එම්.ඩී.නායකනාන්ත

අතිරේක විගණකාධිපති

විගණකාධිපති වෙනුවට.

- පිටපත් : 1. ලේකම් - කෘෂිකාර්ම අමාත්‍යාංශය
 2. ලේකම් - මුදල් අමාත්‍යාංශය



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

} AGL/E/FISH/01/15/02

ඔබේ අංකය
உமது இல.
Your No.

}

දිනය
திகதி
Date

}

05 September 2016

The Chairman,
Agriculture 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 2015

The audit of financial statements of the Fishermen's Pension and Social Security Benefit Scheme for the year ended 31 December 2015 comprising the Statement of Financial Position as at 31 December 2015 and the Statement of Comprehensive Income, Statement of Changes in Equity and the Cash Flow Statement and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 28(4) of the Fishermen's Pension and Social Security Benefit Scheme Act No.23 of 1990. My comments and observations on the said Financial Statements appear in this report.

1.2 Management's Responsibility for Financial Statements

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



1.3 Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fishermen Pension and Social Security Benefit 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 Fishermen Pension and Social Security Benefit 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 financial statements.

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

1.4 Basis for Qualified Audit 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 2015 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 operating result of the year under review amounted to a deficit of Rs.15,147,293 and it was 111 per cent more than the previous year deficit. Increase in payment of pensions and the provisions for pension as at 31 December of the year under review amounting to Rs.2,784,156,361 had attributed to the increase in deficit. Adverse financial results continued to exist in the pension scheme for many years which had resulted in a negative position of net assets. The negative value of the net assets as at 31 December of the year under review amounted to Rs.2,151,853,459. This position had occurred as a result of paying pensions in excess of the overall receipts of the Scheme. If this position persists continuously, it could adversely affect the going concern of the Scheme.

2.2.2 Sri Lanka Accounting Standards

Non – compliance with the following Sri Lanka Accounting Standards were observed.



(a) **Sri Lanka Accounting Standard – 08**

Lesser payments to Employee's Provident Fund and Employee's Trust Fund made during 2006 to 2013 amounting to Rs. 654,801 had been rectified during the year under review. While doing so, adjustments had been made to the funds in the year under review without adjusting retrospectively .

(b) **Sri Lanka Accounting Standard – 19**

The following observations are made.

- (i) The actuarial valuation for Pension liability of active contributors and Fishermen's Pensioners should be made in timely basis. No actuarial valuation had been done after year 2007. As such, the member of Active Contributors and Pensioners were 54,248 in 2007 had decreased to 32,740 by 40 per cent during the year 2015. However, the provision for that period had increased by 124 per cent, that is, from Rs.1,242,006,539 to Rs.2,784,156,361.
- (ii) Further, although the actuarial valuation and accounting had been carried out for define benefit plan in terms of the provisions in the Standard, the balance of Rs.1,182,885 as at end of the year under review had not been invested by the employer for entrusting the future liabilities under the Define Benefit plan.

2.3 Accounts payable

Audit fees payable totalling Rs.1,431,025 continued to be brought forward in the accounts since 1998 without being settled.



2.4 Non – compliance with Laws, Rules, Regulations and Management Decisions

The following non – compliances were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non – compliance
(a) Fishermen's Pension and Social security Benefit Scheme Act No. 23 of 1990	
(i) Section 16	Action had not been taken to made aware the members that their membership could be cancelled it they neglect paying their membership fees, as per provisions in the Act.
(ii) Section 20	The Advisory Committee should consist of 12 members including 06 ex-officio members, and 06 nominated members. However, 07 members only had been appointed for the year 2015.



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

Paragraph 9.7 of Chapter 9

Special allowances amounting to Rs.506,928 had been paid to 04 officers during the year under review without the approval of the Treasury.

3. Financial Review

3.1 Financial Results

According to the accounts presented the operating activities of the Scheme for the year under review had resulted in a deficit of Rs. 15,147,293 as compared with the previous year's deficit of Rs. 7,170,305 and it was observed that the financial results had deteriorated by Rs.7,976,988 in the year under review that is, 111 per cent as compared with the previous year. The increase in payment of pensions by Rs.5,550,959 and the decrease in government grant for administrative expenses by Rs.1,500,000 had mainly attributed to the above deterioration.

4. Operating Review

4.1 Performance

The Fishermen's Pension and Social Security Benefit Scheme had been established to fulfil the objectives of offering social benefits to fishermen at their old age or when they become disable, to offer assistance to dependents of fishermen when they die, to encourage fishermen to continuously earn their livelihood, to refer youngsters to engage in the fishing industry and to create the habit of savings and to improve thriftiness among fishermen. The following observations are made in this regard.



