

Annual Report

2017



Agricultural and Agrarian Insurance Board

No. 117, Subhadrarama Road, Gangodawila

Nugegoda

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காசிகார்திக தா ஸாவிசன ரக்சணா மன்திரௌ
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AGRICULTURAL AND AGRARIAN INSURANCE BOARD

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மீரீ ஂ஑ாவி
எமது இலக்கம்
My Ref. No.

AAIB/8/C

வீரீ ஂ஑ாவி
உமது இலக்கம்
Your Ref. No.

தீ஑ா
திகதி
Date

2019/04/10

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

Hon. Secretary,

Annual Report -2017

I submit herewith the Annual Report 2017 of the Agricultural and Agrarian Insurance Board which includes the working of the administrative, operational, and financial activities of the Agricultural and Agrarian Insurance Board and all other activities during the year 2017.

Yours faithfully

Sumith Warnakulasooriya
Chairman
Agricultural and Agrarian Insurance Board

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Message of the Chairman

The Agricultural and Agrarian Insurance Board established by Agricultural Insurance Fund No. 27 of 1973 for discharging the responsibility of protecting local agriculture and agriculturalist in the face of unpreventable natural disasters caused by climatic and weather changes has successfully carried out its functions in the year 2017 as well. Accordingly, the Board initiated measures to pay a sum of Rs. 5,233 million in the year 2017 as indemnity to farmers whose crops were damaged due to the prolonged drought that prevailed island-wide during the Maha season of 2016/2017. Similarly, a sum of Rs. 2,686 million was paid as pension to 148,085 farmer pensioners and a sum of Rs. 59.8 million was paid to 4,037 subscribers of fishermen's pension scheme during the year 2017.

Pursuant to a proposal submitted by the Board for the 2018 annual budget, the Board planned to operate an insurance scheme subject to a maximum compensation of Rs. 40,000/= per acre for damages caused by droughts, floods and wild elephants to paddy, maize, soy, big onions, potatoes and chili cultivations by levying an insurance premium of just Rs 675 from the farmer per acre and it was implemented island-wide from the Maha season of 2017/2018 and this is regarded as one of the standout programmes of the Board in the year 2017.

In the year 2017, the Agricultural Insurance Scheme posted a net profit of Rs. 42.3 million. Further, the revenue generated by the Board from other insurance schemes including the third party vehicle insurance scheme during the year 2017 was Rs. 60.8 million which was a year on year growth of 79%.

Thus the year 2017 can be termed as a successful year during which a noteworthy growth was achieved in the functions of the Board geared towards attaining sustainable development goals and protecting local agriculture and agriculturalist.

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

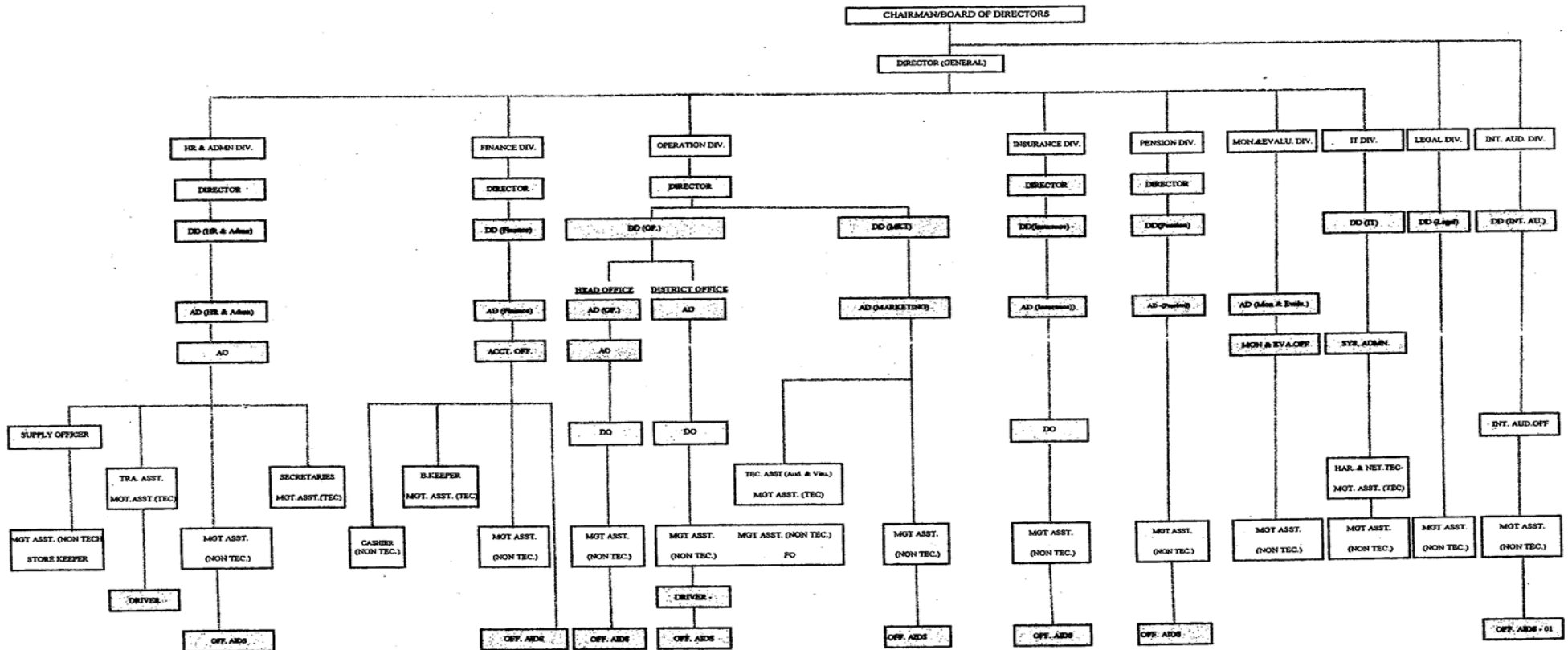
Mission

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 -2017

	Name	Designation
01	Mr. Sydney Gajanayake Chairman Agricultural and Agrarian Insurance Board	Chairman
02	Ms Champa Balasuriya Director Department of Public Enterprises General Treasury Colombo 01	Member
03	Mr. K.B. Rajapaksa Deputy General Manager (Business Banking Activities) People's Bank No. 75, Chittampalam A Gardiner Mawatha Colombo 02	Member
04	Mr. S. Balasubramaniam Additional Secretary (Development) Ministry of Fisheries and Aquatic Resources New Secretariat Building' Maligawatta, Colombo 10 (04.11.2016 to 27.04.2017)	Member
05	Mr. S. Balasubramaniam Additional Secretary (Development) Ministry of Fisheries and Aquatic Resources New Secretariat Building' Maligawatta, Colombo 10 (From 21.06.2017)	Member
06	Mr. P.S.K.R. Weerakoon Additional Secretary (Administration and Human Resources) Ministry of Agriculture Sri Jayawardanapura Mawatha Rajagiriya	Member
07	MR. D.V. Bandulasena Agrarian Development Commissioner General (Acting) Department of Agrarian Development Colombo 07	Member
08	W.A.G. Sisira Kumara Additional Agricultural Director General (Development) Department of Agriculture Peradeniya	Member
09	Mr. S,M,G. Samarakoon No 120, Hurulumagahapitiya Megodawewa Anuradhapura	Member

ORGANIZATIONAL STRUCTURE
AGRICULTURAL & AGRARIAN INSURANCE BOARD



Foreword

With its vision of being the ideal agricultural insurance institute in South Asia at the forefront, the Board makes an immense contribution to ensure the sustainability of local agriculture while successfully overcoming challenges such as maintaining the institution as a going concern and continuing with services to the satisfaction of consumers. Conquering these challenges in 2017, the agricultural insurance scheme of the Board posted a record net profit of Rs42.3 million. Central to this progress was the operational profit of Rs. 80.9 million earned by the agricultural insurance scheme during the year 2017.

On the back of the decision of the government to relieve the Board from the responsibility of administering the 'Kethata Aruna' mandatory insurance scheme operated by the Board from the Maha season of 2014/2015 under the fertilizer subsidy programme of the government, the overall income of the Board declined to Rs. 156.4 million. However, the other crop insurance schemes implemented by the Board have shown a rapid progress in the year 2017 signifying a growth of 79% compared to the preceding year.

Further, the Board disbursed compensation amounting to Rs. 5,233 million in the year 2017 amongst 523,336 farmers affected by the severe drought that prevailed island-wide during the Maha season of 2016/2017. The payment of compensation thus as the public sector institution entrusted with the responsibility of stabilizing the economy of farmer community in the face of unpreventable disaster situations can be cited as an example the Board discharged this responsibility with assiduity and thoroughness.

Annual premium income from 2013 to 2017

	2013 (RsMn)	2014 (RsMn)	2015 (RsMn)	2016 (RsMn)	2017 (RsMn)
Crop insurance schemes	82.18	94.25	104.6	94.85	95.66
Livestock insurance scheme	8.90	13.74	9.00	10.56	13.39
Warehouse and agricultural implements insurance scheme	1.53	0.62	1.08	7.82	42.11
Suwasetha and accident insurance scheme	1.26	7.67	16.43	15.61	5.31
Fertilizer subsidy insurance scheme	0.00	0.00	1006.4	608.19	0.00
Total (Rs Million)	93.85	116.22	1,137.5	737.03	156.47

Annual Net Profit from 2013 to 2017

	2013 (RsMn)	2014 (RsMn)	2015 (RsMn)	2016 (RsMn)	2017 (රු.මිලියන)
Total income	101.50	122.5	1,156.10	782.20	5735.1
Operational expenditure	(170.90)	(75.50)	(1,116.10)	(404.50)	(5654.2)
Operational surplus	(69.40)	47.30	40.00	377.70	80.9
Government grants and other income	76.80	74.80	100.80	122.50	130.1
Total expenditure (including allocations)	(89.30)	(104.00)	(132.00)	(160.30)	168.7
Net annual profit/loss	(81.90)	17.80	8.80	339.90	42.3

Pursuant to a proposal submitted by the Board for the 2018 annual budget, it was proposed from the budget proposals of 2018 to administer a contributory insurance scheme subject to a maximum compensation of Rs. 40,000/= per acre for damages caused by droughts, floods and wild elephants to paddy, maize, soy, big onions, potatoes and chili cultivations. Accordingly, the Board planned an insurance scheme to pay a compensation of Rs. 40,000/- per acre for the above crops subject to levying an insurance premium of Rs 675 from the farmer per acre while the remaining amount of the premium of Rs. 2,925/= to be borne by the government and it was implemented island-wide with the approval of the Ministry of Agriculture from the Maha season of 2017/2018 and this is regarded as one of the standout programmes of the Board in the year 2017.

As in previous years, the support of the Agricultural Research and Production Assistants and other officers of the Agrarian Development Department, farmers organizations, the Agriculture Department and the Sri Lanka Mahaweli Development Authority were continually enlisted in the year 2017 too for the expansion of the Board's insurance schemes at the field level. In addition, action was taken to expand the external agents' network of the Board by recruiting a large number of agents including representatives from farmer organizations to the external agents' network maintained by the Board for the expansion of the third party vehicle insurance scheme and general insurance schemes. Hence, even though the Board was deprived of the income from the compulsory crop insurance scheme administered parallel to the fertilizer subsidy programme, it was compensated to a certain extent through the rapid growth achieved by other insurance schemes in the year 2017. In particular, the income of Rs. 7.82 million generated from the agricultural implements and third party vehicle insurance scheme in 2016 shot up to Rs. 42.11 million in the year 2017 and this can be mainly attributed to the expansion of the external agents' network.

As damages to crops from unavoidable disasters are on the rise, the need for a speedy and accurate damage assessment system based on scientific and technical practices to replace the existing 'eye-level' inspection arose. Accordingly, with the technical assistance from the International Finance Company (IFC) affiliated to the World Bank, a project for the introduction of an index based insurance scheme based on climatic and weather data was launched. Based on factors such as weather centres, ability to obtain data, farmer

population and agricultural land distribution, the districts of Anuradhapura, Polonnaruwa, Kurunegala, Vavuniya and Ampara were selected for the pilot project. After conducting workshops and training sessions for the exchange of information and raise awareness on the index based insurance scheme with the participation of staff members of the district offices of the Board, the Department of Agriculture, Department Agrarian Development, Sri Lanka Mahaweli Authority and the Department of Meteorology, action was taken in the year 2017 to further improve the index based insurance scheme.

Consequent to instructions received by the Board to restructure the farmers' pension scheme in order to overcome the problems associated with the enrollment in the scheme, a new pension scheme was formulated giving due consideration to the real value and inflation and was submitted for the approval of the Cabinet of Minister through the Ministry. As observations have been made by His Excellency the President and the Hon. Prime Minister that the said scheme should be referred to a committee of experts for its advice, the proposed new scheme was referred to the Ministry of Agriculture to be forwarded to a committee of experts. Accordingly, though there had not been new enrollments to the farmers' pension scheme in the year 2017 as well, a sum of Rs. 2,686 million was paid as pension to 148,085 pensioners during the year and a sum of Rs. 7,987,296/- was paid to 419 subscribers as death gratuity.

By the end of year 2017, the total number of fishermen subscribed to the scheme stood at 69,046 and Rs. 59.8 million was paid as pension to 4,037 pensioners and a sum of Rs. 495,800/- was paid to 40 subscribers as death gratuity.

The number of employees passed away or vacated their posts in the year 2017 was 15 and the only new recruitment carried out in the year was the intenal recruitment of 10 Development Officers. Though the approved cadre as per the staff composititon of the Board is 421, the number currently employed is 302. Thus, the number of vacancies is 119.

In the year 2017, an exceptional service was rendered by the Board for the protection of the local agriculture and agriculturalist and the performance of the Board and its key activities are set out in this report.

Operations Division

With the vision of becoming the ideal Agricultural Insurance Institute in South Asia by being the foremost protector in local agriculture in the forefront, the Agricultural and Agrarian Insurance Board executes the all important function of elevating local agriculture to a higher pedestal by uplifting the internationally recognized local agriculture through the management of risks in the agricultural sector by means of a concerted effort and the coordination of the relevant institutions. Agricultural insurance is a viable solution to economic problems faced by agriculturalists due to damages caused by droughts, floods and wild elephants to their cultivations. As a country with agriculture driven economy, agricultural risk management is a practical programme which guarantees future security of the agriculturalist. By administering diverse and high benefit insurance schemes such as crop insurance, livestock insurance, Suwasetha and accident insurance, agricultural implements insurance, stores insurance and third party vehicle insurance, the Agricultural and Agrarian Insurance Board has ensured the security of the agriculturalist as well as local agriculture.

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

As the sole public sector institution that provides insurance services in the agricultural sector, the Operations Division took the initiative to operate a slew of insurance schemes island-wide in the year 2017 with the objective of fulfilling its responsibility of uplifting the local agriculture and stabilizing the economy of the agriculturalist to the maximum.

Insurance schemes operated during the year

1. Crop insurance schemes

- Paddy cultivation insurance scheme
- Maize cultivation insurance scheme
- Supplementary crops (green gram, peanuts, 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
 7. Third party insurance scheme

As a solution to difficulties faced by the farmer community due to damages caused to cultivations by droughts, floods and wild elephants, farmers had to subscribe to a compulsory insurance scheme for the cultivations of paddy, maize, potatoes, big onions, soy and chilli from the Maha season of 2017/18 and a minimum premium of Rs. 675 was levied for acre and an insurance cover of Rs. 40,000 was offered to an acre. This insurance scheme was successfully implemented with the coordination of all the relevant institutions including the Ministry of Agriculture, Agrarian Services Department, Mahaweli Development Authority, state and non-state banks.

Major programmes implemented by the Operations Division

- ❖ “Country free from toxicants” -National programme for the planting of a billion glyceridia plants

An action plan was submitted to the Ministry of Agriculture to ensure the success of this programme conducted by the Presidential Secretariat. Accordingly, all district offices were coordinated and action was taken for the successful implementation of this programme at the agrarian services level. In particular, measures were taken to popularize glyceridia cultivation at the rural level through farmers’ organizations and awareness programmes were conducted for farmers to avoid practical difficulties. This programme was implemented with the objective of enhancing the quality of products of local agriculture through the use of organic fertilizer, regularizing soil conservation, offering a higher market price for agro products and establishing soil nutrient balance.

- ❖ Preparing three-year action plan for the empowerment of widows and women headed households

The implementation of a three- year national programme for the empowerment of families of which widows/women have become the chief occupant due to war or other socioeconomic reasons, taking into consideration the nationally and internationally recognized conventions, policies and strategies for the realization of long term development expectations of Sri Lanka while minimizing developmental and socioeconomic inequalities

affecting women has been undertaken by the Ministry of Women's and Child Affairs and action was taken to provide the details of the contribution to be made by our Board to the relevant action plan. Priority will be accorded to members of the widows and women headed households in the recruitment of the agents' network for the administration of the third party vehicle insurance scheme. This self employment opportunity will serve as an additional source of income for them.

- ❖ Launching of the Action Plan of the Ministry of Agriculture of year 2017 to mark National Farmers Week- Khetarama Stadium

The ceremony to launch the action plan of the Ministry of Agriculture for year 2017 was held under the patronage of His Excellency the President on 18.01.2017 at the Khetarama stadium. Parallel to the 'Farmers Week', the Agricultural and Agrarian Insurance Board conducted a series of programmes island-wide including the granting of benefits to farmer pensioners and the awarding of crop insurance benefits.

- ❖ Carrying out activities under the programme "2017 –Year for the elimination of poverty"

Minimizing agricultural risk in promoting and developing agriculture, the lifeblood of the country makes an enormous contribution to the advancement and enhance agricultural products. By introducing and popularizing more pragmatic insurance schemes such as crop insurance and livestock insurance amongst farmers, it is possible to maintain agro-economy at a sustainable level by mitigating agricultural risks and enhancing production. It also contributes to boost the income of rural communities thus keeping poverty amongst such communities under check. Overall, it serves to eliminate poverty in the country.

- ❖ Expanding external marketing agent network

In addition to the field staff deployed at the district level for the administration of crop insurance, livestock insurance, social security and general insurance schemes of the Board at the field level, an external agent network was established in year 2016. These external agents numbering 408 in 2016 could be increased up to 1693 by the end of 2017. In particular, with members of farmer organizations becoming member of the external agent network, it is expected that-

- insurance schemes of the Board will become more popular among farmers, and
- farmers can be educated on the index-based insurance scheme introduced in consultation with and in collaboration with the World Bank.

Marketing activities -2017

- ❖ With a view to taking the insurance schemes of the Board to the farmer community, a conference of representatives of farmer organizations was held at the Puttalam Urban Council hall on 15.01.2017. It was held under the patronage of the Chairman

and the Director General of the AAIB and was attended by 125 representatives of farmer organizations.

- ❖ The 69th Independence Day celebration was commemorated with pomp and pageantry at the Gallella stadium, Polonnaruwa on 04.02.2017. All non-governmental institutions of the district rendered maximum contribution and as independence of the nation contributes to the strengthening of livelihood of all people, the Board stepped in to provide loudspeaker facilities to the ceremony and the officials of the Board extended their fullest cooperation for the success of the event.
- ❖ Under the programme for the expansion of the external agents' network in order to take the Board's insurance schemes easily and efficiently to farmers, appointment letters were granted to 116 agents selected from among farmer organizations in the Badulla district at a ceremony held at the Badulla District Secretariat on 12.02.2017 under the aegis of the Chairman of the Board.
- ❖ Awarding of compensation under the 'KethataAruna' fertilizer subsidy scheme in the Yala season of 2016 to farmers of the Ampara whose crops were damaged and granting insurance agent posts to members of farmer organizations was held at the Ampara District Secretariat on 13.02.2017. The occasion was graced by the Chairman and the Director General of the Board, the District Secretary and the Agrarian Services Assistant Commissioner.
- ❖ Under the direction of the Presidential Secretariat, 'A sustainable era', an educational and trade exhibition was held at the BMICH from 31 March to 04 April 2017 and an exhibition stall of the Board was maintained at the exhibition and the public visiting the exhibition were made aware of the insurance schemes operated by the Board through leaflets, banners, posters and multimedia projectors.
- ❖ After reaping the harvest of the Maha season of 2016/17, the traditional "AluthSahalMangalya" or new rice festival at the Sri Maha Bodhi premises was held on 07 and 08 April, 2017 under the patronage of His Excellency the President Maitrheepala Sirisena and the erection of the PirithMandapa, provision of public loudspeaker systems and other activities of the pirith chanting were sponsored by the Board and carried out by the officers of its staff.
- ❖ Awarding compensation to big onion farmers of Dambulla in the Matale district in respect of the Yala season of 2017 was held on 12.10.2017 under the patronage of State Minister WasanthaAluvihare and with the participation of the Chairman and the Director General of the Board. Members of farmer organizations, Agricultural Research Production Assistants and a large number of officials were present on the occasion.

- ❖ At the 'President's official mission mobile service –Vavuniya District 2017', a special mobile service centered on the Vavuniya District for the resolution of administrative problems encountered by the public was conducted on 21.10.2017.
- ❖ Appointment of district agents for the propagation of the third party vehicle insurance scheme among farmers at the district level was carried out. These programmes were conducted at the Matara, Kurunegala, Galle, Kandy, Gampaha, Badulla, Polonnaruwa, Maho, Jaffna, Colombo and Matale districts under the patronage of the Chairman and the Director General of the Board.
- ❖ Arrangements were made through the district offices for the preparation of posters, banners and leaflets required for the special propaganda and promotion programmes conducted at the district level and upon requests made by the Matara, Anuradhapura, Kalutara and Maho district officers, the Operations Division took necessary action to have such materials prepared and supplied to the relevant district offices.

Insurance Division

Insurance Division

1. As has been done in previous years, this year too, the Insurance Division had to discharge its duties laying greater emphasis on paying indemnity. Since insured crops were damaged in natural disasters during the Yala season of 2016 and Maha season of 2016/2017, prompt action was taken to release funds to enabling speedy payment of compensation to affected farmers.
2. Similarly, since the government provided provisions required for the payment of compensation to crops destroyed due to drought as well as for the lands that could not be cultivated due to the drought, the insurance division extended the necessary support for the speedy disbursement of such funds amongst farmers.
3. Due to the existence of the language problem and since there are not sufficient Tamil medium officers in the head office, a mobile programme was conducted this year too in the Batticaloa district to release compensation for the damaged crops. Through the mobile programme, action was taken to release funds for the relevant indemnity claims to farmers insured under the agricultural loan scheme.
4. Cultivations were also damaged in the Yala season of 2017 due to drought in some areas and due to floods in others. For the insured crops, funds for compensation were released and in respect of uninsured lands, measures were taken to obtain report on damages and secure funds from the National Insurance Trust Fund.
5. The release of funds of other districts was carried out at the head office. Similarly, action was taken to release compensation for the cultivations insured by the Board.
6. Similarly, funds for compensation were released under the livestock, Suwasetha and accident insurance schemes, too. A summary is given below.
7. A mobile programme was conducted for the computation of compensation in the Kurunegala district which recorded the highest damages in the Yala season of 2017 through which compensation for damaged cultivations was computed.
8. Insurance schemes have also been prepared and drafted for sugarcane, green leaf and onion cultivations and are expected to be issued to the market in the year 2018.
9. An incentive scheme was designed to motivate officers and is expected to be implemented from year 2018.
10. The scheme, insurance certificates, receipts and forms relevant to the insurance scheme to be implemented in terms of the 2018 budget proposals have been prepared, updated and finalized. It is expected to be used for other crop cultivation activities in future.
11. Action was taken to pay the expenditure incurred by the Ministry of Agriculture of the Northwestern Province for providing seed paddy for cultivations destroyed in the floods that affected the Northwestern Province from the Agricultural Insurance Fund as per the instructions of the management. The amount spent was Rs. 11.7 million.

Summary of the payment of compensation in the year 2017 is as follows.

A. Agricultural Loan Insurance

	No of farmers	Acreage	Compensation Rs. Mn
Paddy	4901	14734	128
Maize	2162	7286	47
Potatoes	139	143	5.7
Other crop insurance	275	422	9.3
Other insurance			
Suwasettha and accident insurance	70		0.27
Total	7547	22585	190.27

B. Reimbursement of Rs 11.7 Million to the Ministry of Agriculture of the Northwestern Province for the provision of seed paddy to farmers whose cultivations were destroyed in the floods.

C. Payment of Kethata Aruna insurance compensation in the year 2017

Season	No of farmers	Compensation Rs. Mn
Yala 2016	10629	50
Maha 2016 /17	523,336	4527
	533,965	4577

D. Livestock Insurance

Payment of livestock insurance - 2017		
Type	No of animals	Payment Rs Mn
Cattle	89	4.9
Goat	27	0.2
Total	116	5.1

Accordingly, action was taken in the year 2017 to pay compensation to 541,558 farmers and the total amount paid as compensation was Rs. 4785 million.

The Division discharged its duties as indicated above, and answers were forwarded to audit queries referred to the division for 2014.

Farmers' Pension Division

Farmers' Pension and Social Security Benefit Scheme

And

Fishermen's Pension and Social Security Benefit Scheme

Farmers' Pension and Social Security Benefit Scheme

In order to overcome the problems that arose pertaining to the enrollment and operation of the farmers' pension scheme, the Board was instructed to reorganize the farmers' pension scheme and formulate a new pension scheme under the 100 day programme of the new government taking into account the inflation and real value.

Accordingly, a new farmers pension scheme was formulated and referred to the Ministry of Agriculture and presented to the approval of the cabinet of ministers. However, since His Excellency the President and the Hon. Prime Minister have submitted observations to the effect that the scheme should be referred to a panel of experts for their advice, the proposed farmers' pension scheme was submitted to the Ministry of Agriculture to be referred to a panel of experts.

Payment of farmers' pension in 2017	- 2,686,770,810.00
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Payment of farmers' death and disability benefits	- 8,007,627.00
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Fishermen's pension scheme

By the end of the year 2017, the total number of subscribers was 69046 and Rs. 60065272.00 was paid as fishermen's pension to 4037 beneficiaries.

Payment of fishermen's death and disability benefits	495,800.00
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Payment of farmers' pension – 2017

	District	No of subscribers	Amount paid
1	Colombo	5187	89,670,249.00
2	Gampaha	10753	191,211,918.00
3	Kalutara	8557	161,914,419.00
4	Kandy	14646	258,188,101.00
5	Matale	4384	71,143,823.00
6	Nuwaraeliya	2938	58,442,444.00
7	Galle	13134	239,166,887.00
8	Matara	9302	188,159,979.00
9	Hambantota	7885	152,356,229.00
10	Jaffna/Kilinochchi	2387	49,131,550.00
11	Mannar	89	2,716,292.00
12	Vavuniya	513	14,706,460.00
13	Mullativu	133	12,114,171.00
14	Batticaloa	1056	17,769,520.00
15	Ampara	3843	74,355,460.00
16	Trincomalee	842	38,665,088.00
17	Kurunegala -Maho	17445	286,271,485.00
18	Puttalam	5343	91,587,856.00
19	Anuradhapura/Mahaweli H	7309	121,211,296.00
20	Polonnaruwa-BG	4892	84,366,329.00
21	Badulla/Mahaweli C	6368	107,646,879.00
22	Monaragala	4885	91,841,928.00
23	Ratnapura/Udawalawa	6933	128,709,437.00
24	Mullativu	9261	155,423,010.00
	Total	148085	2,686,770,810.00

Farmers' Pension Scheme- Payment of Death and Disabled Benefits 2017

District Office	No of deaths	Amount paid	No of disabled	Amount paid	Total Number	Total amount
Galle	16	268714			16	268714
Colombo	2	36397			2	36397
Hambantota	8	144722			8	144722
Kalutara	16	304991	1	20331	17	325322
Matara	17	339294			17	339294
Monaragala	21	402143			21	402143
Embilipitiya	9	132136			9	132136
Gampaha	25	458429			25	458429
Manampitiya	11	217854			11	217854
Ampara	9	159777			9	159777
Badulla	14	266667			14	266667
Ratnapura	15	299170			15	299170
Kegalle	20	311537			20	311537
Puttalam	17	314049			17	314049
Jaffna	19	340825			19	340825
Thambuttegama	7	114460			7	114460
Kurunegala	31	603056			31	603056
Matale	29	762078			29	762078
Nuwaraeliya	12	198661			12	198661
Trincomalee	5	111140			5	111140
Polonnaruwa	10	178096			10	178096
Vavuniya	11	197930			11	197930
Anuradhapura	31	603705			31	603705
Kandy	30	550592			30	550592
Maho	29	567379			29	567379
Mannar	1	21911			1	21911
Batticaloa	4	81583			4	81583
	419	7987296			420	8007627

Fishermen's Pension and Social Security Benefit Scheme
Enrollment during the year 2017

District Fisheries Extension Division	No of contributors as per age						Total number of contributors 2017
	18-29	30-35	36-45	46-50	51-54	55-59	
Kalutara	1213	721	772	197	105	59	3067
Galle	1082	676	840	221	118	95	3032
Mahawewa	3253	1702	2036	613	256	240	8100
Matara	1750	980	1232	346	201	164	4673
Colombo	576	360	478	140	63	38	1655
Tangalle	2514	1389	1628	411	201	168	6311
Puttalam	2167	1156	1222	255	107	61	4968
Negambo	2538	1599	2167	735	419	378	7836
Batticaloa	2248	1390	1630	556	272	265	6361
Trincomalee	654	516	550	129	81	78	2008
Mannar	2066	1227	1343	429	222	257	5544
Kalmunai	1565	1109	1515	479	244	207	5119
Mullaitivu	88	79	141	50	27	44	429
Kilinochchi	519	340	540	250	185	183	2017
Jaffna	2185	1117	1444	668	402	617	6433
Inland Fisheries							
Nuwaraeliya	29	28	47	7	1	3	115
Polonnaruwa	45	35	27	11	2	1	121
Ratnapura	27	15	9	1	3	-	55
Monaragala	17	14	10	1	-	-	42
Kurunegala	45	24	24	1	-	2	96
Anuradhapura	169	81	84	17	7	5	363
Matale	31	14	23	5	2	3	78
Kandy	13	12	25	5	3	3	61
Kegalla	1	1	2	-	-	-	4
Badulla	59	33	33	3	-	3	131
Vavuniya	59	33	41	15	4	-	152
Batticaloa- Inland	84	52	67	27	20	25	275
Sum Total	24997	14703	17930	5571	2945	2900	69046

Fishermen's pension and social security benefit scheme

District fisheries extension division	Death & disability gratuity payments	
	No of subscribers	Amount Rs.
Kalutara		
Galle	1	10,000.00
Mahawewa	4	58,000.00
Matara	3	36,000.00
Colombo	1	8,000.00
Tangalle		
Puttalam	1	10,000.00
Negambo	1	8,000.00
Batticaloa	1	8,000.00
Trincomalee	1	10,000.00
Mannar	9	118,000.00
Kalmunai	3	50,000.00
Mullaitivu		
Kilinochchi	4	70,000.00
Jaffna	11	109,800.00
Inland Fisheries		
Nuwaraeliya	-	-
Polonnaruwa	-	-
Ratnapura	-	-
Monaragala	-	-
Kurunegala	-	-
Anuradhapura	-	-
Matale	-	-
Kandy	-	-
Kegalle	-	-
Badulla	-	-
Vavuniya	-	-
Batticaloa	-	-
Total	40	495,800.00

Fishermen's Pension and Social Security Benefit Scheme

Payment of fishermen's pension -2017

District fisheries extension division	No of subscribers receiving pension up to December 2017	Total amount paid from Jan-Dec 2017
Kalutara	95	1,340,802.00
Galle	124	1,769,477.00
Mahawewa	354	5,106,454.00
Matara	292	4,077,528.00
Colombo	55	746,942.00
Tangalle	229	3,309,828.00
Puttalam	54	888,428.00
Negambo	557	7,865,796.00
Batticaloa	411	5,444,357.00
Trincomalee	90	1,274,709.00
Mannar	362	5,036,450.00
Kalmunai	318	4,524,690.00
Mullaitivu	60	2,434,931.00
Kilinochchi	244	4,515,608.00
Jaffna	737	10,776,162.00
Inland Fisheries		-
Nuwaraeliya	7	89,004.00
Polonnaruwa	3	63,150.00
Ratnapura	2	29,025.00
Monaragala	-	6,000.00
Kurunegala	1	14,004.00
Anuradhapura	4	52,044.00
Matale	4	56,370.00
Kandy	7	121,474.00
Kegalla	-	-
Badulla	4	52,200.00
Vavuniya	1	59,160.00
Batticaloa- Inland	22	281,412.00
Total	4037	60,065,272.00

Administrative and Human Resources Division

Staff

The staff of the Agricultural and Agrarian Insurance Board was as follows as at 31.12.2017.

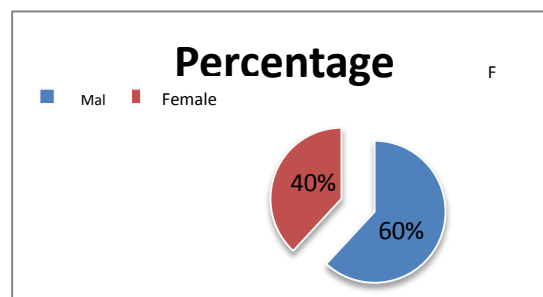
Composition of the staff

Service Category	Designation	Approved Cadre	Existing Cadre	Vacancies
Senior Management				
HM	Director General	1	1	-
HM	Director	5		5
Management				
MM	Deputy Director / Assistant Director	45	41	4
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	39	16
	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 - NonTech	Management Assistant	220	159	61
Primary (Technical)				
PL - Skilled	Driver	38	26	12
Primary (Non Technical)				
PL - Non Skilled	Office Assistant	42	29	13
		421	302	119

Analysis of Staff as at 31.12.2017

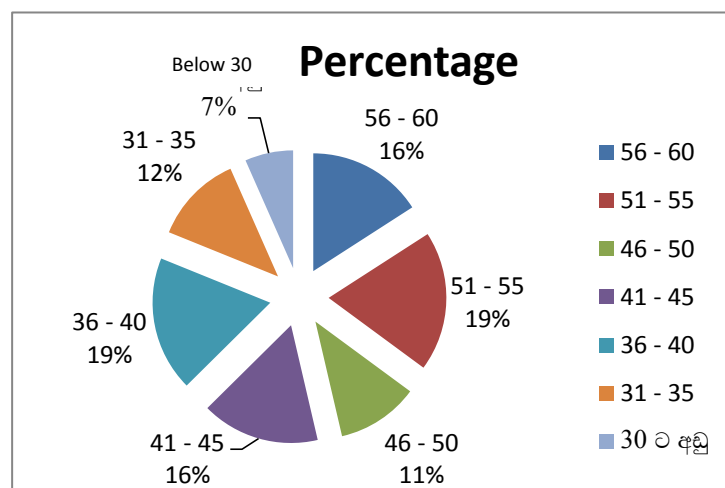
Staff- Gender Analysis

Male - 180
 Female - 122
 Total - 302



Age Analysis

Age group	No of employees	Percentage
56 - 60	48	16%
51 - 55	58	19%
46 - 50	34	11%
41 - 45	49	16%
36 - 40	56	19%
31 - 35	37	12%
Less than 30	20	7%
Total	302	100%

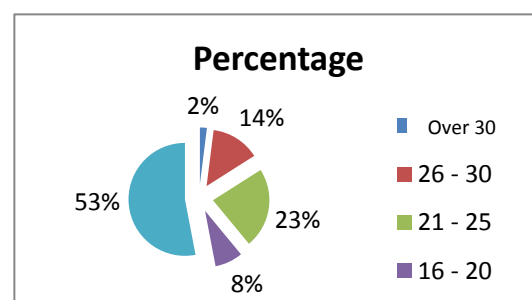


Retirement, deaths and vacation of posts in 2017

Male- 11
 Female- 04
 Total- 15

Recruitment and promotions during the year 2017

- External recruitment -
- Internal recruitment 10
- Promotions -



Action was taken for internal recruitment to 10 posts of Development Officers.