- (a) Attention had not been paid by the Scheme to encourage fishermen to continue their livelihood in fishing, to refer youngsters in the fishing industry and to create the habit of savings among fishermen and to improve thriftiness among fishermen.
- (b) It was estimated to enroll 200 new contributors to the Scheme during the year under review as per budget estimate. However, 94 contributors only had been enrolled. Meanwhile, 85 contributors had left the Scheme during the year under review.
- (c) The contribution expected from the contributors during the year under review was Rs.3,292,500. However, the actual contribution obtained amounted to Rs. 1,030,292.
- (d) The total contribution received by the Scheme during the year under review was Rs. 1,030,292 and the total payment of pension amounted to Rs. 47,418,578. As such, payment of pension exceeding the contribution received was 4,602 per cent.

4.2 Management Activities

The following observations are made.

- (a) Out of the loans given on many instances from 2007 for the Farmers's Pension and Social Security Benefit Scheme, the balance carried forward in the Financial Statements as at 31 December 2015 amounted to Rs. 628,322,254 (loans and interests). The progress in recovery of these loans was at a weak level.
- (b) The information relating to annual changes in the number of membership due to cancellation of membership of the Scheme, deaths, disablement during the past 5 years had not been furnished to audit while the management had not analyzed the change in the number of membership and the reasons thereon. Further, when



informing the number of active contributors by end of the year under review informed figures as 29,310 members and 27,827 members.

5. Accountability and Good Governance

5.1 Budgetary Control

Significant variations ranging from 26 to 69 per cent were observed between the budgeted and the actual income and expenditure showing that the budget had not been utilized as an effective instrument of management control.

6. Systems and Controls

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

Systems and Controls Field	Observations
(a) Unpaid Pensions	Unpaid pensions not been periodically get back.
(b) Management Information System	System had not been updated and inability to obtain the reports needed for the management.

Sgd/ H.M. Gamini Wijesinghe
Auditor General



காசீகார்தீக லா ஙாஸீசன ரக்ஷண ஡ஸ்திரலய
கமத்தொழில் மற்றும் கமநலக் காப்புறுதிச் சபை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

வீடிடு சஸ்தீவ } ரக்ஷண
தந்தி } ரக்ஷண
Telegrams } Rakshana
267, ஙுதீயன் ரெரெட, கோலும்பு 2.
267, யூனியன் இடம், கொழும்பு 2.
267, UNION PLACE, COLOMBO 2.
வட. ரெ. 21, த. பெ. 21 **P.O. Box 21**

஡ஸ்திரலய
எமது இலக்கம்
My Ref. No.

2015/4/5/FR/2

஡ஸ்திரலய
உமது இலக்கம்
Your Ref. No.

தீத
தீத
Date

2016-06-27

Audit Superintendent
Auditor General's Department
Colombo

Answering to Report 14 (2) (c) of the Year 2015 presented in connection with Agricultural Insurance Scheme

Answering for Report 14(2) (c) submitted herewith in relation to the Agricultural Insurance Scheme for the year 2015.

.....
Chairman
Agricultural and Agrarian Insurance Board

டூர்஡ரீக
தொஸ்திரலயேசி
Telephones }
ஸ்திரலய
பெக்ஸ் }
Fax

சாஸ்திரலய
தஸ்திரலய
Chairman
448693 / 448694
449316

கஸ்திரலய
பொது முகாஸ்திரலய
General Manager
438607
438607

திரலய கார்திரலய
தஸ்திரலய
Head Office
448691-2 / 438606 / 430058

Answers for the Report of the Auditor General as per section 14(2) (c) of Finance Act No.38 of 1971 on the financial statements of the Agricultural Insurance Scheme for the year ended 31 December 2015

2. Financial Statements

2.1 Opinion

2.2 Comments on the financial statements

2.2.1 Sri Lanka Accounting Standards

- (a) Since the transactions are in respect of the years 2006- 2013, accounting has been carried out to be applicable to previous years.
- (b) As per Sri Lanka Accounting Standard 16, the policy of accounting the fixed assets of the Board is to account fixed assets on the value of the cost. Accordingly, these motor vehicles have been accounted on the cost basis.
- (c) Investments in respect of the pension gratuity liability of employees have not been separately accounted. At the time of maturity of the relevant liability, provisions are secured from the Treasury to make the payments.
- (d) Employees' loans have been brought to accounts as a financial asset under the receivable balances and the relevant accounting policy has been disclosed under Note 2.4.

Accounting Deficiencies

- (a) This motor vehicle was a disposal in respect of the year 2015 and the preliminary transactions in that regard had taken place in 2015. Since the accounting activities are carried out by the Board on accrued basis, the receivable amount of Rs. 1,535,000 for this vehicle has been accounted as a receivable income in the year 2015.
- (b) The commission in respect of the previous year and the commission due to be paid under the accrued basis have been duly adjusted with the total commission paid in cash during the year.
- (c) All income identified in respect of the year have been duly accounted.
- (d) It is expected to bring this unusable building located in the Embilipitiya area into usable condition and bring into accounts.

2.2.3 Receivable accounts

- (a) Action has been taken to gradually recover the loans granted to the Farmers' Pension Division and the interest thereof.
- (b) Letters of demand have been sent for the recovery of defaulted loans and interests thereof of employees who have either left the service of the Board or retired and in the event of failure to comply with them, legal action will be initiated.