Action was taken to conduct the efficiency bar examination for Assistant Director, Development Officer Grades II and III and Development Assistant Grades II and III.

Employee Training and Academic Activities

53 officers of the Board participated in the foundation course of the Sri Lanka Insurance Institute.

Development Officer Ms. A. Jayani Nisansala and Management Assistant Ms. H. Nilmini Priyangani participated in the one-day training workshop on the recruitment procedure conducted by PRAG Training Institute.

Assistant Director S.M.U.G.S. Subasinghe, Assistant Director Miss D.K. Dissanayake and Management Assistant M.C.P. Kumara participated in the training programme on

'Implementation of an Index-based Insurance Scheme' held in Jakarta, Indonesia from May 15 to 19, 2017.

Assistant Director I.U.K. Kaluarachchi, Assistant Director S.M.U.G.S. Subasinghe and Assistant Director Miss D.K. Dissanayake attended the 1st South Asian Actuarial Conference - 2017 organized by the Actuarial Association of Sri Lanka which was held in Colombo on 12-13.07.2017.

Hardware and Network Technician Mr. I.S.E. Jayasuriya participated in a JAVA SE course conducted by the University of Colombo.

Assistant Director D.S.R. Hettiarachchi participated in the training programme on procurement process and practical usage conducted by the National Institute of Labour Studies.

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. The New Year festival -2017 was held on 28th April 2017 with the participation of all district staffs of the Hambantota, Vavuniya, Ampara, Badulla, Nuwaraeliya and Anuradhapura districts.

Procurement and Transport

Supplies Division

The printing of receipt books, third party insurance coverage books, third party insurance certificate cards, third party applications, insurance certificates, banners and leaflets in respect of insurance schemes operated by the board was awarded to the supplier institutions in line with the formal procurement procedures.

Uniforms for the uniformed staff such as drivers and KKSs were provided in the year 2017.

Fingerprint scanners were installed to record the arrival and departure of all officers of district offices of the Board.

Action was taken to dispose of condemned office equipment and furniture from the Matale and Kalutara offices and the head office adopting the proper procurement procedure.

As per requests made by the head office and district offices items of furniture, office equipment and computer accessories were purchased employing the procurement procedure.

Office Buildings

The Head Office of the Board was maintained at No. 117, Subhadrarama Road, Gangodawila, Nugegoda. The Board maintains 29 Regional Offices of which six are housed in buildings owned by the Board. Other offices are maintained in buildings owned by either the government or private parties on monthly rent basis.

Internal Audit Division

Internal Audit Inspections

For the year 2017, internal audit activities were carried out in accordance with the annual internal audit plan prepared in respect of each division and district office and insurance schemes and social security programmes of the Board currently in operation.

Accordingly, during the year 2017, 33 internal audit inspections centered on each division of the head office and 26 district offices scattered island-wide had been conducted by the Assistant Director and the Audit Officer (Acting) and Development Officer- Audit and they were assisted by the two trainees attached to the unit.

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

Audit inspections were conducted covering the Administrative Division in respect of the payment of employee medical assistance, sending employees of the AAIB on retirement, inventory book inspections, mixed advance inspections, confirmation of non-current assets and the payment of overtime -2017.

In respect of the Affairs of the Finance Division, inspection of the collection of installments of the farmers' pension scheme, remittance of money to the EPF & ETF, inspection of mixed advances, Farmers' Pension Scheme- inspection of investments, inspection of collection accounts of district offices, inspection of administrative accounts of district offices, inspection of bank reconciliation statements and confirmation of non-current assets were carried out.

Covering the activities of the Insurance Division and the Operations Division, inspection of the payment of compensation for supplementary crops, payment of compensation for paddy cultivation damages for the Yala season of 2016, resolution of livestock insurance claims, payment of compensation of Suwasetha insurance scheme, and the inspection of future programmes were carried out.

Inspection of the payment of net installments and inspection of the payment of farmers' pension were the audit inspections carried out with respect to the Farmers' Pension Division.

Under the inspection of district offices, activities of the Galle and Puttalam district offices were inspected.

In respect of year 2017, 4 special inquiries were conducted.

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

Conducting audit management committee meetings

The Audit Management Committee of the Agricultural and Agrarian Insurance Board for year 2017 comprised the following three member of the Board of Directors.

Mrs Champa Balasuriya - Chairman of the Committee-Director, Public Enterprises Department

Mr. P.S.K.R. Weerakoon - Member of the Committee - Assistant Secretary, Ministry of Agriculture

Mr. D.V. Bandulasena - Member of the Committee -Commissioner General- Department of Agrarian Development

Four audit management committees were held during year 2017 and the preparation of the annual audit plan, the review of the audits conducted by the Internal Audit Division, the review of government audit queries and the review of the Auditor General's report in respect of the financial reports were carried out at the Audit Management Committee meetings.

Planning Division

Established in the year 2015, the Planning Division aligning itself with the vision and mission of the AAIB, coordinated with all divisions of the Board and made plans and designed projects and schemes required to achieve objectives and goals, collected data and statistics in chronological order analyzed same, submitted conclusions and recommendations and conducted research activities.

The Planning Division of the AAIB plays a crucial role in the preparation of the corporate plan, the action plan and all institutional plans incorporating the future programme of work expected to be implemented by the Board and is responsible for addressing all requirements in the implementation of plans so designed.

While maintaining sound relationships with other divisions of the Board, it is responsible for coordinating with the Ministry of Agriculture which is the line ministry, the Ministry of Finance, the Ministry of National Policies and Economic Affairs and one of the key duties of the division is the preparation of monthly, quarterly and annual progress reports that should be presented to the respective ministries and institutions.

In addition, the other major function of the division is the planning of the project for the introduction of the index based insurance scheme (Project No. 600663) with technical support from the International Finance Company (IFC) affiliated to the World Bank. The primary objective of this project is to enhance the effectiveness of agricultural insurance and to expand Sri Lanka's agricultural insurance within the insurance market.

Based on factors such as the ability to obtain weather data, distribution of farmer community and agricultural lands, the districts of Anuradhapura, Polonnaruwa, Kurunegala, Vavuniya and Ampara were selected for the pilot project of the index based insurance scheme. After conducting workshops and training sessions for the exchange of information and raise awareness on the index based insurance scheme with the participation of staff members of the district offices of the Board, the Department of Agriculture, Department Agrarian Development, Sri Lanka Mahaweli Authority and the Department of Meteorology, action was taken in the year 2017 to further improve the index based insurance scheme. The Vavuniya district programme is being implemented successfully as of now.

Further, the Planning Division of the AAIB, exchanged information with the Department of Meteorology.

The main objective of the index based insurance scheme is to uplift agriculture which is constantly affected by natural disasters as a self-sustained economic model and to ensure farming community which tends to move away from farming remains in agriculture. This program is being implemented in partnership with other dedicated public sector institutions, the Department of Meteorology which provides rainfall data and the AAIB and the fundamental objective of this exercise is to network the data information received from the said institutions enabling the farmer community and other interested entities to have

access to such information and establish regular linkages with districts for the constant exchange of information.

Accordingly, under the supervision of the Department of Agrarian Services, the Vavuniya district branches of the Department in the Vavuniya district, i.e. Omanthai, Ulukkulam, Weddikulam and Nedunkarni were added to the national Meteorological Network with the objective of regularizing the operation of the index based insurance scheme.

Another objective of the programme is to implement a programme with the support of the Agrarian Services Department for the expansion of the ranges of obtaining rainfall data of the Department of Meteorology for the accurate determination of compensation of the index based insurance scheme and it is expected to enlist the support of the Departments of Agriculture, Mahaweli and Irrigation for further expansion of this programme. This programme is already being successfully implemented in the Vavuniya district.

Since the introduction of an index based insurance scheme enables prompt indemnification through scientific and technical assessment of the impact on agriculture caused by weather conditions, a system will be put in place whereby indemnification can be carried out within a week for the aggrieved parties instead of the existing method under which the aggrieved parties are compensated after a lapse of a few months. In addition, by providing information on preventable agricultural risks to the agricultural sector, an early warning system for the management of risks will be established.

Further, the Planning Division is putting in place necessary arrangements to fulfill the sustainable development goals implemented jointly by the Ministry of Wildlife and Sustainable Development and the Ministry of Agriculture.

To successfully achieve the sustainable development objectives, the AAIB has identified the following sustainable development goals.

Sustainable development goal 1- Eradicating poverty in all its forms every where

- Farmers' pension and social security schemes

The principle objective of this scheme is to offer economic strength to farmer and fisher communities who make an immense contribution to uplift national economy after farmers and fishermen reach 60 years of age.

Orders under the Farmers' Pension and Social Security Benefit Act No 12 of 1987: The Farmers Pension Scheme was restructured by Gazette Extraordinary 1855/49 dated 14 March 2014 and the new scheme was implemented from 01 January 2014. The payment of pension which came to operation on 14 January 2014 is as follows.

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

The total number of subscribers of the Farmers' Pension and Social Security Benefit Scheme by the year 2017 was 959,254.

- Fishermen's Pension and Social Security Benefit Scheme

The Fishermen's Pension and Social Security Benefit Scheme was established by Act No. 23 of 1990 and the scheme was introduced in collaboration with the Ministry Fisheries and Aquatic Resources with the aim of insuring retired life of fishermen and consolidating fisheries industry as a profession.

Sustainable Development Goal 2: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- Introduction of third party insurance scheme for agriculturalists

In accordance with the powers conferred on the Agricultural and Agrarian Insurance Board by the Agricultural and Agrarian Insurance Act, the exclusive right for the insurance of movable and immovable properties of farmers has been vested with the Board and in addition to the social security benefit schemes currently in operation, the Board has introduced and implemented a Third Party insurance scheme for motor vehicles of agriculturalists. Our institution has been able to reduce the rural unemployment ratio through the establishment of an agents' network for the introduction of the Third Party Insurance Scheme.

Sustainable Development Goal 3: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

- Insurance scheme affiliated to the fertilizer subsidy programme

The implementation of the insurance scheme was handed over to our Board from the Maha season of 2014/15. Accordingly, this scheme was successfully operated in the year 2016, in the Yala season of 2016 and the Maha season of 2016/2017. The AAIB took action to pay compensation to all farmers whose crops were damaged without charging premia in the Yala season of 2016 and the Maha season of 2016/2017 in line with the new policy of the government as regards the fertilizer subsidy.

- Compulsory Crop Insurance in terms of the budget proposal of 2017

With the objective of reducing disaster management expenditure in respect of six major crops, i.e. paddy, maize, soy, bid onions, potatoes and chilli, it was proposed by the 2017 budget proposals to offer an insurance cover of Rs. 40,000 per acre. This mandatory insurance scheme covered losses caused by droughts, floods and wild elephants.

This scheme encourages production process of farmers cultivating paddy and the service rendered by the Board to minimize the economic losses to farmers in natural disasters such as droughts was immense.

Sustainable Development Goal 4: Take urgent action to combat climate change and its impacts

- Index based insurance scheme (Project No. 600663)

Arrangements have been made to employ locally and internationally recognized risk management systems in collaboration with leading global insurance institutions engaged in crop cultivation who maintained efficient services internationally drawing on their new technologies and techniques thus elevating the services of the Board in the coming years.

Finance Division

Financial Summary

The agricultural Insurance scheme of the Board posted a net profit of Rs 42.3 million in the year 2017, and the operational profit made during the year was Rs 80.9 million.

Though the overall insurance income of the Board indicated a decline up to Rs 156.4 million due to the non-implementation in the year 2017 of the 'Kethata Aruna' compulsory crop insurance scheme which was in operation from the Maha season of 2014/2015, a rapid progress was recorded by other crop insurance schemes administered by the Board in the year 2017 which indicated a growth of 79% compared to the previous year.

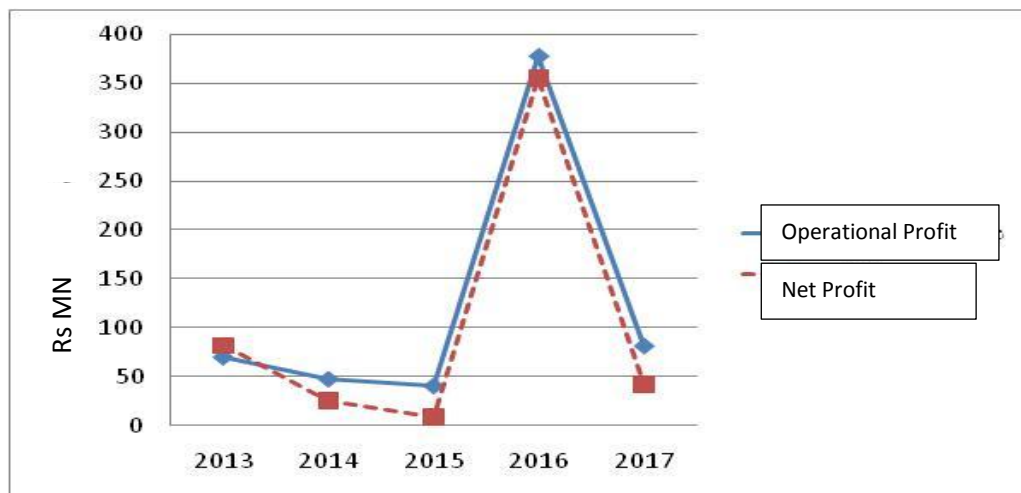
During the year 2017, the AAIB paid Rs. 5233 million as compensation to 523,336 farmers affected by the drought in the Maha season of 2016/17.

Further, during the year 2017, a net amount of Rs. 2616 million was paid as pension to 148,201 farmers under the farmers' pension scheme and the amount paid as pension under the Fishermen's Pension Scheme to 4,037 fishermen was Rs 59.8 million.

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

Profitability

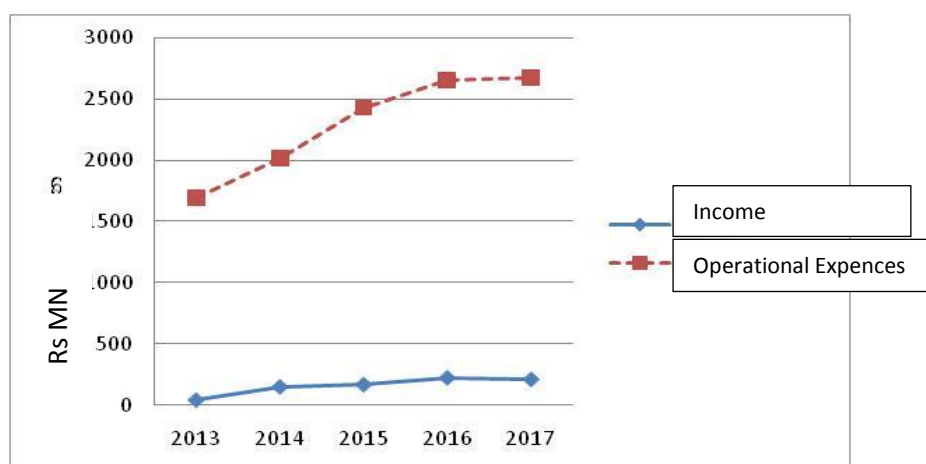
- Agricultural Insurance Scheme**



	2013	2014	2015	2016	2017
Operational profit	69.4	46.9	39.9	377.7	80.9
Net profit	1.9	25.3	8.7	355.8	42.3

Though the agricultural insurance scheme posted a net profit of Rs 42.3 million in year 2017, it was a decline of 87% compared to year 2016. The key to this drop was the non-implementation on the instructions of the government of the 'Kethata Aruna' compulsory crop insurance scheme in the year 2017 which the Board had implemented from the Maha season of 2014/2015. As a result the Board only netted Rs 156.4 million as the total insurance income which was a year on year decline of 78%. Though the crop insurance scheme suffered such a setback during the year, the third party insurance scheme and other insurance schemes administered by the Board recorded impressive gains compared to the previous year. The income generated by the Board from these insurance schemes in the year 2017 was Rs 60.8 million which was a growth of 79% compared to year 2016. Consequently, though the Board failed to achieve the anticipated target in the crop insurance schemes on the back of state policies, an outstanding progress was attained in other insurance schemes.