Loan balances of officers deceased already will be deducted from their gratuity and if any further balance remained even after that, action would be taken to recover same from their guarantors.

The loan balances of other officers will be recovered from their guarantors.

(c) The relevant Ministry has been notified to reimburse the relevant salaries.

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

(i) and (ii) Section 3.6 and 8.12 (b) of Procurement Method Index

The responsibility of operating the 'Kethata Aruna' fertilizer subsidy paddy cultivation insurance scheme operated by the NITF was assigned to the Board from the Maha season of 2015. The main reason for this was the spate of allegations leveled by farmers regarding scheme prompted by the delays in the payment of compensation.

When the responsibility of operating this scheme was entrusted to the Board, paddy cultivations in the majority of agricultural districts of the island had been damaged by the floods. Under this scheme, insurance coverage had been given to more than one million farmers. The districts offices of the Board were not adequately equipped with human and physical resources for the payment of compensation of a scheme of this magnitude. Under these circumstances, a request was made to provide each office with at least one computer for the expeditious payment of compensation.

Accordingly, it was decided to provide advances to the district offices for the purchase of computers at the district level. The following reasons can be attributed for not calling tenders by the Head Office for the purchase of all computers at once.

- That procedure would have taken a long time and the government would have been inconvenienced if there was any agitation due to the delay in the payment of compensation.
- The transport of a single computer to far away locations like Jaffna and Batticaloa would have resulted in a huge cost and the maintenance and after sales service would have been problematic.
- By that time, the Board of Directors had not been fully appointed and the tender board too had not been appointed since only a brief period had elapsed since the election of the new government.

At the same time, action was taken to purchase two computers for the head office and quotations were called from STC, Singer and Albans. As per the specifications provided by the Board, the lowest price was quoted by Abans Limited. Therefore two computers were purchased at Rs. 84,000 for the head office from Abans. Since the lowest price was from Abans Limited, the district offices too were informed that the maximum price of purchasing a computer meeting the above specifications was Rs. 84,000 and if a computer could not be purchased at a lower price when quotations were called at the district level, it was recommended to purchase computers from Abans. The quality of the computers was inspected by the hardware and networking technician of the Board and he confirmed that the computers were of very high quality.

As an un-assembled computer which meets the specifications provided by the majority of district offices, could not be purchased at less than Rs. 84,000, steps were taken to purchase computers from Abans Limited immediately.

Therefore these purchases should be considered as purchases carried out at the district level. As a result of adopting the above measure, a good quality computer with a 3-year warranty could be purchased and using these computers compensation amounting to Rs. 913 million was disbursed amongst approximately 122,000 farmers. Action has been taken to inspect whether the computers purchased by district offices are in compliance with the relevant specifications and make an entry in the inventory.

3. Financial Summary

3.1.1 Financial Outcome

3.2 Analytical Review on the Financial Situation

4. Operational Review

4.1 Performacne

(a) As indicated in the above audit query, among the functions entrusted to the Board by the Agricultural and Agrarian Insurance Fund Act No. 20 of 1999 is the establishment and operation of an insurance scheme for fisheries and forest produce.

Accordingly, though a discussion was held with the Ministry of Fisheries for the establishment of an insurance scheme for equipment of those engaged in the fisheries industry including fishing nets and gear and fishing boats, it did not materialize. Further, the Board did not possess the infrastructure for the operation of such an insurance scheme.

Eg: computer systems

However, the Board has by now acquired the required infrastructure and technology using the funds extended by the World Bank and action is currently being pursued to establish an insurance scheme for fishing boats and gear.

Similarly, with forest produce in mind, a discussion was held with the Industrial Development Board to operate an accident insurance scheme for Kitul tappers in the Neluwa area bordering th Sinharaja forest of the Galle district. However it is yet to come into operation and it is expected to operte both these insurance schemes in the future.

(b) Paddy cultivation insurance and Suwasetha, accident and third party insurance schemes have recorded a greater progress in the year 2015 compared to the year 2014. Conversely, the progress of the supplementary crop cultivation insurance, livestock insurance and agricultural implements insurance has recorded a decline in 2015 than the previous year.

A third party insurance scheme has been introduced as of now under the establishment of insurance schemes for the moveable properties of farmers and at the initial phase of

implementation, the scheme faced many obstacles. However attempts are being made to get a stronger foothold in the third party insurance market and if these attempts were proved to be successful, it would become a new income source for the Board.

The responsibility of operating the 'Kethata Aruna' fertilizer subsidy insurance scheme during the 2014/15 Maha season, 2015 Yala and 2015/16 Maha seasons in respect of the two years relevant for this audit query was entrusted to the Board. Accordingly, nearly one million farmers received insurance coverage under this scheme island-wide in each cultivation season, and the needs of such a large number of farmers were catered to by a handful officials serving in our district offices. They had to cover a huge amount of paperwork coordinating with 550 island-wide Agrarian Service Centres from the examining of the receipt of premia up to the payment of compensation. This fertilizer subsidy insurance scheme was operated during the two cultivation seasons of the year 2015.

In carrying out such a massive workload by way of a special project, we encountered practical problems when field officers were required to be deployed for the operation of other insurance schemes and field duties. As a result, they were unable to carry out various promotional programmes, enrollment programmes and publicity campaigns which they would otherwise have engaged in within their respective districts.

In view of the foregoing, the progress of the supplementary crop, agricultural implements and livestock insurance schemes suffered a setback in 2015 compared to 2014.

4.2 Underutilized property, plant and equipment

Action will be taken to renovate and use the relevant assets.

4.3 Human Resources Management

(a) Necessary action will be taken to fill these vacancies.

(b) The Board launched the Third party Insurance Scheme with the objective of providing insurance cover to movable property of agriculturalists. Since there is a massive demand for such an insurance scheme, the Board has faced a stiff challenge from the private sector insurers dominating this sector in penetrating the third party insurance market. Since it is imperative that the Board is equipped with a formidable market network in entering such oligopolistic market, measures were taken to build an external agency network.

It was further decided that the strengthening of these marketing activities should be centered on Agrarian Service Centres which serve as focal points in delivering the services required by the farmer community.

Accordingly, these four officers were recruited temporarily on the basis of paying them a monthly allowance together with a fuel allowance for the marketing of the relevant insurance schemes

and the training of agents since the Board was did not have qualified professionals to market its general insurance schemes. Their recruitment was in line with a decision of the Board of Directors and action has also been taken to secure the approval of the Director General of Management Services.

The Third party insurance Scheme operated through the external marketing network has generated an income amounting to Rs. 5 million as at 20 July, 2015. This was largely due to the contribution made by these officers with private sector experience recruited on contract basis. Had there been a possibility of expanding this marketing tnetwork to cover all the districts, a far greater income could have been generated.

Since the Thirt Party Insurance coverage is a mandatory insurance scheme that has to be renewed every year, the Baord will be able to further enhance its annual income by maintaining the market share already captured.

- (c) The cadre requirements prepared with the inclusion of existing vacancies of the Board has been submitted for the approval of the Department of Management Services.

4.4 Financial Management

- (a) in operating the Agricultural Insurance Scheme in collaboration with state banks and other commercial banks, the Board has to face stiff competition from the insurers of the privater sector. There have even been instances where bank managers refused the income that was due to the Board. Though instructions have been given to the state banks and other banks currently having a working agreement with the Board to directly remit the collected premium to the accounts of the Board, some managers disregarding the instructions given by the Board credit the premium collected to district officers. The relevant Assistant/ Deputy District Directors have brought this to the notice of the bank managers from time to time. However, action will be taken to brief the head offices of the relevant banks to reit money using a uniform system in order to overcome this situation.
- (b) The relevant district directors have already been instructed to enforce strict supervision to prevent dealys in remitting by district offices to the accounts of the head office and it is hoped that this situation could be avoided in the future.

4.5 Management Inefficiencies

- a) (a) Basing on the decision of the management, applications were called from time to time in 2014 and 2015 for these 12 posts. Since a large number of applications over 57,000 were received, a considerable time had to be spent for sorting them out. As the Presidential Election was proclaimed during this period, the processing of applications was temporarily halted. Since a new government assumed office following the Presidential Election held on 08th January 2015, the managemen was not in a position to reach a decision on applications called in the year 2014. Therefore the Board was unable to proceed with the recruitments.

Thereafter, the interviews for the recruitment to the relevant posts were fixed for 16 July 2015, but then the general election of 2015 was promulgated and action was taken to seek the approval of the Commissioner of Elections. Though the approval of the Elections Commissioner was received for the conduct of the interviews, the interviews were not conducted in view of the political situation prevailed in the country at the time.

Therefore taking into account the fact that nearly one year had lapsed since the calling of applications in the year 2014 and as a result that some new applicants might be missing out on the opportunity of applying for the posts, action was taken to call for fresh applications as per the decision number 467 dated 12.11.2015 of the Board of Directors. Accordingly applications were called for the 03 posts of Assistant Director (District Offices), Management Assistant and driver. Presently, interviews have been conducted for the posts of Assistant Director (District Office) and driver and referred to the Board of Directors for approval. For the posts of Management Assistants, more than 30,000 applications have been received, and measures are in progress to select the applicants who have fulfilled the basic qualifications at the provincial level employing the limited number of officials available for this purpose and call them for interviews. In addition, applications were also been called and interviews were conducted for the post of Assistant Director (Legal) and has been referred to the Board of Directors for approval. The filling of other vacancies too will be carried out on the decision of the management.