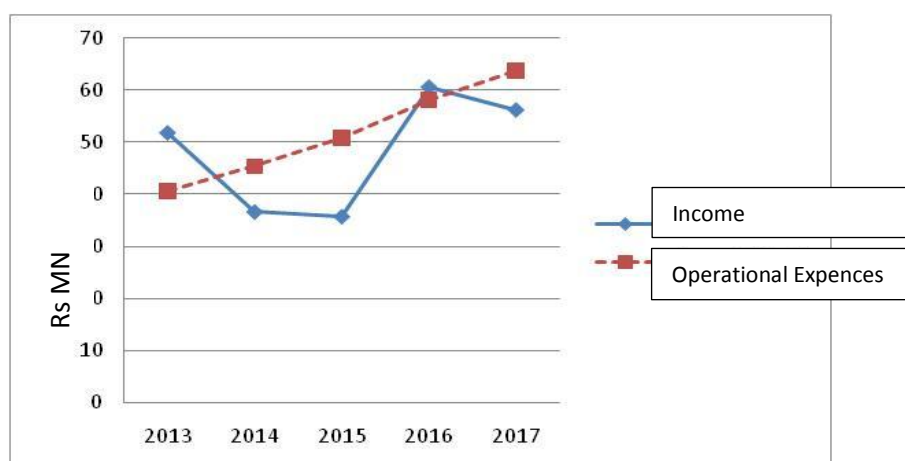
Farmers Pensions Scheme



	2013	2014	2015	2016	2017
Income	38	147	166	221.6	208.4
Operational expenditure	1693	2019	2432	2653	2679

Under the new Farmers' Pension Scheme introduced in year 2014, a net pension of Rs. 2616 million was paid to 148,201 farmers in 2017. The total operational expenditure of the Farmers' Pension Scheme during the year was Rs 2679 million and as in the previous year, this year too, the Treasury allocated Rs 2520 million as provisions for the payment of pension.

Fishermen's Pensions and Social Security Benefits Scheme



	2013	2014	2015	2016	2017
Income	51.7	36.5	35.6	60.5	56.1
Operational expenditure	40.5	45.3	50.7	58.0	63.7

During the year 2017, the pension paid to fishermen amounted to Rs 59.8 million using the funds available with the Board. However if the existing pensions scheme for fishermen is to be continued further, it has been computed that by 2021 it will reach zero.

**Overall schemes and
Consolidated Statement of Accounts – 2017**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD						
CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
FOR THE YEAR ENDED 31 st DECEMBER 2017						
			Scheme As at 31-12-2017			Group
			AIS	FPS	FIPS	31-Dec-17
						31-Dec-16
ASSETS						
Non Current Assets						
Plant, Property & Equipments			30,569,606.02	1,687,839.45	165,618.12	32,423,063.59
						34,219,133.34
Held to maturity Investment						
Treasury Bond				1,072,068,692.47		1,072,068,692.47
						1,089,638,590.88
			30,569,606.02	1,073,756,531.92	165,618.12	1,104,491,756.06
						1,123,857,724.22
Current Assets						
Stocks			4,414,703.49	2,679,511.66	176,121.67	7,270,336.82
						5,651,774.77
Receivables			983,371,790.18	74,415,366.20	663,955,406.44	338,915,210.88
						63,298,302.34
Receivable Premium			18,639,911.06	3,168,164.79	-	21,808,075.85
						14,741,064.05
Deposits & Pre Payments			4,637,672.00	-	-	4,637,672.00
						4,567,672.00
Advances			670,333.69	-	-	670,333.69
						721,725.24
Financial Instruments Held to Maturity			1,545,570,138.37	54,053,381.70	35,026,923.08	1,634,650,443.15
						870,108,308.04
Cash at Bank			33,872,222.42	2,697,850.86	662,381.59	37,232,454.87
						22,664,623.59
			2,591,176,771.21	137,014,275.21	699,820,832.78	2,045,184,527.26
						981,753,470.03
TOTAL ASSETS			2,621,746,377.23	1,210,770,807.13	699,986,450.90	3,149,676,283.32
						2,105,611,194.25
EQUITY & LIABILITIES						
Capital & Reserve						
AIB Accumulated (Deficit) / Surplus			367,207,363.28			367,207,363.28
						324,889,782.08
Government Grant Capital			11,798,919.21	1,687,840.49		11,798,919.21
						11,203,853.03
Government Grant			50,000,000.00			50,000,000.00
						50,000,000.00
Farmer's Pension Fund				(67,774,374,700.81)		(67,774,374,700.81)
						(64,075,011,808.80)
Group Insurance Fund - FPS			878,651,396.82			878,651,396.82
						815,461,273.74
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					(2,656,607,634.50)	(2,656,607,634.50)
						(2,418,370,198.12)
Staff Medical Insurance Fund			6,010,043.35			6,010,043.35
						5,077,450.96
Group Insurance fund - FHS					25,315,774.70	25,315,774.70
						24,012,849.70
Other Fund						-
						-
AAIB Reserve Fund			43,161,365.93			43,161,365.93
						39,114,296.31
Kethata Aruna Compulsory Insurance Fund			706,503,600.00			706,503,600.00
			2,063,332,688.59	(67,771,138,975.18)	(2,631,291,859.80)	(68,340,785,986.88)
						(65,222,074,615.97)
Non Current Liabilities						
Fisheries Pension Liability					3,297,559,197.58	3,297,559,197.58
						3,030,671,473.87
Farmers Pension Liability				63,220,697,989.00		63,220,697,989.00
						59,572,164,879.00
Government Grant on Treasury Bond				1,081,488,000.00		1,081,488,000.00
						1,081,488,000.00
Provision For Gratuity			33,365,067.80	44,888,619.65	1,382,578.67	79,636,266.12
						67,598,471.41
			33,365,067.80	64,347,074,608.65	3,298,941,776.25	67,679,381,452.70
						63,751,922,824.28
Current Liabilities						
Provision For Printing			907,871.30	771,771.16	515,000.00	2,194,642.46
						1,874,642.46
Pre Premium Receipts			5,540,783.06	-	-	5,540,783.06
						2,272,548.45
Other Payables			90,484,059.49	4,629,436,392.10	30,386,837.45	3,369,167,777.59
						3,327,001,000.96
Accrued Expenses			7,115,906.99	4,627,010.40	1,434,697.00	13,177,614.39
						12,812,830.75
Provision For Indemnity			421,000,000.00	-	-	421,000,000.00
						231,801,963.32
			525,048,620.84	4,634,835,173.66	32,336,534.45	3,811,080,817.50
						3,575,762,985.94
TOTAL EQUITY & LIABILITIES			2,621,746,377.23	1,210,770,807.13	699,986,450.90	3,149,676,283.32
						2,105,611,194.25

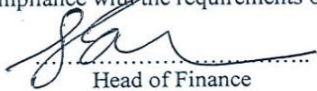
AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
FOR THE YEAR ENDED 31 st DECEMBER 2017					
	Scheme As at 31-12-2017			Group	
	AIS	FPS	FIPS	31-Dec-17	31-Dec-16
REVENUE					
Premier -Insurance	156,474,160.43			156,474,160.43	737,039,175.42
Farmer 's Pension Collection		114,406,679.84		114,406,679.84	126,080,395.29
Interest - AAIB	122,341,956.56			122,341,956.56	45,169,861.64
Interest - FPS		94,067,526.28		94,067,526.28	95,553,480.81
Fishermen's Pension Collection			920,022.50	920,022.50	928,732.00
Interest - FSH			58,753,599.89	58,753,599.89	63,046,647.85
	278,816,116.99	208,474,206.12	59,673,622.39	546,963,945.50	1,067,818,293.01
Less : Operating Expenditure					
Indemnity - AAIB	(5,642,239,298.42)			(5,642,239,298.42)	(394,541,696.42)
Operational expenses - AAIB	(11,995,426.04)			(11,995,426.04)	(9,950,591.40)
Pension payments & commission		(2,628,691,091.34)	(60,596,842.00)	(2,689,287,933.34)	(2,675,006,972.00)
Group Insurance Paid - FPS		(21,175,440.00)		(21,175,440.00)	(14,907,330.00)
Other Operational expenses - FPS		(1,298,487.00)		(1,298,487.00)	(1,372,330.00)
Refund of Contribution & Net Interest		(28,330,163.00)	(1,354,615.00)	(29,684,778.00)	(17,882,119.81)
Group Insurance Paid - FSH			(1,766,725.00)	(1,766,725.00)	(1,761,650.00)
Incentive of - FSH			(44,926.00)	(44,926.00)	(63,361.00)
	(5,654,234,724.46)	(2,679,495,181.34)	(63,763,108.00)	(8,397,493,013.80)	(3,115,486,050.63)
Operational surplus / (Deficit)	(5,375,418,607.47)	(2,471,020,975.22)	(4,089,485.61)	(7,850,529,068.30)	(2,047,667,757.62)
Amotization Of Gov: Grant	2,907,378.30	497,555.52		3,404,933.82	3,156,572.07
ADD:					
Govt. Grant for Pension Payments		2,520,000,000.00		2,520,000,000.00	2,450,000,000.00
Govt. Grant for Admin Expenses	120,000,000.00	120,000,000.00		240,000,000.00	240,000,000.00
Farmers Contribution for Admin Exp.		1,773,165.00		1,773,165.00	2,024,925.00
Grants for Indemnities - NITF Crop Levy	1,816,320,000.00			1,816,320,000.00	-
Grants for Indemnities - Treasury	3,640,040,000.00			3,640,040,000.00	-
Grant for Admin: Expenses - FSH			1,500,000.00	1,500,000.00	1,500,000.00
Other Income	7,215,411.38	22,836.00	37,672,911.04	44,911,158.42	211,306.34
	5,583,575,411.38	2,641,796,001.00	39,172,911.04	8,264,544,323.42	2,693,736,231.34
	211,064,182.21	171,272,581.30	35,083,425.43	417,420,188.94	649,225,045.79
Less : Expenses					
Admin Expenses	(160,849,213.53)	(126,094,222.04)	(6,184,443.64)	(293,127,879.21)	(268,630,678.32)
Finace & Others	(284,760.34)	(87,818,420.73)	(7,540.00)	(88,110,721.07)	(96,378,912.58)
	(161,133,973.87)	(213,912,642.77)	(6,191,983.64)	(381,238,600.28)	(365,009,590.90)
NET SURPLUS /(DEFICIT)	49,930,208.34	(42,640,061.47)	28,891,441.79	36,181,588.66	284,215,454.89
Less : Provision for A.A.I.B Reserve fund	(4,047,069.63)			(4,047,069.63)	(18,885,837.46)
Net Surplus (deficit) After Provision	45,883,138.71	(42,640,061.47)	28,891,441.79	32,134,519.03	265,329,617.43
Other comprehensive income					
Gratuity gains / (losses)	(3,524,752.30)	(8,366,156.19)	(241,154.46)	(12,132,062.95)	12,669,610.29
Increase in Pension Liability		(3,648,533,110.00)	(266,887,723.71)	(3,915,420,833.71)	(3,538,984,838.73)
	(3,524,752.30)	(3,656,899,266.19)	(267,128,878.17)	(3,927,552,896.66)	(3,526,315,228.44)
Net Surplus /Dificit of the Comprehensive inc	42,358,386.41	(3,699,539,327.66)	(238,237,436.38)	(3,895,418,377.63)	(3,260,985,611.01)

**Agricultural Insurance Scheme
Financial Statements as at 31 December 2017**

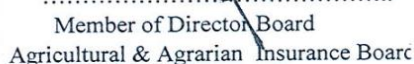
AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2017

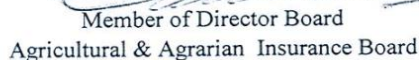
	Notes	31.12.2017	31.12.2016		
		Rs.	Cts.	Rs.	Cts.
<u>ASSETS</u>					
<u>Non- Current Assets</u>					
Property, Plant & Equipment	1	30,569,606.02		32,308,426.20	
		30,569,606.02		32,308,426.20	
<u>Current Assets</u>					
Stocks	2.1	4,414,703.49		3,529,853.06	
Receivables	2.2	983,371,790.18		688,805,936.39	
Receivable Premium	2.3	18,639,911.06		10,839,821.45	
Deposits & Pre Payments	2.4	4,637,672.00		4,567,672.00	
Advances	2.5	670,333.69		721,725.24	
Financial Instruments Held to Maturity	2.6	1,545,570,138.37		813,479,039.13	
Cash at Bank	2.7	33,872,222.42		19,298,796.20	
Total current Assets		2,591,176,771.21		1,541,242,843.47	
TOTAL ASSETS		2,621,746,377.23		1,573,551,269.67	
<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	367,207,363.28		324,889,782.08	
Government Grant - Capital	4	11,798,919.21		11,203,853.03	
A.A.I.B Reserve Fund	5	43,161,365.93		39,114,296.31	
Farmer's Death Gratuity Fund	6	878,651,396.82		815,461,273.74	
Staff Medical Insurance Fund		6,010,043.35		5,077,450.96	
Kethata Aruna Compulsory Insurance Fund		706,503,600.00			
		2,063,332,688.59		1,245,746,656.11	
<u>Non - Current Liabilities</u>					
Provision For Gratuity		33,365,067.80		31,059,936.08	
		33,365,067.80		31,059,936.08	
<u>Current Liabilities</u>					
Provision For Printing		907,871.30		757,871.30	
Pre Premium Receipts	7.1	5,540,783.06		2,272,548.45	
Other Payables	7.2	89,085,282.61		56,346,109.66	
Accrued Expenses	7.3	8,514,683.87		5,566,184.75	
Provision For Indemnity	7.4	421,000,000.00		231,801,963.32	
Total Current Liabilities		525,048,620.84		296,744,677.48	
TOTAL EQUITY & LIABILITIES		2,621,746,377.23		1,573,551,269.67	

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


Head of Finance

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


Member of Director Board
Agricultural & Agrarian Insurance Board


Member of Director Board
Agricultural & Agrarian Insurance Board

AGRICULTURAL & AGRARIAN INSURANCE BOARD				
AGRICULTURE INSURANCE SCHEME				
STATEMENT OF COMPREHENSIVE INCOME				
<u>FOR THE YEAR ENDED 31st DECEMBER 2017</u>				
			31.12.2017	31.12.2016
REVENUE	Notes		Rs. Cts.	Rs. Cts.
Premium - Insurance	8.1		156,474,160.43	737,039,175.42
Grants for Indemnities - NITF Crop Levy			1,816,320,000.00	
Grants for Indemnities - Treasury			3,640,040,000.00	
Interest	8.2		122,341,956.56	45,169,861.64
TOTAL REVENUE			5,735,176,116.99	782,209,037.06
OPERATING EXPENSES				
Indemnity	9.1		(5,642,239,298.42)	(394,541,696.42)
Operating Expenses	9.2		(11,995,426.04)	(9,950,591.40)
			(5,654,234,724.46)	(404,492,287.82)
OPERATING SURPLUS/(DIFICT)			80,941,392.53	377,716,749.24
Govt. Grant for Admin Expenses			120,000,000.00	120,000,000.00
Other Income	10		10,122,789.68	2,511,639.03
			130,122,789.68	122,511,639.03
			211,064,182.21	500,228,388.27
EXPENSES				
Administrative Expenses	11		(160,849,213.53)	(144,015,454.14)
Finance & Other Expenses	12		(284,760.34)	(387,633.47)
TOTAL EXPENSES			(161,133,973.87)	(144,403,087.61)
NET SURPLUS/ (DEFICIT)			49,930,208.34	355,825,300.66
Provision For A.A.I.B Reserve Fund			(4,047,069.63)	(18,885,837.46)
NET SURPLUS/ (DEFICIT) AFTER PROVISION			45,883,138.71	336,939,463.20
COMPREHENSIVE INCOME				
Gratuity Gain/Loss			(3,524,752.30)	2,965,295.24
			(3,524,752.30)	2,965,295.24
NET SURPLUS/ (DEFICIT) AFTER COMPREHENSIVE INCOME			42,358,386.41	339,904,758.44

STATEMENT OF CHANGES IN EQUITY AS AT 31ST DECEMBER 2017

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AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2017			
		31.12.2017	31.12.2016
		Rs. Cts.	Rs. Cts.
Cash Flows from Operating Activities			
Net Surplus / (Deficit)		42,358,386.41	339,904,758.44
Adjustment for			
Depreciation		8,367,285.90	8,212,558.87
Adjustments in respect of Prior year		(40,805.21)	0.00
Provision For A.A.I.B Reserve Fund		4,047,069.63	18,885,837.46
Gratuity Gain/Loss		3,524,752.30	(2,965,295.24)
		15,898,302.62	24,133,101.09
Profit / loss on disposal of Property, Plant & Equip.		(6,695,565.22)	10,780.57
Provision for Retiring Gratuity		4,176,285.44	4,753,247.82
Operating Surplus before working capital changes		55,737,409.25	368,801,887.92
(Increase)/ Decrease in Inventories		(884,850.43)	169,300.11
(Increase)/ Decrease in Receivables		(294,565,853.79)	(52,095,676.66)
(Increase)/ Decrease Receivable Premium		(7,800,089.61)	10,519,475.48
(Increase)/ Decrease in Deposits & Prepayments		(70,000.00)	(405,753.43)
(Increase)/ Decrease in Advances		51,391.55	966,140.75
Increase /(Decrease) Provision For Indemnity		189,198,036.68	81,847,463.32
Increase /(Decrease) Provision For Printing		150,000.00	(186,295.00)
Increase /(Decrease) Pre-premium advance		3,268,234.61	(63,995,201.47)
Increase /(Decrease) Other Payables		32,739,172.95	32,513,334.28
Increase /(Decrease) Accrued expenses		2,948,499.12	(2,458,331.65)
		(74,965,458.92)	6,874,455.73
Cash Generated from Operations		(19,228,049.67)	375,676,343.65
Retiring Gratuity - Paid		(5,395,906.00)	(8,918,673.02)
Net Cash Flows from Operating Activities		(24,623,955.67)	366,757,670.63
Cash Flows from Investing Activities			
Medical Fund		932,592.39	587,094.42
Farmer's Death Gratuity Fund		63,190,123.08	57,331,568.38
Kethata Aruna Compulsory Insurance Fund		706,503,600.00	
Investments during the year		(732,091,099.24)	(431,497,293.48)
Purchases of Property, Plant & Equipment		(6,649,515.50)	(4,982,751.73)
Proceeds from sale of Property, Plant & Equipment		6,716,615.00	12,955.00
Net Cash Flows from Investing Activities		38,602,315.73	(378,548,427.41)
Cash Flows from Financing Activities			
Government Grant for Capital expenditure		4,000,000.00	4,000,000.00
Amortization of Government Grant		(3,404,933.84)	(3,156,572.07)
Net Cash Flows from Financing Activities		595,066.16	843,427.93
Net Increase / (Decrease) in Cash & Cash Equivalents		14,573,426.22	(10,947,328.85)
Cash & cash equivalents at the beginning of the year		19,298,796.20	30,246,125.05
Cash & cash equivalents at the end of the year		33,872,222.42	19,298,796.20

Agricultural and Agrarian Insurance Board
Agriculture Insurance Scheme
Significant Accounting Policies
For the Year Ended 31st December 2017

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.57,213,652.50 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 2017.