- (c) Since 1987 up to now, Thambuttegama office of the Board is maintained in a building located on a land transferred to the Board on lease basis by the Mahaweli Authority in that year.
- (I) Since the Mahaweli Authority does not carry out maintenance and repair activities of the said building as per the transfer agreement and since no rental is paid in that regard, the maintenance activities and repairs essential for maintaining at a level suitable for running the office have been carried out from time to time using the funds of the Board during the past 30 years. The lease for the relevant period for the office building and the land had been paid to the resident business manager of the Mahaweli Zone and the rates had been paid to the Thalawa Pradeshiya Sabha in the name of the Board thus confirming the tenure.
- (II) The Board has done everything on its part to secure a long-term lease for the land on which the Thambuttegama office is maintained as per the transfer by the Mahaweli Authority. Accordingly, the residential business manager of the Mahaweli Authority (Zone H) forwarded a letter dated 19.01.2016 with his recommendations to the Director (Lands) of Mahaweli Authority for the signing of the long term deed of lease bearing No. අනු/හ/කමු/ර.ඉ.ආ/දී.බ/103 and informed the Chairman of this Board of same by sending a copy of the said letter and requesting him to visit the head office for the signing of the said deed of lease.

However, the Director (Lands) of Mahaweli Authority, through his letter dated 25.02.2016 apprised the Residential Business Manager of Mahaweli Zone to rectify the shortcomings contained in the long term deed of lease and re-submit same. Accordingly, by my letter dated

29.03.2017, I informed the Deputy Director- Anuradhapura District to meet the Business Manager and get the process expedited.

It has been reported on several occasions by the Deputy Director of Anuradhapura that the roof of this office building was badly decayed and water leakages during rainy days had caused damages to office documents, computers and other equipment and as a result routine office activities could not be maintained on such days and also the lives of office staff was in danger from falling pieces of timber and live electricity wires.

The Board is in a dilemma as it cannot afford to spend a large sum of money at once for the renovation of the roof owing to the delay in receiving the deed of lease and also faces the risk the building being re-acquired by the Mahaweli Authority if the office was removed from there.

The Embilipitiya office is being maintained in an office transferred to the Board by the Mahaweli Authority in the year 1986.

Though the office has been maintained in the said location since 1986, the Board has not been informed regarding the payment of any lease until it was informed by the Residential Business Manager of the Mahaweli Zone by his letter No: 04/ව/ඉ/න/Vii/88 dated 11.12.2012 that a sum of Rs. 1,996,625 be paid as lease for the land for the period from 1986 to 2013.

Accordingly, the Board of Directors which considered the Board Paper submitted under No. 442/05 to its meeting held on 28.12.2012 decided to inform the Mahaweli Authority of Sri Lanka that the Board was not in a position to make this payment due financial difficulties it was experiencing at the time and that no communication had ever been received by the Board previously regarding the need to make such a payment. This was communicated in writing to the Residential Business Manager of the Mahaweli Authority on 18.01.2013.

Responding to this letter on 03.04.2013, the Mahaweli Authority acknowledged that the failure to send a notice on the lease to be paid was an oversight on the part of their officials and the Residential Business Manager of the Mahaweli Authority once again informed that as a public sector institution, the Board should take measures to settle the payment.

As the Board was not in a position to make entire lease amount as a lump sum, a letter was sent to the Director General of the Mahaweli Authority on 01.07.2013 requesting him to make a concessionary arrangement to settle the dues and also sought a meeting him to negotiate the matter.

The Board again received a letter sent by the Chandrikawewa Division Management Office dated 19.01.2015 entitled " Levying annual lease for the land on which the office of the Agricultural Insurance Board of Embilipitiya is maintained" which requested the Board to pay

some of Rs. 2,270,750/= up to the year 2015. Consequent to this, the Chairman of the Board wrote to the Hon. Minister of Agriculture on 29.04.2015 explaining the matters and sought his intervention have the Board exempted from the requirement of paying the lease and have the relevant land transferred to the Board through the Ministry of Agriculture. However that request too has still not been responded to.

As the matter was pending, the Board received a letter of demand dated 10.09.2015 from the Director (Legal) of the Sri Lanka Mahaweli Authority entitled “ Initiating legal action for the recovery of lease in arrears”. (Annex 01) It warned that action would be filed against the Board in order to recover the dues and evict the office from the said building if the Board defaulted the payment of lease in arrears.

Though a letter in this connection dated 20.10.2015 was once again sent by the Director Geenal to the Secretary of the Ministry of Agriculture requesting him to acquire the said land to the Ministry of Agriculture and make necessary arrangements to maintain the office of the Board, that letter too remained unanswered.

The Mahaweli Authority by its letter dated 05.02.2016 once again notified the Board that the said land had been transferred to it on annual lease basis and therefore the Baord was legally bound to pay the lease and accordingly prompt action needed to be taken for the payment of the entire lease amount of Rs. 2,573,750/- inclusive of arrears up to year 2016 and the failure to do so would result in the termination of the lease and the constitution of legal action for the recovery of dues. Thus, as indicated above, though the Board has made repeated requests with a view to obtaining concessions for the settlement of the lease, no relief has ben received thus far and therefore taking into consideration the fact that the Embilipitiya office has actually been maintained in the building located on the said land from theyear 1986 and the need to maintain the office in the future as well, the recommendation of the Director Geenal and the approval of the Chairman have been received to pay the lease to the Mahaweli Authority.