Insured Subject	Provision for Indemnity (Rs.)
Paddy	148,000,000.00
Livestock	8,000,000.00
Suwasetha and Agri Equipment	5,000,000.00
Subsidiary Crops	37,000,000.00
Kethata Aruna	223,000,000.00
	421,000,000.00

3.2 Provision for Bad Debts

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

3.3 Retirement Benefits

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

3.4 Taxation

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

3.5 Capital Commitments and Contingent Liabilities

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

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

4. Statement of Comprehensive Income

4.1 Revenue

1. The revenue of the board represents the income from insurance premium and interest income from treasury bills and loans of employees, and other miscellaneous income.
2. All income has been recognized on accrual basis.
3. Government Grants have been received for recurrent expenditure for the year of 2017.
4. Government Grants received for capital expenditure has been recognized as income on systematic basis.

4.2 Revenue Recognition

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

4.3 Accounting for Government Grants

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

4.4 Expenditure

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

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

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 compulsory insurance have been treated as pre-premium, if received in advance.

5. Statement of Cash Flows

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

6. Events After the Reporting Date

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 adjustment for fuel advance	Rs. 40,220.00
Prior year interest receivable income	Rs. 585.21

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	Colombo District Court	21843 MR 21844 MR 21845 MR	AAIB vs. Bank Of Ceylon	Investments and Investment Interest	Ordered for Reinvestigation
2	Anuradhapura Magistrate Court	B/2171/2002	Police vs. Mr.K.A.Heen Bandara	Fraudulent of farmers pension premium	The case is kept down
3	Anuradhapura Magistrate Court	B/520/2013	Police vs. Mr.K.G.Sudath Bandara	Fraudulent of farmers pension premium	Directed for attorney general
4	Anuradhapura Magistrate Court	61467	Police vs. Mr. T. A. Ratnasiri and Mr. Kamal Uduwana	Engaged in illegal pyramid schemes	Trial is on. Have been released under a bail on 20 th Jan 2016
5	Colombo High Court	3/8/2 M. C./2006	Police vs. AAIB	Mawillaru crop indemnity	Directed to Attorney- at-Law
6	Elpitiya Magistrate Court	91838	Police vs. Mr. P.M. D. Dammika Chandranath	Southern highway accident	Trial is on

AGRICULTURAL & AGRARIAN INSURANCE BOARD									
AGRICULTURE INSURANCE SCHEME									
NOTES TO THE ACCOUNTS									
FOR THE 31st DECEMBER 2017									
NOTE 1 - NON CURRENT ASSETS									
									Rs. Cts.
	Cost	Cost	Disposal	Cost	Accum.Dep	Disposal	Dep	Accum.Dep	W.D.V
	as at	Addition	Assets	as at	as at	Assets	For the	as at	as at
ASSETS	31.12.2016		31.12.2016	31.12.2017	31.12.2016	Accum.Depn 31.12.2016	Year	31.12.2016	31.12.2016
FURNITURE & FITTINGS	9,908,847.83	728,343.50	25,145.00	10,612,046.33	8,200,677.67	20,825.00	369,667.23	8,549,519.90	2,062,526.43
OFFICE EQUIPMENTS	11,624,561.38	1,554,924.00	534,838.00	12,644,647.38	9,894,316.75	534,838.00	413,022.98	9,772,501.73	2,872,145.65
MOTOR VEHICLE	65,585,949.13		6,753,356.85	58,832,592.28	45,215,208.19	6,753,356.85	5,459,907.60	43,921,758.94	14,910,833.34
WELFARE EQUIPMENTS	578,791.00	21,400.00	4,000.00	596,191.00	405,491.87	4,000.00	39,463.50	440,955.37	155,235.63
COMPUTER EQUIPMENTS	11,573,295.55	3,905,429.00	683,149.10	14,795,575.45	7,384,571.43	683,149.10	1,724,624.03	8,426,046.36	6,369,529.09
TELEPHONE	1,655,617.50		144,810.00	1,510,807.50	1,616,690.83	144,810.00	16,174.00	1,488,054.83	22,752.67
MOTOR BICYCLE	146,300.00			146,300.00	146,300.00			146,300.00	
BUILDING	7,639,880.28	439,419.00		8,079,299.28	3,945,432.72		255,846.15	4,201,278.87	3,878,020.41
PUBLICITY EQUIPMENTS	2,084,518.33		71,699.04	2,012,819.29	1,681,574.66	54,969.26	87,651.08	1,714,256.48	298,562.81
BICYCLE	121,227.95			121,227.95	120,298.62		929.33	121,227.95	0.00
CROP CUTTING EQUIPMENTS	60,371.00			60,371.00	60,371.00			60,371.00	
LOSS PREVENTIVE EQUIP:	41,280.00			41,280.00	41,280.00			41,280.00	
SURVEY EQUIPMENTS	4,399.00			4,399.00	4,399.00			4,399.00	
WEIGHING SCALE	1,036.35			1,036.35	1,036.35			1,036.35	
NORAD EQUIPMENTS	344,423.50			344,423.50	344,423.50			344,423.50	
	111,370,498.80	6,649,515.50	8,216,997.99	109,803,016.31	79,062,072.59	8,195,948.21	8,367,285.90	79,233,410.28	30,569,606.02
Note									
Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs.57,213,652.50 as at 31st December 2017									

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
<u>FOR THE 31st DECEMBER 2017</u>			
		31.12.2017	31.12.2016
		Rs. Cts.	Rs. Cts.
<u>NOTE 2 - CURRENT ASSETS</u>			
<u>Note 2.1 - Stock</u>			
Printing Materials		3,431,058.88	2,862,437.14
Stationary		983,644.61	667,415.92
Tire			
		4,414,703.49	3,529,853.06
<u>Note 2.2 - Receivables</u>			
Staff Loans & Advance		42,273,090.48	38,758,195.64
Motor cycle loan		632,955.90	128,898.45
Salary Receivables		342,023.38	342,023.38
Staff Special Loan - 2004		4,800.00	4,800.00
Life insurance premium Receivable		194,619,125.00	176,242,010.00
Sundry Debtors		51,542.75	51,542.75
Receivables from C. W. E		256,520.00	256,520.00
NITF		223,000,000.00	
Motor cycle Expenses (Staff) -		2,566.70	2,566.70
Farmers Pension Scheme (Admin)		96,560,052.88	85,512,905.66
Fisheries Pension Scheme		27,780,919.99	21,842,501.57
Farmers Pension Scheme (Capital)		1,687,840.49	1,877,357.56
Farmers Pension Advance		398,274,007.14	365,724,524.46
Provision for bad debtors		(2,113,654.53)	(1,937,909.78)
		983,371,790.18	688,805,936.39
<u>Note 2.3 Receivable Premium</u>			
Paddy		8,518,638.10	5,611,950.30
Subsidiary Crop		8,862,342.94	3,733,887.35
Livestock		1,181,720.02	1,133,227.00
Suwasetha and Personal		77,210.00	360,756.80
		18,639,911.06	10,839,821.45
<u>NOTE 2.4 - Deposits & Pre Payment</u>			
Deposit - (Fuel)		150,000.00	100,000.00
Deposit - (Transport)		5,000.00	5,000.00
Rent		4,482,672.00	4,462,672.00
		4,637,672.00	4,567,672.00

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
<u>FOR THE 31st DECEMBER 2017</u>			
		31.12.2017	31.12.2016
		Rs. Cts.	Rs. Cts.
<u>Note 2.5 - Advances</u>			
Traveling Advance		10,500.00	8,000.00
Fuel Advance		42,028.15	95,919.70
Salary Advance		50,261.41	50,261.41
Miscellaneous Advance		1,035.00	1,035.00
Capital Advance		565,800.00	565,800.00
District Admin.acct		709.13	709.13
		670,333.69	721,725.24
<u>Note 2.6 - Financial Instruments Held to Maturity</u>			
Treasury Bills		1,545,570,138.37	813,479,039.13
		1,545,570,138.37	813,479,039.13
<u>Note 2.7 - Cash at Bank</u>			
B. O C A/C -164811		302,878.29	7,778.79
B.O.C A/C - 164667		865,467.07	925,773.42
B.O.C A/C -164693		302,117.30	289,589.71
B.O.C A/C -1622		665,282.93	508,140.37
B.O.C A/C -1616		11,134,688.87	7,695,970.17
B.O.C A/C -8600879		331,767.32	321,597.68
B.O.C A/C -8600818		30,683.84	289,119.69
P.B A/C -112352		194,053.10	260,705.40
P.B. A/C -112343		59,816.30	99,206.27
P.B A/C - 100440112349		26,568.00	941,578.88
P.B A/C - 100170112349		288,997.86	735,143.69
P.B A/C -335100190008791		1,115,257.22	13,035.46
P/B A/C - 335100280008791		245,084.24	60,005.61
P/B A/C - 100530112349		187,594.01	74,785.02
RDB A/C- 134010103277		18,121,966.07	7,076,366.04
		33,872,222.42	19,298,796.20

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
<u>FOR THE 31st DECEMBER 2017</u>			
		31.12.2017	31.12.2016
		Rs. Cts.	Rs. Cts.
<u>NOTE 3 - A.A.I.B. ACCUMULATED SURPLUS</u>			
B / F Balance		324,889,782.08	(15,014,976.36)
Prior Year Adjustment		(40,805.21)	-
Adjusted Balance on 31.12.2016		324,848,976.87	(15,014,976.36)
Less:			
Surplus(Deficit) for the year		42,358,386.41	339,904,758.44
Balance as at 31.12.2017		367,207,363.28	324,889,782.08
<u>NOTE 4 - CAPITAL</u>			
Govt. Grant For Capital			
Balance as at 01.01.2017		11,203,853.03	10,360,425.10
Add:			
Grant for the year		4,000,000.00	4,000,000.00
Amortizations Gov. Grant		(3,404,933.82)	(3,156,572.07)
Balance as at 31.12.2017		11,798,919.21	11,203,853.03

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
<u>FOR THE 31st DECEMBER 2017</u>			
		31.12.2017	31.12.2016
		Rs. Cts.	Rs. Cts.
<u>NOTE 5 - A.I.B. RESERVE FUND</u>			
Balance as at 01.01.2017		39,114,296.31	20,228,458.84
Add:			
Provision for the year		4,047,069.63	18,885,837.46
Balance as at 31.12.2017		43,161,365.93	39,114,296.31
<u>NOTE 6 - FARMERS DEATH GRATUITY FUND</u>			
Balance as at 01.01.2017		815,461,273.74	758,129,705.36
Add :			
Death Gratuity Premium		21,175,440.00	14,907,330.00
Interest Income		44,813,008.08	44,277,238.38
		65,988,448.08	59,184,568.38
Less :			
Death Gratuity Payment		2,783,325.00	1,754,000.00
Disablement Gratuity Payment		15,000.00	99,000.00
		2,798,325.00	1,853,000.00
Balance as at 31.12.2017		878,651,396.82	815,461,273.74

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
<u>FOR THE 31st DECEMBER 2017</u>			
		31.12.2017	31.12.2016
		Rs. Cts.	Rs. Cts.
<u>NOTE 7 - CURRENT LIABILITIES</u>			
<u>Note 7.1 - Pre - Premium Receipts</u>			
Pre - Premium - Livestock		1,925,525.84	2,272,548.45
Pre - Premium - Kethata Aruna		3,615,257.22	-
		5,540,783.06	2,272,548.45
<u>Note 7.2 - Other Payables</u>			
Provision for Employee Allowance		1,550,000.00	1,550,000.00
Refundable Tender deposits		455,530.60	840,000.00
Payable EPF & ETF		4,152,202.01	13,358,010.81
Unclaimed Indemnities		82,927,550.00	
NITF		-	40,598,098.85
		89,085,282.61	56,346,109.66
<u>Note 7.3 - Accrued Expenses</u>			
Admin. Expenses	7.3.1	7,115,906.99	3,950,634.25
Incentive - Crop Insurance		1,398,776.88	1,615,550.50
		8,514,683.87	5,566,184.75
<u>Note 7.4 - Provision For Indemnity</u>			
Paddy		148,000,000.00	150,000,000.00
Livestock		8,000,000.00	8,000,000.00
Suwasettha and Agri Equipment		5,000,000.00	1,000,000.00
Subsidiary Crops		37,000,000.00	35,000,000.00
Kethata Aruna		223,000,000.00	37,801,963.32
		421,000,000.00	231,801,963.32

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
<u>FOR THE 31st DECEMBER 2017</u>			
		31.12.2017	31.12.2016
		Rs. Cts.	Rs. Cts.
<u>Note 7.3.1 - Accrued Expenses</u>			
Electricity		-	213,858.82
Security Charges		68,850.00	70,700.00
Rent		438,665.51	989,906.00
Maintenance of Motor Vehicles		412,227.00	276,169.00
Traveling & Subsistence		584,926.95	301,934.00
Salaries		605,699.52	975,499.21
E.P.F		48,747.98	-
E.T.F		12,187.00	-
Publicity		90,700.00	-
Stationary		567,570.79	-
Telephone		712,550.12	325,823.83
Water Bill		-	13,885.41
Audit Fees		1,925,074.00	500,000.00
Fuel		153,109.50	-
Uniform		675.00	1,800.00
Welfare		672.00	-
Labour Charges		-	11,000.00
Payable Computer Expenses		67,750.00	-
Transport Expenses		29,315.00	-
Translation Fees		11,552.50	-
Bank Charges		5,151.20	-
Payable Main Building		3,000.00	37,189.00
Payable Printing		1,091,461.14	-
Sundry Creditors		162,880.03	165,130.03
Payable Office Equipment		120,026.75	7,708.95
Payable Entertainment		3,115.00	-
Payable Newspapers		-	60,030.00
		7,115,906.99	3,950,634.25

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE INCOME STATEMENT			
FOR THE 31st DECEMBER 2017			
		31.12.2017	31.12.2016
		Rs. Cts.	Rs. Cts.
<u>NOTE 8 - REVENUE</u>			
<u>Note 8.1 - Premium - (Insurance)</u>			
Paddy		65,644,871.30	64,746,711.93
Livestock		13,391,254.45	10,568,714.03
Suwasetha Insurance/ Personal Accidents		5,313,361.70	15,614,578.28
Subsidiary Crops		30,014,334.99	30,093,579.76
Agri equipments		41,912,237.99	7,807,272.71
Stores Insurance		198,100.00	
Tractor Sales Commission		-	11,619.69
Kethata Aruna			602,796,526.19
		156,474,160.43	731,639,002.59
Kethata Aruna -Operational Income		-	5,400,172.83
		156,474,160.43	737,039,175.42
<u>Note 8.2- Interest Income</u>			
Interest - Treasury bills (Crops & Other)		121,184,016.30	43,699,039.50
- Loans to employees		1,157,940.26	1,470,822.14
		122,341,956.56	45,169,861.64
<u>NOTE 9 - OPERATIONAL EXPENDITURE</u>			
<u>Note 9.1 - Indemnity - Insurance</u>			
Paddy		123,856,898.00	182,796,108.00
Livestock		5,246,389.00	5,995,774.79
Suwasetha and Agri Equipment Insurance		4,261,770.90	803,121.81
Subsidiary Crops		62,743,288.90	41,593,690.15
Kethata Aruna		5,446,130,951.62	163,353,001.67
		5,642,239,298.42	394,541,696.42
<u>Note 9.2 - Other Operational Expenses</u>			
Insurance Incentive		8,971,798.16	7,668,585.93
Admin. Allowances		18,540.00	16,560.00
Crop Assessment		376,640.46	407,039.00
Livestock		2,628,447.42	1,858,406.47
		11,995,426.04	9,950,591.40
<u>NOTE 10 - OTHER INCOME</u>			
Disposal of Fixed assets		6,695,565.22	(11,980.57)
Amortization of Government Grant		2,907,378.30	2,319,222.69
Sundry Income		519,846.16	204,396.91
		10,122,789.68	2,511,639.03