Accordingly, action has been taken to refer the payment of a sum of Rs. 2,573,750/- to the Mahaweli Authority which is the total lease inclusive arrears for the period from year 1986 to year 2016 to the Board of Directors.

5 Accountability and Good Governance

Intenal Audit

It is expected to carry out the functions of the Internal Audit Division while recruiting employes for the existing vacancies in the Division.

4 Systems and Controls

Necessary action is expected to be taken to have a proper control over systems such as accounting, insurance income, receivable accounts, assets management and human resources management.



කෘෂිකාර්මික හා ගොවිජන රක්ෂණ මණ්ඩලය
சமத்தொழில் மற்றும் கமநலக் காப்புறுதிச் சபை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

විදුලි පණිවිඩ } රක්ෂණ
තந்தි } රක්ෂණ
Telegrams } Rakshana
267, ඉනියන් පෙරේරා, කොළඹ 2.
267, யூனியன் இடம், கொழும்பு 2.
267, UNION PLACE, COLOMBO 2.
க. ப. 21, த. பெ. 21 P.O. Box 21

මගේ අංකය }
எமது இலக்கம் }
My Ref. No. }

2015/4/5/FR/2

ඔබේ අංකය }
உமது இலக்கம் }
Your Ref. No. }

දිනය }
திகதி }
Date }

2016-07-05

Audit Superintendent
Auditor General's Department
Colombo

Answering to Report 14 (2) (c) of the Year 2015 presented in connection with Farmers' Pension Scheme

Answering for Report 14(2) (c) submitted herewith in relation to the Farmers' Pension Scheme for the year 2015.

.....
Chairman
Agricultural and Agrarian Insurance Board

දුරකථන }
தொலைபேசி }
Telephones }
ෆැක්ස් }
பெக்ஸ் }
Fax }

සභාපති }
தலைவர் }
Chairman }
448693 / 448694 }
449316 }

සාමාන්‍ය කාර්ය මණ්ඩල නිලධාරී }
பொது முகாமையாளர் }
General Manager }
438607 }
438607 }

ප්‍රධාන කාර්ය මණ්ඩල }
தலைமையகம் }
Head Office }
448691-2 / 438606 / 430058 }

Answers for the Report of the Auditor General as per section 14(2) (c) of Finance Act No.38 of 1971 on the financial statements of the Farmers' Pension Scheme for the year ended 31 December 2015

2. Financial Statements

2.1 Opinion

2.2 Comments on the financial statements

2.2.1 Scheme as a going concern

Through Gazette Notification Extraordinary No.153/49, measures were taken to amend the Farmers' Pension Scheme and a new Farmers' Pension scheme that could be maintained on a self-financing basis was introduced. Though the Farmers' Pension Fund became zero, necessary action has been taken to secure provisions from the fund for the payment of pension. It is expected to take necessary action in consultation with the Treasury to build the fund in relation to the pension liability.

2.2.2 Disagreements with accounting standards

Pension liability has been calculated on the basis of actuarial assessment carried out in the year 2007.

2.2.3 Accounting deficiencies

- (a) All revenue for which balance confirmations were forwarded and all revenue related to previous year which were received after the accounting year have been identified and brought into accounts.
- (b) Since the pensions not claimed due to the death of the subscriber or for some other reason are not brought into account as a pension expenditure, they have been credited to the pension account. The actual expenditure incurred is shown in the accounts and measures have been taken to suspend the pensions of subscribers who do not claim them regularly.
- (c) Of the 959,000 subscribed to the pension scheme, nearly 500,000 are active subscribers. Accordingly, the relevant allocation has been made after adjusting the subscribers whose subscription is annulled for the non-payment of premium and the subscribers who become entitled to the pension upon reaching 60 years of age with the active subscribers of the last year.

2.2.5 Accounts Receivable and Payable

- (a) All institutions were notified to submit balance confirmations for receivable premia. Though balance confirmations were not available for all amounts accounted as receivable income, the Board has received such amounts.
- (b) Measures have been taken for the gradual payment of audit fees.

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

- (a) If the farmers who have subscribed to the farmers pension scheme defaulted 05 consecutive premiums, their subscription is cancelled and necessary awareness in this regard has been made. Action is taken to reimburse the premium paid by farmers whose subscription is thus cancelled when they reach the age of 60 years.
- (b) Six ex-officio members of the advisory committee have been appointed along with three of the members who have to be nominated. Thus the total number of members in the advisory committee is 09.

3. Financial Review

3.1 Financial Result

3.2 Analytical Review on Financial Situation

- (a) The income has declined from 2011 to 2013 as a result of not promoting the Pension Scheme and the expenditure has increased incrementally as a large number of farmers have qualified for the pension on reaching 60 years of age and some others joining the pension scheme.
- (b) As per the accounting standards, the accurate disclosures have been made in the financial statements and accordingly, the pension liability has been shown in the financial statements. Due to the incremental increase annually in the farmers' pension liability, the deficiency too has increased gradually.