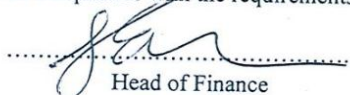
AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE INCOME STATEMENT			
<u>FOR THE 31st DECEMBER 2017</u>			
		31.12.2017	31.12.2016
		Rs. Cts.	Rs. Cts.
<u>NOTE 11 - ADMINISTRATIVE EXPENSES</u>			
Salaries & Wages		77,700,202.40	77,547,719.23
Contribution E.P.F.		7,788,971.64	6,734,940.08
Contribution E.T.F.		1,947,267.92	1,683,759.96
Traveling & Subsistence		2,535,717.97	2,628,395.50
Overtime		1,210,170.00	948,634.64
Daily Pay		79,814.00	90,347.00
Medical Expenses		666,972.00	644,334.00
Allowance to Board Members		267,338.40	344,074.80
Gratuity		4,176,285.44	4,753,247.82
Welfare		466,811.45	1,886,477.37
Allowance to employees		4,395,500.00	1,347,500.00
Fuel		6,332,532.63	4,918,327.75
Stationery		2,982,270.55	1,857,632.64
Entertainment Allowance		235,039.20	345,180.97
Legal Fees		32,898.40	166,803.00
Transport		362,522.80	264,216.60
Printing		5,946,895.93	1,470,839.22
Publicity & Training		7,705,451.96	4,888,403.27
Uniform		153,945.12	147,637.50
Rent		7,051,313.61	8,075,198.31
Telephone		2,436,357.84	1,967,667.03
Postage		867,899.48	639,629.60
Water		245,645.48	211,032.57
News paper & Advertisement		558,917.55	348,083.00
Security		581,747.25	767,575.01
Electricity		1,854,494.06	1,919,857.27
Maintenance - Motor Vehicles		7,965,763.65	7,146,460.61
Maintenance - Buildings		1,014,272.05	140,530.36
Maintenance - Office Equipments		500,366.24	732,093.22
Labour Charges		337,935.00	299,265.00
Translation Fees		253,912.50	160,958.50
Computer Expenses		1,192,361.21	8,955.00
Miscellaneous Expenses		144,980.00	8,070.00
Depreciation		8,367,285.90	8,212,558.87
Bad Debts		175,744.75	278,909.44
Audit Fees		500,000.00	330,139.00
Foreign Travelling		1,415,574.15	100,000.00
Consultation Fees		398,035.00	
		160,849,213.53	144,015,454.14
<u>NOTE 12 - FINANCE CHARGES</u>			
Bank Charges		284,760.34	387,633.47
		284,760.34	387,633.47

**Farmers' Pension and Social Security Benefit Scheme
Financial Statements as at 31 December 2017**

**AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2017**

<u>ASSETS</u>	<u>Note</u>	<u>31.12.2017</u> Rs. Cts.	<u>31.12.2016</u> Rs. Cts.
<u>Non - Current Assets</u>			
Plant, Property & Equipment	1	1,687,839.45	1,877,356.52
		<u>1,687,839.45</u>	<u>1,877,356.52</u>
<u>Held to maturity Investment</u>			
Treasury Bond		1,072,068,692.47	1,089,638,590.88
		<u>1,072,068,692.47</u>	<u>1,089,638,590.88</u>
<u>Current Assets</u>			
Stock	2	2,679,511.66	1,930,676.59
Receivables	3	74,415,366.20	24,141,665.20
Held to maturity Investment	4	54,053,381.70	45,418,691.69
Receivable Income	5	3,168,164.79	3,901,242.60
Cash at Bank	6	2,697,850.86	2,704,569.21
		<u>137,014,275.21</u>	<u>78,096,845.29</u>
TOTAL ASSETS		<u><u>1,210,770,807.13</u></u>	<u><u>1,169,612,792.69</u></u>
<u>EQUITY & LIABILITIES</u>			
<u>Capital & Reserves</u>			
Farmer's Pension Fund	7	(67,774,374,700.81)	(64,075,011,808.80)
Govt. Grant for Capital	8	1,687,840.49	1,877,357.56
F.A.O Grant		547,885.14	547,885.14
Group Insurance Contribution		1,000,000.00	1,000,000.00
		<u>(67,771,138,975.18)</u>	<u>(64,071,586,566.10)</u>
<u>Non - Current Liabilities</u>			
Pension Liability		63,220,697,989.00	59,572,164,879.00
Government Grant on Treasury Bond		1,081,488,000.00	1,081,488,000.00
Provision for Staff Gratuity		44,888,619.65	35,547,037.43
		<u>64,347,074,608.65</u>	<u>60,689,199,916.43</u>
<u>Current Liabilities</u>			
Current Payables	9	4,625,284,190.46	4,532,366,039.40
Accrued Expenses	10	9,550,983.20	19,633,402.96
		<u>4,634,835,173.66</u>	<u>4,551,999,442.36</u>
TOTAL EQUITY & LIABILITIES		<u><u>1,210,770,807.13</u></u>	<u><u>1,169,612,792.69</u></u>

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


Head of Finance

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

Signed for on behalf of the Board by;


Member of Director Board
Agricultural & Agrarian Insurance Board


Member of Director Board
Agricultural & Agrarian Insurance Board

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
STATEMENT OF COMPREHENSIVE INCOME					
FOR THE YEAR ENDED 31ST DECEMBER 2017					
		31.12.2017		31.12.2016	
		Rs.	Cts.	Rs.	Cts.
<u>REVENUE</u>	<u>Note</u>				
Interest Income		94,067,526.28		95,553,480.81	
Farmers Contribution		24,062,149.84		29,123,545.29	
Pensioner's Contribution		86,798,200.00		92,907,000.00	
Farmers Contribution for Life Insurance Premium		3,546,330.00		4,049,850.00	
		208,474,206.12		221,633,876.10	
<u>Expenses</u>					
Refund of Contribution		(17,574,246.00)		(10,396,491.50)	
Refund of Net Interest		(10,755,917.00)		(5,799,106.31)	
Disablement Gratuity Payment		(1,298,487.00)		(1,372,330.00)	
Group Insurance Premium		(21,175,440.00)		(14,907,330.00)	
Pension Payments & Commission					
- Pension Payments		(2,616,581,105.34)		(2,611,078,145.00)	
- Commission Payments		(12,109,986.00)		(9,470,212.00)	
Total Expenditure		(2,679,495,181.34)		(2,653,023,614.81)	
Operating Surplus/(Deficit)		(2,471,020,975.22)		(2,431,389,738.71)	
Government Grant-Recurrent		2,520,000,000.00		2,450,000,000.00	
		48,979,024.78		18,610,261.29	
Amortization of Govt. Grant		497,555.52		837,349.38	
		49,476,580.30		19,447,610.67	
<u>INCOME - for Administration</u>					
Farmer's Contribution for Admin. Expenses		1,773,165.00		2,024,925.00	
Govt. Grant for Admin Expenses		120,000,000.00		120,000,000.00	
Other Income	11	22,836.00		18,890.00	
		121,796,001.00		122,043,815.00	
<u>Expenses</u>					
Administration & Establishment Expenses	12	(126,094,222.04)		(119,538,084.32)	
Financial Expenses	13	(86,989,466.73)		(95,037,057.11)	
Commission for Collection Agents		(828,954.00)		(946,722.00)	
Total Admin Expenses		(213,912,642.77)		(215,521,863.43)	
		(92,116,641.77)		(93,478,048.43)	
Surplus/Deficit for the year		(42,640,061.47)		(74,030,437.76)	
Other comprehensive income					
Gratuity gains / (losses)		(8,366,156.19)		9,346,333.16	
Increase in Pension Liability		(3,648,533,110.00)		(3,292,469,726.00)	
		(3,656,899,266.19)		(3,283,123,392.84)	
Net Surplus /Deficit of the Comprehensive income		(3,699,539,327.66)		(3,357,153,830.60)	
(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 2017

		Rs.
Description	Farmer's Pension Fund	Govt. Grant for Capital Expenses
Balance as at 01 January 2015	(57,249,428,979)	2,280,410
Additions		448,511
Amortization of Govt. Grant		(767,460)
Profit/Loss for the year	(3,443,359,969)	-
Prior Adjustment	(21,729,892)	
Balance as at 31st December 2015	(60,714,518,840)	1,961,461
Additions	-	753,246
Amortization of Govt. Grant		(837,349)
Prior Adjustment	(3,339,138)	-
Profit/Loss for the year	(3,357,153,831)	-
Balance as at 31st Dec. 2016	(64,075,011,809)	1,877,358
Prior year adjustment	176,436	-
Adjusted Balance as at 31st Dec. 2016	(64,074,835,373)	1,877,358
Additions		308,038
Amortization of Govt. Grant		(497,556)
Profit/Loss for the year	(3,699,539,328)	-
Balance as at 31st Dec. 2017	(67,774,374,701)	1,687,840

AGRICULTURE & AGRARIAN INSURANCE BOARD FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2017			
	31.12.2017		31.12.2016
<u>Cash Flows from Operating Activities</u>			
Net Surplus / (Deficit)	(3,699,539,328)		(3,357,153,831)
Adjustment for			
- Depreciation	497,556		837,349
- (Gain) /Loss on sale of Property Plant & Equipment	(7,575)		(1,200)
- Adjustments in respect of Prior Year	176,436		(3,339,138)
-Gain /loss on gratuity	8,366,156		(9,346,333)
	9,032,572		(11,849,322)
Provision for Retiring Gratuity	4,887,694		5,577,347
Pension Liability	3,648,533,110		3,292,469,726
	3,653,420,804		3,298,047,073
Operating Profit before working capital changes	(37,085,951)		(70,956,079)
(Increase)/ Decrease in Inventories	(748,835)		283,696
(Increase)/ Decrease in Receivables	(50,273,701)		12,234,362
(Increase)/ Decrease in Receivable Income	733,078		984,610
Increase / (Decrease) Other Payables	92,918,151		46,111,031
Increase / (Decrease) Accrued Expenses	(10,082,420)		(6,136,808)
	32,546,273		53,476,891
Cash Generated from Operations	(4,539,678)		(17,479,188)
Retiring Gratuity - Paid	(3,912,268)		(179,945)
Net Cash Flows from Operating Activities	(8,451,946)		(17,659,133)
<u>Cash Flows from Investing Activities</u>			
Investments during the year	(8,634,690)		2,148,384
Proceeds from the disposal of property, plant and Equipment	7,575		1,200
Purchases of Property, Plant & Equipment	(308,038)		(753,246)
Net Cash Flows from Investing Activities	(8,935,153)		1,396,338
<u>Cash Flows from Financing Activities</u>			
Government Grant for Capital Expenditure	308,038		753,246
Amortization for government grant	(497,556)		(837,349)
Government Bond	17,569,898		16,188,909
Government Grant for Treasury Bond	-		-
Net Cash Flows from Financing Activities	17,380,381		16,104,806
Net Increase / (Decrease) in Cash & Cash Equivalents	(6,718)		(157,989)
Cash & Bank Balance at the Beginning of the year	2,704,569		2,862,558
Cash & Cash equivalents at the End of the year	2,697,851		2,704,569
Cash & Bank Balance at the end of the year			
Cash at Bank - End of the year	2,697,851		2,704,569

Agricultural and Agrarian Insurance Board
Farmer's Pension & Social Security Benefits Scheme
Significant Accounting Policies
For the Year Ended 31st December 2017

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. 29,412,978.18 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%

2.2 Intangible Assets

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

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

2.3 Inventories

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

2.4 Financial Assets

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

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

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

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

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

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

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

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

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

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

(f) Loans & Receivables

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

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

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

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

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

(h) Available-for-Sale Financial Investment

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

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

2.5 Impairment of Financial Assets

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

3. Liabilities and Provisions

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

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

3.1 Retirement Benefits

A Provision has been made for retiring gratuities from the completion of the first year of service for all permanent employees in conformity with Sri Lanka Accounting Standard 19 Retirement Benefits costs. However, according to the Payment of Gratuity Act No.12 of 1983

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

3.2 Taxation

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

3.3 Capital Commitments and Contingent Liabilities

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

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

3.4 Liability of Farmer's Pension Fund

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

4. Statement of Comprehensive Income

4.1 Revenue

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

4.2 Revenue Recognition

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

4.3 Accounting for Government Grants

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

4.4 Expenditure

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

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

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.

Prior year omission of treasury bill interest amounting to Rs. 176,436.

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 AS AT 31ST DESEMBER 2017

NOTE - 01

PLANT, PROPERTY & EQUIPMENT AS AT 31ST DECEMBER 2017									
DESCRIPTION	MOTOR VEHICLE	OFFICE EQUIPMENT	WELFARE EQUIPMENT	FURNITURE & FITTINGS	AIR CONDITIONERS	COMPUTERS	PUBLICITY EQUIPMENT	COMPUTER SOFTWARE	TOTAL
COST AS AT 1 ST JANUARY 2017	2,102,060.70	1,634,958.04	22,330.75	1,539,334.53	727,197.74	25,578,455.50	422,837.14	1,475,000.00	33,502,174.40
ADDITION		-	-	-	109,020.00	199,018.45	-	-	308,038.45
LESS: DISPOSAL	-	(133,925.00)	-	(27,265.00)		(1,223,466.30)	-	-	(1,384,656.30)
TOTAL COST	2,102,060.70	1,501,033.04	22,330.75	1,512,069.53	836,217.74	24,554,007.65	422,837.14	1,475,000.00	32,425,556.55
DEPRECIATION RATE %	20%	10%	10%	10%	20%	20%	10%	20%	
ACCUMULATED DEP : AS AT 1st JANUARY 2017	2,102,060.70	1,621,063.04	21,380.75	869,930.92	408,302.68	24,704,242.65	422,837.14	1,475,000.00	31,624,817.88
LESS: DISPOSAL		(133,925.00)		(27,265.00)		(1,223,466.30)			(1,384,656.30)
DEPRECIATION FOR THE YEAR 2017	-	515.00	950.00	72,550.80	77,046.22	346,493.50	-	-	497,555.52
TOTAL DEPRECIATION	2,102,060.70	1,487,653.04	22,330.75	915,216.72	485,348.90	23,827,269.85	422,837.14	1,475,000.00	30,737,717.10
NET VALUE	-	13,380.00	-	596,852.81	350,868.84	726,737.80	-	-	1,687,839.45
<i>Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs. 29,412,978.18 as at 31st December 2017</i>									

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017			
		<u>31.12.2017</u>	<u>31.12.2016</u>
		Rs. Cts.	Rs. Cts.
<u>NOTE 02 - STOCKS</u>			
Printing Materials		2,581,303.79	1,928,010.81
Stationary Stock		98,207.87	2,665.78
		<u>2,679,511.66</u>	<u>1,930,676.59</u>
<u>NOTE 03 - RECEIVABLES</u>			
Receivables from Collection Agents		686,979.20	686,979.20
Receivable from Postal Department		13,728,387.00	23,454,686.00
Receivable Government Grant from AAIB		60,000,000.00	
		<u>74,415,366.20</u>	<u>24,141,665.20</u>
<u>NOTE 04 - HELD TO MATURITY INVESTMENT</u>			
Treasury Bills - P.B		54,053,381.70	45,418,691.69
		<u>54,053,381.70</u>	<u>45,418,691.69</u>
<u>NOTE 05- RECEIVABLE INCOME</u>			
Farmer's Contribution		2,591,489.79	3,278,802.60
Farmer's Contribution for Life Insurance Premium		384,450.00	414,960.00
Farmer's Contribution for Admin. Income		192,225.00	207,480.00
		<u>3,168,164.79</u>	<u>3,901,242.60</u>
<u>NOTE 06 - CASH AT BANK</u>			
A/C No.100150112345 - P/B Union Place		1,934,647.42	1,660,942.90
A/C No. 100180112344 - P/B Union Place		368,093.81	252,901.91
A/C No. 100130112351 - P/B Union Place		235,761.50	307,798.33
A/C No. 100110112347 - P/B Union Place		84,674.63	411,755.57
A/C No. 8403704 - B.O.C Union Place		74,673.50	68,003.50
Collection Accounts		-	3,167.00
		<u>2,697,850.86</u>	<u>2,704,569.21</u>
<u>NOTE - 07- FARMER'S PENSION FUND</u>			
Balance B/F		(64,075,011,808.80)	(60,714,518,840.20)
Prior Year Adjustment		176,435.65	(3,339,138.00)
		<u>(64,074,835,373.15)</u>	<u>(60,717,857,978.20)</u>
Add/ (Less)			
Total Revenue over Expenditure		(3,699,539,327.66)	(3,357,153,830.60)
		<u>(67,774,374,700.81)</u>	<u>(64,075,011,808.80)</u>