4. Operational Review

4.1 Performance

During the 100-day programme of the new government, a new scheme was formulated for the operation of a new farmers' pension scheme and was submitted for approval. Until instructions are received for the implementation of the proposed scheme, enrollments of the 2014 scheme had to be postponed.

Since an entry is made in the premia record book of the subscriber when the back premia payments are made, the entries made in the book are used in making decisions.

4.2 Deficiencies in the operation of bank accounts

These balances are more than 15 to 25 years old and in the year 2003 this matter was looked into and action was taken to correct all correctable balances and the balances which could not be detected have thus been brought forward. This situation could be mainly attributable to the issuance of receipts twice for the same cheque. This issue was repeatedly examined during special discussions held at the treasury and at the audit committees and since these balances are very old, measures have been taken as indicated to write off from the accounts.

4.3 Financial Management

All bank managers of branches in which collection accounts are maintained have been instructed to remit the money collected to the collection account of the head office once a week. In the future it is expected to draw up a programme in consultation with banks whereby the premium can be directly deposited at the account maintained in the head office.

4.4 Management Inefficiencies

- (a) Though pensions were paid in terms of the special gazette notification No. 1853/49 dated 14 March 2014, the premium to be paid under this scheme was of higher value. Therefore a request was made from the Secretary of the Ministry of Finance to provide necessary instructions for the operation of this scheme as per the instructions given at discussions held in this regard and accordingly, the enrollment of members for the scheme had to be postponed. Subsequently, a new pension scheme was drafted during the 100-day programme of the new government and was submitted for approval and until the premium was decided under the new scheme so proposed, premium was charged under the old scheme.
- (b) As greater benefits will be accrued on farmers under the new pension scheme, this money will be set off against it.

4.5 Operational Inefficiencies

Though the farmers who furnished information to the programme for updating the subscription details of the Farmers' Pension Scheme was lower in number, action was taken at the district level to computerize and update the information received.

4.5 Matters of contentious nature

In the year 2008, an old computer system was used for the computerization of activities relating to the farmers pension scheme and details of farmers' subscriptions had not been fully computerized at the head office. In line with a decision taken at the time, such details were available at the district offices. Further, in the absence of instructors knowledgeable on the old computer system, there was a risk of not being able to reactivate if it stopped functioning. There was also the possibility of the process of paying monthly farmers pension collapsing owing to the instability of the computer system.

There was a dire need for the designing of a new system by converting the data in the old system using a new compute language. Hence, as per a request made from the Computer Division of the Colombo University seeking instructions on the designing of a new computer system while keeping the information in the old system intact, a concept paper was given detailing as to how a new system should be created after having conducted a study on the old system.

Consequently, the data that remained vulnerable was fed into the new system and also using the information on farmers available at district offices, the registrations of all farmers were formed

into a single system. Accordingly, the new system was designed in such manner that it could generate the report required for the farmers' pension.

Had such an activity was carried out by a private sector institution, a huge amount of money would have to be incurred and additionally significant amount would have to be spent on maintenance.

Since the farmers' pension scheme in 2014 was different from the one existed previously, the new system had to be redesigned. For this purpose, a member of the Computer Division of the Colombo University had to be employed full time. Agreements required for this purpose were signed from time to time.

Since this system is operated daily, it became imperative to employ on full time basis a person well versed with computer languages. This is mainly because, the system generates reports required for the payment of monthly pensions of farmers through four thousand post offices scattered across the country. Therefore, at present the service of an IT expert of the Colombo University is obtained at present for two days per week and for this purpose a formal agreement has been signed between the two institutions.

For the maintenance and upgrading of the computer system too, the services of the Colombo University are obtained regularly. Further, we wish to inform you that the Colombo University employs an experienced IT graduate for the provision of these services.

Further, by the time new pension scheme is put in operation, it is expected to carry out necessary upgrades in collaboration with the banking system that would enable of back premiums to be automatically fed to the system.

From the year 2008, a large number of IT experts from the Colombo University have come to the Board for various matters related to the system and the Board has not made any additional payments for such visits. Similarly, the Board has not paid any annual fee for the maintenance activities of the computer system.

After the recruitment of an IT graduate proposed to be carried out in the near future, action will be taken to have him trained by the Colombo University on the internal maintenance and designing activities of the system and measures will be taken to maintain the by the Board indecently.

5 Accountability and Good Governance

5.1 Action Plan

More attention was focused on the reactivating the farmers' pension scheme which remained suspended and resuming the payment of pension and steps have been taken to conduct a survey

to assess the current status of the farmers who have subscribed to the scheme. Farmers who have become eligible for the pension upon the completion of 60 years of age are paid the pension.

5.2 Budget documentary control

(a) As the system was being restructured, the targets envisaged from the budget could not be achieved.