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017			
		<u>31.12.2017</u>	<u>31.12.2016</u>
		Rs. Cts.	Rs. Cts.
<u>NOTE - 8 - GOVT. GRANT FOR CAPITAL EXPENDITURE</u>			
Balance B/F		1,877,357.56	1,961,460.94
<u>Add / (Less):</u>			
Amortization of Govt. Grant		(497,555.52)	(837,349.38)
Addition during the year		308,038.45	753,246.00
Balance C/F		<u>1,687,840.49</u>	<u>1,877,357.56</u>
<u>NOTE 9 - PAYABLES</u>			
Agency Commission		89,705.00	96,824.00
Staff Security Deposit		152,100.00	152,100.00
A.A.I.B. Current A/C		96,560,052.88	85,512,905.66
Pension Payment		3,257,634,639.00	3,241,125,668.00
Pension Commission		14,049,155.00	14,001,380.00
Group Insurance Premium		194,619,125.00	176,242,010.00
Loan for Pension Payment			
- Fisheries Pension Scheme		663,905,406.44	649,510,627.28
- AAIB		398,274,007.14	365,724,524.46
		<u>4,625,284,190.46</u>	<u>4,532,366,039.40</u>
<u>NOTE 10- ACCRUED EXPENSES</u>			
Provision for Printing Charges		771,771.16	651,771.16
Accrued Expenses		1,331,725.40	1,991,590.00
Staff ETF & EPF Payable		4,152,201.64	13,358,010.80
Provision for Audit fees			
- Previous year		3,045,285.00	3,382,031.00
- Current year		250,000.00	250,000.00
		<u>9,550,983.20</u>	<u>19,633,402.96</u>

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017			
		31.12.2017	31.12.2016
		Rs. Cts.	Rs. Cts.
<u>NOTE 11 - OTHER INCOME</u>			
Sundry Income		15,261.00	17,690.00
Disposal Income		7,575.00	1,200.00
		22,836.00	18,890.00
<u>NOTE 12 - ADMINISTRATION EXPENSES</u>			
Salaries & Wages		77,700,202.40	75,596,720.81
E.P.F.		7,788,971.65	6,734,940.09
E.T.F.		1,947,267.92	1,683,759.96
Traveling & Subsistence		2,535,717.97	2,024,527.50
Over Time		1,453,316.00	1,144,528.65
Daily Pay		120,430.00	115,379.25
Medical Expenses		666,972.00	644,334.00
Gratuity		4,887,694.03	5,577,347.12
T.A.C. Allowances		-	
Staff welfare		466,811.45	1,886,477.37
Legal Fees		49,347.60	250,204.50
Staff Uniform		147,787.32	138,276.00
Allowance to Board Members		178,225.60	229,383.20
Consultation Fees		120,000.00	64,200.00
Labour Charges		-	-
Rent		5,128,228.08	4,433,008.22
Telephone		1,771,896.62	957,105.00
Postage		3,606,246.80	3,022,057.70
Security		155,132.60	166,980.00
Electricity		1,348,722.96	1,085,192.46
Water Bill		178,651.26	133,281.27
Audit Fees		250,000.00	250,000.00
Translation Fees		-	
Fuel		2,802,764.40	2,122,675.48
Awareness & Training		1,926,362.99	1,670,000.83
Printing		540,561.52	1,315,086.25
Stationery & Consumables		2,822,671.63	1,958,772.06
Entertainments		158,752.80	233,390.64
Main. of Motor Vehicle		5,590,009.58	4,621,494.36
Main. of Building		737,652.40	48,110.80
Main. of Office Equipment		133,431.00	191,113.42
Main. of Computer & Software		382,837.94	402,388.00
Depreciation		497,555.52	837,349.38
		126,094,222.04	119,538,084.32
<u>NOTE 13 - FINANCE & OTHER</u>			
Loan Interest		86,944,261.84	94,949,092.25
Bank Charges		45,204.89	87,964.86
		86,989,466.73	95,037,057.11

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 2017

	<u>Note</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
		Rs. Cts.	Rs. Cts.
<u>ASSETS</u>			
<u>Non - Current Assets</u>			
Plant , Property & Equipment	1	165,618.12	33,350.62
		<u>165,618.12</u>	<u>33,350.62</u>
<u>Current Assets</u>			
Stock	2	176,121.67	191,245.12
Receivables	3	663,955,406.44	651,060,627.28
held to Maturity Investment	4	35,026,923.08	11,210,577.22
Cash at Bank	5	662,381.59	661,258.18
		<u>699,820,832.78</u>	<u>663,123,707.80</u>
TOTAL ASSETS		<u>699,986,450.90</u>	<u>663,157,058.42</u>
<u>EQUITY & LIABILITIES</u>			
<u>Capital & Reserves</u>			
Fishermen's Pension Fund	6	(2,656,607,634.50)	(2,418,370,198.12)
Death Gratuity Fund	7	25,315,774.70	24,012,849.70
		<u>(2,631,291,859.80)</u>	<u>(2,394,357,348.42)</u>
<u>Non - Current Liabilities</u>			
Pension Liability		3,297,559,197.58	3,030,671,473.87
Provision for Staff Gratuity		1,382,578.67	991,497.90
		<u>3,298,941,776.25</u>	<u>3,031,662,971.77</u>
<u>Current Liabilities</u>			
Total Payables	8	30,386,837.45	23,763,410.07
Accrued Expenses	9	1,949,697.00	2,088,025.00
		<u>32,336,534.45</u>	<u>25,851,435.07</u>
TOTAL EQUITY & LIABILITIES		<u>699,986,450.90</u>	<u>663,157,058.42</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 theses Financial Statements.

Signed for and on behalf of the Board by;


Member of Director Board
Agricultural & Agrarian Insurance Board


Member of Director Board
Agricultural & Agrarian Insurance Board

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 2017</u>			
		<u>31.12.2017</u>	<u>31.12.2016</u>
		Rs. Cts.	Rs. Cts.
	<u>Note</u>		
Interest Income		58,753,599.89	63,046,647.85
Fishermen's Contribution		920,022.50	928,732.00
		59,673,622.39	63,975,379.85
Less:			
Interest Income trf. to Admin Exp.		(3,500,000.00)	(3,500,000.00)
Total Revenue for Fund		56,173,622.39	60,475,379.85
<u>Less: EXPENDITURE</u>			
Refund of Net Contribution		(756,157.00)	(778,647.00)
Refund of Net Interest		(598,458.00)	(907,875.00)
Incentive Payment		(44,926.00)	(63,361.00)
Group Insurance Premium		(1,766,725.00)	(1,761,650.00)
Pension Payments & Commission			
- Pension Payments		(59,897,422.00)	(53,821,700.00)
- Commission for Pension Payments		(699,420.00)	(636,915.00)
Total Expenditure		(63,763,108.00)	(57,970,148.00)
Operational Surplus/ Deficit		(7,589,485.61)	2,505,231.85
<u>INCOME - for Administration</u>			
Interest Income for Admin. Expenses		3,500,000.00	3,500,000.00
Govt. Grant for Admin Expenses		1,500,000.00	1,500,000.00
		5,000,000.00	5,000,000.00
Sundry Income	12	37,672,911.04	-
		42,672,911.04	5,000,000.00
		35,083,425.43	7,505,231.85
<u>Less: Expenses</u>			
Admin: & Establishment Expenses	10	6,184,443.64	5,077,139.86
Finance Charges	11	7,540.00	7,500.00
Total Admin Expenses		6,191,983.64	5,084,639.86
Profit/ (loss) for the year		28,891,441.79	2,420,591.99
<u>Other Comprehensive Income</u>			
Gratuity gains/ (loss)		(241,154.46)	357,981.89
Increase of Pension Liability		(266,887,723.71)	(246,515,112.73)
		(267,128,878.17)	(246,157,130.84)
Total Comprehensive Income For the year		(238,237,436.38)	(243,736,538.85)

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
STATEMENT OF CHANGES IN EQUITY			
FOR THE YEAR ENDED 31ST DECEMBER 2017			
	Fishermen's Pension Fund	Death Gratuity Fund	Total
Balance as at 31 st December 2015	(2,174,633,659.27)	22,780,199.70	(2,151,853,459.57)
Prior year Adjustment		-	-
Balance as at 31 st Dec. 2015	(2,174,633,659.27)	22,780,199.70	(2,151,853,459.57)
Additions during the year - 2016			
Net Surplus	(243,736,538.85)		(243,736,538.85)
Income Over Expenditure - life Insurance	-	1,232,650.00	1,232,650.00
Balance as at 31 st Dec. 2015	(2,418,370,198.12)	24,012,849.70	(2,394,357,348.42)
		-	-
Adjusted Balance as at 31 st Dec. 2016	(2,418,370,198.12)	24,012,849.70	(2,394,357,348.42)
Additions during the year - 2017			
Net Surplus	(238,237,436.38)		(238,237,436.38)
Income Over Expenditure - life Insurance		1,302,925.00	1,302,925.00
Balance as at 31st Dec 2017	(2,656,607,634.50)	25,315,774.70	(2,631,291,859.80)

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
CASH FLOW STATEMENT			
FOR THE YEAR ENDED 31ST DECEMBER 2017			
		31.12.2017	31.12.2016
		Rs. Cts.	Rs. Cts.
<u>Cash flows from Operating actives</u>			
Net Surplus		(238,237,436.38)	(243,736,538.85)
<u>Adjustments For</u>			
Depreciation		12,402.50	5,169.00
Adjustments in respect of Prior Year		-	-
Deficit/ Gain on Gratuity		241,154.46	(357,981.89)
Increase Pension Liability		266,887,723.71	246,515,112.73
Provision for Retiring Gratuity		149,926.31	166,594.56
Operating profit before working capital changes		29,053,770.60	2,592,355.55
(Increase) / Decrease in Inventories		15,123.45	(161.79)
(Increase) / Decrease in Receivables		(12,894,779.16)	(21,188,373.24)
(Increase) / Decrease in Other Payables		6,623,427.38	4,891,578.09
(Increase) / Decrease in Accrued expenses		(138,328.00)	250,000.00
		(6,394,556.33)	(16,046,956.94)
Cash Generated from operation Activities		22,659,214.27	(13,454,601.39)
Retiring Gratuity - Paid		-	-
Net Cash Flows from Operating Activities		22,659,214.27	(13,454,601.39)
<u>Cash Flows from Investing Activities</u>			
Financial Instrument		(23,816,345.86)	11,466,898.74
Purchases of Property, Plant & Equipment		(144,670.00)	-
Contribution for group insurance scheme		1,766,725.00	1,761,650.00
Benefits during the year		(463,800.00)	(529,000.00)
Net Cash flows from Investing Activities		(22,658,090.86)	12,699,548.74
<u>Cash Flows from financing Activities</u>			
		-	-
Net Cash Flows from Financing Activities		-	-
Net Increase / (Decrease) in cash & Cash Equivalents		1,123.41	(755,052.65)
Cash & Cash equivalents at Beginning of the year		661,258.18	1,416,310.83
		662,381.59	661,258.18
Cash& Bank balance at the end of the year			
Cash at Bank - 31.12.2017		662,381.59	661,258.18

Agricultural and Agrarian Insurance Board
Fisherman's Pension & Social Security Benefits Scheme
Significant Accounting Policies
For the Year Ended 31st December 2017

6. General Policies

6.1 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).

6.2 Principal Activities and Nature of Operations

Operating a pension and social security benefits scheme for fishermen.

6.3 Basis of Preparation

(m) 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.

(n) 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.

(o) 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.

(p) Functional and Presentation Currency

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

(q) 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.

(r) 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.

7. Assets and the Bases of their Valuation

7.1 Property, Plant and Equipment

(g) Recognition and Measurement

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

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

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

(h) Cost

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

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

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

(i) Depreciation

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

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

7.2 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.

7.3 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.

7.4 Financial Assets

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

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

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

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

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

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

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

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

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

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

(j) Loans & Receivables

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

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

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

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

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

(l) 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.

7.4.1 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.

8. 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.

8.1 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.

8.2 Taxation

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

8.3 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.

8.4 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.

9. Statement of Comprehensive Income

9.1 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.
- e) During 2017 Rs.37,672,911.04 has been received from Bank Of Ceylon as the penalty interest income from the investments made in 1996 for which MR 21843,MR 21844,MR 21845 cases are been reinvestigating in Colombo District Court. This amount has been considered as an other income during 2017.

9.2 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.

9.3 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%

10. Cash Flow Statement

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

8. 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.

9. Related Party Transactions

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

10. Contingencies

Receivable Interest

Reinvestigations have been ordered in Colombo District Court for the following cases against the Bank of Ceylon for the loss of interest on investment on treasury bills in 1996.

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

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
NOTES TO THE FINANCIAL STATEMENTS					
Note - 01					
PLANT, PROPERTY & EQUIPMENT AS AT 31 ST DECEMBER 2017					
Description	Office Equipment	Welfare Equipment	Furniture & Fittings	Computers	Total
Cost of as at 1 st Jan. 2017	528,648.50	1,325.00	78,876.92	269,485.00	878,335.42
Add. Addition	-	-	-	-	-
Less. Disposals	-	-	-	-	-
Total Cost as at 31st Dec. 2017	528,648.50	1,325.00	78,876.92	269,485.00	878,335.42
Depreciation Rate	10%	10%	10%	20%	
Accumulated Dep. As at 1 st January 2017	381,202.46	1,325.00	55,364.42	262,422.92	700,314.80
Less. Disposals	-	-	-	-	-
Depreciation for the year	7,558.50		2,850.00	1,994.00	12,402.50
Total Depreciation	388,760.96	1,325.00	58,214.42	264,416.92	712,717.30
Net Value	139,887.54	-	20,662.50	5,068.08	165,618.12
Property Plant & Equipment include fully depreciated assets that are still in use having a historical cost amounts to 691,945.42 as at 31 st December 2017.					

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
<u>NOTES TO THE FINANCIAL STATEMENTS</u>			
<u>AS AT 31.12.2017</u>			
		<u>31.12.2017</u>	<u>31.12.2016</u>
<u>NOTE 02 - STOCKS</u>		Rs. Cts.	Rs. Cts.
Printing Materials		176,121.67	191,245.12
		<u>176,121.67</u>	<u>191,245.12</u>
<u>NOTE 03 - RECEIVABLES</u>			
Farmers Pension Loan		663,905,406.44	649,510,627.28
Receivable -Department of FSH		-	1,500,000.00
Death Gratuity Advance		50,000.00	50,000.00
		<u>663,955,406.44</u>	<u>651,060,627.28</u>
<u>NOTE 04 -</u>			
<u>FINANCIAL INSTRUMENTS HELD TO MATURITY</u>			
Treasury Bills - B.O.C		35,026,923.08	11,210,577.22
		<u>35,026,923.08</u>	<u>11,210,577.22</u>
<u>NOTE 05 - CASH AT BANK</u>			
A/C No. 164790 BOC Union Place		144,211.79	200,411.11
A/C No. 164795 BOC Union Place		451,683.80	416,512.07
Collection Accounts		66,486.00	44,335.00
		<u>662,381.59</u>	<u>661,258.18</u>
<u>NOTE 06 - FISHERMEN'S PENSION FUND</u>			
Balance B/F		(2,418,370,198.12)	(2,174,633,659.27)
PV of Pension Liability - Up to 2009		-	
Previous Year Adjustment		(2,418,370,198.12)	(2,174,633,659.27)
<u>Addition during the year</u>			
Total Surplus/(Deficit) for the year		(238,237,436.38)	(243,736,538.85)
		<u>(2,656,607,634.50)</u>	<u>(2,418,370,198.12)</u>
		<u>(2,656,607,634.50)</u>	<u>(2,418,370,198.12)</u>

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
NOTES TO THE FINANCIAL STATEMENTS			
<u>AS AT 31.12.2017</u>			
		31.12.2017	31.12.2016
		Rs. Cts.	Rs. Cts.
<u>NOTE 7 - DEATH GRATUITY FUND</u>			
Balance B/F		24,012,849.70	22,780,199.70
Add:			
Contribution for the year		1,766,725.00	1,761,650.00
Less:			
Death Gratuity Payments		(463,800.00)	(529,000.00)
		(463,800.00)	(529,000.00)
		1,302,925.00	1,232,650.00
		25,315,774.70	24,012,849.70
<u>NOTE 08 - PAYABLES</u>			
Payable - Pension Payment		1,712,004.00	762,063.00
Payable - Agricultural Insurance scheme		27,780,919.99	21,842,501.57
Payable - Refundable Contribution		118,413.00	242,839.00
Payable - Death Gratuity		148,000.00	180,000.00
Payable - Disable Gratuity		-	-
Payable - Incentivemen		16,650.00	12,636.00
Payable - Refund interest on Contributions		175,044.00	190,799.00
Payable - EPF / ETF		435,806.46	532,571.50
		30,386,837.45	23,763,410.07
<u>NOTE 9 - ACCRUED EXPENSES</u>			
Printing Charges		515,000.00	465,000.00
Legal Fees		17,000.00	17,000.00
Provision for Audit Fees		1,417,697.00	1,606,025.00
		1,949,697.00	2,088,025.00

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
<u>NOTES TO THE FINANCIAL STATEMENTS</u>			
<u>AS AT 31.12.2017</u>			
		31.12.2017	31.12.2016
		Rs. Cts.	Rs. Cts.
<u>NOTE 10 - ADMINISTRATION EXPENSES</u>			
Salaries & Wages		2,475,351.59	2,166,131.75
Contribution E.P.F.		245,012.38	205,316.51
Contribution E.T.F.		61,203.10	51,279.22
Over Time		1,947.00	37,229.00
Allowance to TAC Members		-	-
Special Allowances		438,428.00	521,928.00
Gratuity		149,926.31	166,594.56
Daily Pay		-	21,656.75
Fuel		186,250.96	144,656.70
Stationery		119,290.82	74,305.31
Printing		99,959.45	153,338.21
Legal Fees		413,500.00	
Staff Uniform		6,157.81	5,761.50
Rent		641,028.51	554,126.03
Telephone		221,487.08	119,638.13
Postage		108,487.44	79,953.70
Water Bill		22,331.41	16,660.16
Security		38,783.15	41,745.00
Electricity		168,590.37	135,649.06
Main. of Motor Vehicle		419,250.72	346,612.08
Main. of Building		92,206.55	6,013.85
Main. of Office Equipment		33,357.75	47,778.34
Computer Expenses		79,490.74	597.00
Depreciation		12,402.50	5,169.00
Audit Fees		150,000.00	175,000.00
		6,184,443.64	5,077,139.86
<u>NOTE 11 - FINANCE CHARGES</u>			
Bank Charges		7,540.00	7,500.00
		7,540.00	7,500.00
<u>NOTE 12 - OTHER INCOME</u>			
Interest Income Received from BOC		37,672,911.04	-
		37,672,911.04	-



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

පීපීඑල්/ඊ/පීපීඅයිබී/1/17/27

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

2018 සැප්තැම්බර් 21 දින



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කෘෂිකාර්මික හා ගොවිජන රක්ෂණ මණ්ඩලය

කෘෂිකාර්මික හා ගොවිජන රක්ෂණ යෝජනා ක්‍රමයේ 2017 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳව 1971 අංක 38 දරන මුදල් පනතේ 14(2)(සී) වගන්තිය ප්‍රකාර විගණකාධිපති වාර්තාව

මාගේ සමාංක හා 2018 අගෝස්තු 15 දිනැති ලිපියට යොමුවේ.