6. Systems and Controls

Necessary action is expected to be taken to have proper control over systems such as accounting, subscriber accounts, payment of pension, accounts receivable and payable and management information system.



காசீகாரதீக னா லாைவீசன ரக்ஷனா லாைவீடலா
கமத்தொழில் மற்றும் கமநலக் காப்புறுதிச் சபை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

லீடூலு லாைவீடலா } ரக்ஷனா
தந்தி } ரக்ஷனா
Telegrams } Rakshana
267. ஓலீலக் லாைலா, லாைலா 2.
267. யூனியன் இடம், கலாழும்பு 2.
267, UNION PLACE, COLOMBO 2.
ல. லாை. 21, த. லாை. 21 **P.O. Box 21**

லாைலா லாைலா
எமது இலக்கம்
My Ref. No.

2015/4/5/F/F/2

லாைலா லாைலா
உமது இலக்கம்
Your Ref. No.

லாைலா
திகதி
Date

2016-05-24

Audit Superintendent
Auditor General's Department
Colombo

Answering to Report 14 (2) (c) of the Year 2015 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 2015.

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

லாைலா
தொலைபேசி
Telephones
லாைலா
பெக்ஸ்
Fax

லாைலா
தலைவர்
Chairman
448693 / 448694
449316

லாைலா
பொது முகாமையாளர்
General Manager
438607
438607

லாைலா
தலைமைகம்
Head Office
448691-2 / 438606 / 430058

Answers for the Report of the Auditor General as per section 14(2) (c) of Finance Act No.38 of 1971 on Financial statements of Fishermen’s Pension and Social Security Benefit Scheme for the year ended 31 December 2015

2. Financial Statements

2.1 Qualified Audit Opinion

2.2 Comments on the financial statements

2.2.1 Going concern of the Pension Scheme

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

2.2.2 Noncompliance with Accounting Standards

(a) Previous year adjustments in respect of Employees’ Provident Fund and Employees’ Trust Fund have been correctly accounted in the Fishermen’s Pension Fund.

(b) (i) Pension liability has been shown in the account reports on the basis of actuarial assessment carried out in year 2007 on the liability of the Fisheries Pension Scheme. Since this scheme is not self-financed, funds could not be raised in relation liabilities. In the future, this scheme will be restructured and necessary action will be taken to build a fund in relation to liabilities.

(ii) Investments in respect of pension gratuity liabilities of employees have not been separately accounted. At the time of maturity of the relevant liability, provisions are obtained from the Treasury to make the necessary payments.

2.3 Payable accounts

(a) Action will be taken to settle audit fees methodically in the future.

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

(a) The notice on the cancellation of the subscription of subscribers who fail to pay 10 consecutive premiums is conveyed by the Department of Fisheries. The payment of net premium together with the interest thereof of subscribers whose subscription was thus cancelled and whose names were submitted by district offices of the Department was done in year 2015.

A prior notice is given at the time of the enrollment that the contribution of the fishermen would be cancelled if five consecutive premiums were not paid.

(ii) Eight members have been appointed to the Fisheries Advisory Committee including ex-officio members. As the representative of the Sri Lanka Insurance Corporation who is an ex-officio member did not participate in the committee proceedings, the Corporation was notified to appoint another member in his place.

- (b) Some additional work connected with the Fisheries Pension Scheme operated under the Ministry of Fisheries has been entrusted to the staff officers of the Board who function as per the Agricultural and Agrarian Insurance Board. Accordingly, as no separate staff has been approved to perform this role of the Board, the allowances paid of the covering up of these duties. This has been paid ever since the Fisheries Pensions Scheme was inaugurated in 1991.
- (c)

Approval for this payment has been granted by:-

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

3 Financial Review

3.1 Financial Results

4. Operational Review

4.1 Performance

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

This scheme is operated jointly with the Department of Fisheries and the performance including the enrollment of members is the responsibility of the Department. However, a new pension scheme for the Fishermen's Insurance Scheme too has been prepared and submitted for the approval.

4.2 Management Activities

- (a) As decided at the meeting held at the General Treasury on the financial crisis of the pension scheme, this amount had been given to the Farmers' Pension Scheme on the reimbursement basis. This loan is expected to be settled gradually on an ongoing basis.
- (b) Details of payments regarding new enrollment, deaths and disablement in respect of the past 05 years and information on the change of membership have been submitted to the audit. Details of subscribers whose subscription was cancelled by the end of the year 2014 due to the failure to pay premiums as scheduled were handed over to the Department.

As there exists a problem in the computer system in analyzing and obtaining details of cancellation of membership separately of the years prior to the year 2014, the computer system has to be upgraded to obtain all such information and action in that regard will be taken.

5. Accountability and Good Governance

5.1 Budgetary Control

Action will be taken to use the budget document as an effective management control agent.

6 Systems and controls

Serious attention has been focused as of now on matters such as unpaid pensions, management information system and it is expected to focus far greater attention on these in the future.