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

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නියෝජ්‍ය විගණකාධිපති

විගණකාධිපති වෙනුවට

DG / 2 (F)

- පිටපත් :
1. ලේකම් - කෘෂිකර්ම අමාත්‍යාංශය
 2. ලේකම් - මුදල් හා ජනමාධ්‍ය අමාත්‍යාංශය



විගණකාධිපති දෙපාර්තමේන්තුව
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AGL/E/AAIB/1/17/27

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உமது இல.
Your No. }

දිනය
திகதி
Date }

15 August 2018

The Chairman,
Agriculture and Agrarian Insurance Board

Report of the Auditor General on the Financial Statements of the Agriculture and Agrarian Insurance Scheme for the year ended 31 December 2017 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Agriculture and Agrarian Insurance Scheme for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 28 of the Agriculture and Agrarian Insurance Act, No.20 of 1999. My comments and observations, which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed report in terms of Section 13 (7)(a) of the Finance Act was issued to the Chairmen of the Board on 30 May 2018.

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.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

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1.3 Auditor's Responsibility

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

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

1.4 Basic for Qualified Opinion

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



2. Financial statements

2.1 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Agriculture and Agrarian Insurance Scheme as at 31 December 2017 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 Non-compliance With Sri Lanka Accounting Standards

The following non-compliances were observed.

(a) Sri Lanka Accounting Standard - 16

As the residual value and the useful life of non-current assets had not been reviewed annually 17 motor vehicles costing Rs.22,397,384 were being further used though they had been fully depreciated, in terms of paragraph 51 of the standard. Accordingly, action had not been taken to rectify the estimated error in accordance with Accounting Standard 08.

(b) Sri Lanka Accounting Standard - 18

Even though, accounts balances in the final accounting statements should be separately recognized in terms of paragraph 13 of the Standard, the agriculture equipment insurance and the 3rd party insurance income amounting to Rs.7,757 and Rs.41,904,480 respectively had been shown under agricultural equipment insurance, as a total value of Rs.41,912,237.

(c) Sri Lanka Accounting Standard - 37

Without carrying out an actuarial assessment, in respect of actual farmer contributors in order to identify the current best estimate in terms of paragraph 59 of the Standard, a provision of Rs.21,175,440 had been made in the year under review for farmers death gratuity fund.



2.2.2 Accounting Deficiencies

The value of the motor vehicle transferred to the Agricultural and Agrarian Insurance Board by the Ministry of Finance and Planning in the year 2014 had not been assessed and brought to accounts.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Employees loans and advances totalling Rs.676,194 remained outstanding for the periods from 5 to 26 years had been brought forward in the accounts without being recovered from their gratuities or from sureties, periodically.
- (b) Action had not been taken to settle receivable balances totalling Rs.708,347 brought forward for the periods from 5 to 13 years, even during the year under review.
- (c) A total sum of Rs.124,340,973 given to the farmers and fisheries pensions schemes in the previous years for incurring administrative expenses had been continuously brought forward without being recovered.
- (d) Action had not been taken to settle accumulated payable audit fees totalling Rs.1,925,074 brought forward for periods from 2 to 14 years as at 31 December 2017, even in the year under review.



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

The following non-compliances were observed in audit.

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) Establishments code of the Democratic Socialist Republic of Sri Lanka. Sub-paragraph 6.3 of Chapter XLVII of the Volume II	A charge sheet had not been issued to an officer who had been interdicted in the year 2002.
(b) Circular No.DMS/34 (ii) dated 30 March 2010 of the Department of Management Services	Without the approval of the Department of Management Services, subsistence allowance at Rs.2,500 per day had been paid to executive officers of the Board who engage in field duties since the year 2009.
(c) Public Enterprises Circular No.1/2015 of 25 May 2015.	In terms of the circular, group transport facilities are provided for the middle level managers who are not entitled for official vehicles, subject to a maximum distance of 100 km up and down from office. Nevertheless, a total sum of Rs.1,948,000 at Rs.8,000 and Rs.4,000 per month had been paid to a Divisional Head and an executive officer respectively during the year under review and the preceding 2 years, who were not entitled for a transport allowance.



3. Financial Review

3.1 Financial Results

According to the financial statement presented, the financial results of the Scheme for the year under review had been a surplus of Rs.49,930,208 as compared with the surplus of Rs.355,825,300 for the preceding year, thus indicating a deterioration of Rs.305,895,093 or 86 per cent in the financial results in the year under review as compared with the preceding year. Decrease of receipt of paddy cultivation insurance income by Rs.580,565,015 in the year under review as compared with the preceding year and increase of paddy cultivation indemnities, except the payment of "Kethata Aruna" compensation by Rs.198,433,350, had attributed to this deterioration.

In analysing the financial results of the year under review and the preceding 4 years, there was a deficit in the year 2013 but a surplus was recorded in the year 2014 and it had improved up to the year 2017 with fluctuations. However, after being readjusted the employees remunerations and depreciation on non-current assets to the financial results, the minus value of the Board's contribution amounting to Rs.20,510,517 in the year 2013 had improved as Rs.89,041,275, Rs.93,025,769, Rs.450,004,279 and Rs.145,733,936 in the years 2014, 2015, 2016 and 2017 respectively.

4. Operating Review

4.1 Performance

4.1.1 Operations and Review

The following observations are made in respect of the achievement of main objectives of the scheme.

- (a) Even though, it was targeted to earn a revenue of Rs.210,000,000 from all insurance systems in the year under review, the actual earnings was Rs.156,474,160 and as such the revenue had decreased by Rs.13,525,840 or 25 per cent.
- (b) Even though, the revenue earning target from 'Suwasetha' and Accident Insurance Schemes amounted to Rs.29,833,000, the achievement amounted to Rs.5,313,362, indicating its progress level less than 18 per cent. This had been a decrease of 66 per cent as compared with that of the previous year.



- (c) A revenue of Rs.2,343,000 from Agriculture equipment insurance had been planned to earn from 16 districts but only a sum of Rs.40,055 had been earned from 7 district in the year under review.
- (d) Even though, it was expected to insurance 490 paddy stores in 5 districts during the year under review, only one store had been insured.
- (e) An agreement had been entered into with the International Monetary Fund, affiliated to the World Bank by the Board on 05 May 2016 in order to implement an insurance scheme in 5 districts on the basis of indices for the payment of compensation having being assessed damages within a short period in avoiding inconvenience caused by peasantry in receiving compensation. Even though, the relevant project activities had to be completed on 04 May 2019, it had been implemented only in the Vauniya District by the date of this report.
- (f) Even though, the insurance schemes for red onions, kurakkan, uludu, ground-nut, pea-nut, mung bean, gingelly, beetle, pepper, ginger, cocoa, tea, coconut, vegetable, fruits, floriculture, cashew, sugar cane and aricanut had been included in the Corporate Plan, they had not been implemented.
- (g) Insurance schemes had not been introduced for fisheries and forestation products and the competitive new insurance schemes had not been implemented, having being identified the requirements. Action had not been to instigate farmers for various insurance methods by introducing more effective insurance schemes having being studied the loan schemes given to the farmers by Commercial Banks.

4.2 Management Activities

The following observations are made.

- (a) The Mahaweli Authority of Sri Lanka had informed the Board in writing that the arrears of Rs.2,764,344 for 31 years had to be paid to the Mahaweli Authority for the land given to operate the Embilipitiya District Office and had it not been paid, a 10 per cent surcharge would be added after the date of 31



March 2017. However, no action whatsoever had been taken in that connection even by the end of the year under review.

- (b) Formal disciplinary inquiries in respect of two officers who had been sent on compulsory leave had not been initiated even by 30 June 2018 since a period of almost 13 years from 2005.
- (c) The Government had decided to pay a compensation of Rs.10,000 per farmer for providing concessions to the peasantry distressed by drought in the Maha season of 2016/ 2017. Even though, the payment had been made through inter banking transactions (SLIP-Transaction) on the basis of damage report sent through the electronic media by District Offices at Rs.8,650 after being deducted a sum of Rs.1,350 from the compensation amount as an insurance premium, the originals of these reports had not been re-examined by the Board. The following observations are made in this regard.
 - (i) A sum of Rs.276,800 belonged to 32 farmers who had sustained losses by cultivating minor crops had been credited to one farmer's account in the People's Bank, Galgamuwa Branch in Kurunegala District and it had not been settled even up to 30 June 2018.
 - (ii) Even though, it was informed that when compensations were paid, duplication of National Identity Cards Numbers should be avoided, it was observed at an audit test check that the same name and the same Identity Cards Number had been indicated against 414 farmers in 10 districts in the Island and as such an overpayment of Rs.3,581,100 had been made.
 - (iii) A total sum of Rs.82,927,550 had been rejected by the Banks paid to 9,587 farmers due to change of names and the Identity Cards Numbers of compensation beneficiaries, out of which a sum of Rs.57,366,800 had to be further paid to 6,461 farmers by 30 June 2018.



- (d) One thousand insurance cards, the minimum saleable value of which amounted to Rs.470,000, 46 T-Shirts valued at Rs.31,990 and 2000 motor vehicle applications, which had been brought by the Director (Marketing) on 01 March 2017 to be handed over to the District Office, Matara for the distribution among farmers representatives had been misplaced.
- (e) Action had not been taken to recover farmers pensions insurance premiums totalling Rs.194,619,125, recovered from the Farmer's Pensions Scheme at Rs.30 during the period from 2008 to the end of the year under review to the Agricultural and Agrarian Insurance Scheme.
- (f) Even though, sums of Rs.137,640 and Rs.843,298 had been spent for newspaper advertisements and holding interview in the year 2015 for the recruitment of 44 management assistants, any recruitments had not been made up to 30 June 2018 and as such the total expenditure of Rs.980,938 had become a fruitless expenditure.
- (g) Even though, the following weaknesses had been identified as impediments existed to improve the performance of the Board since the year 2010, the management had failed to preclude them up to now.
 - (i) Non-availability of a permanent officer with expertised knowledge in actuarial and researches.
 - (ii) Impediments to use the capabilities of existing staff with competence.
 - (iii) Dearth of staff to perform duties in accordance with modern technology.
 - (iv) Insufficient buildings belonged to the Board and non-availability of a permanent building for the Head Office.
 - (v) Office equipment belonged to the Board was not at a higher technological level and not with required standards as compared with other competitive institutions.



4.3 **Operating Inefficiencies**

Two hundred and eighty two T-shirts valued at Rs.157,920 purchased in May 2017 for the distribution among the farmers agents had not been distributed even by 30 June 2018.

4.4 **Idle and Under-utilized Assets**

The following observations are made.

- (a) Even though, 7 reserved vehicles with running condition had existed in the Board, only 2 drivers were employed and as such those vehicles had been under-utilized.
- (b) Action had not been taken to repair and use an official bungalow existed at Embilipitiya and remained idle for more than 30 years even in the year under review.

4.5 **Uneconomical Transactions**

The following observations are made.

- (a) Sums of Rs.115,115 and Rs.32,000 had been spent for newspaper advertisements, calling for bids to purchase 1000 items of mobile Technological equipment for field officers in the Ministry to obtain information on cultivated land and the cultivation and to select a re-insurer in respect of cultivation losses respectively. However, it had not been performed and as such the amount spent for newspaper advertisement had become fruitless expenditure.
- (b) As the cost of living allowance had not been taken into consideration in calculating Employees Provident Fund contributions, the arrears of employees and employers contributions totalling Rs.29,409,723 and the surcharges thereon totalling Rs.14,704,862 for the period January 2006 to April 2013 had to be paid.



- (c) Even though, a sum of Rs.565,800 had been paid to the Sri Lanka Land Reclamation and Development Board on 04 June 2008 for the supply of water for the construction of an office building to the Board, it had become an uneconomical expenditure as the project had been abandoned. However, that value had been still shown in the financial statements under current assets as capital advances.

4.6 Personnel Administration

The following observations are made.

- (a) One hundred and nineteen vacancies in 12 posts had not been filled up to the end of the year under review. Furthermore, as 9 officers had retired during the year 2018 and 49 officers had been employed on contract and casual basis it was observed that the overall performance level of the recruitment process had been at a minimum position.
- (b) Without the approval of the Department of Management Services and not included in the approved cadre, 4 officers had been recruited on contract basis for the Business Development Manager Post and deployed for the implementation of the 3rd party insurance scheme. Without the approval of the Treasury, a total sum of Rs.8,071,022 had been paid to them in the years 2015 and 2016 at a monthly allowance of Rs.40,000 vehicle allowance of Rs.35,000 and fuel allowance, equal to the value of 250 liters. A sum of Rs.3,769,660 had been paid in the year under review only to two officers thereof.

5. Reaching Sustainable Development Goals

According to the United Nations year 2030 on Sustainable Development, every Public entity should act in accordance with its agenda, and the Board was aware how it would perform its functions within the scope of the Agricultural and Agrarian Insurance Scheme relating to the year under review.



The following observations are made in this regard.

- (a) Even though, it is essential that there would be an accurate data base in order to measure the actual performance of any function, it was observed that action had not been taken to create a correct data base in respect of insured farmers and cultivated lands to measure the reaching of Sustainable Development targets.
- (b) The year 2017 had been identified as the year of “Poverty Alleviation”. The Agricultural and Agrarian Insurance Scheme had stated as its objectives that the priority would be given for publicity programs and projects through Manner, Mullithivu, Kilinochchi, Batticalowa, Badulla and Monaragala districts, named as districts which have drastic poverty level. However, the priority had been given to promote the 3rd party insurance revenue in publicity programs.
- (c) Even though, the plan for the payment of compensation efficiently had been identified by introducing the insurance scheme based on indices as a recognized target in order to take action expeditiously against climatic changes and effects thereof under the Sustainable Development objectives, it had been implemented only in the Vauniya District by now.

6. Accountability and Good Governance

6.1 Budgetary Control

As variations ranging from 68 per cent to 419 per cent were observed between the budget and the actual figures in the year under review, the Budget had not been made use of as an effective instrument of management control.

6.2 Non-implementation of recommendations made by the COPE

According to the minutes of the 13th meeting of the Committee on Public Enterprises held on 26 February 2016, officers of the Board are not entitled for any additional allowance in addition to salaries and allowances of the relevant post. Nevertheless, contrary that directive, fisheries pensions special allowance of Rs.438,428, farmers pensions special allowance of Rs.812,250 and insurance commissions and incentives of Rs.11,995,426 had been paid during the year 2017.



7. **Systems and Control**

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

Areas of Systems and Control		Observations
(a) Human Resources Management		Action had not taken to fill the existing vacancies.
(b) Payment of compensation		(i) Action had not taken to pay compensation without delay. (ii) Persons not correctly identified in paying compensation.
(c) Insurance		(i) Not taking action for insurance at the beginning of the season. (ii) Action not taken to launch programs in order to persuade pearsentry for crop insurance.
(d) Accounts Receivable		Not taking action to recover outstanding loans and advances.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M.Gamini Wijesinghe
 Auditor General



C - 007

විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல. }
My No. }

ඒපීඑල්/වී/එස්පීඑස්/01/17/04

ඔබේ අංකය
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Your No. }



2018 සැප්තැම්බර් 10 දින

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කෘෂිකාර්මික හා ගොවිජන රක්ෂණ මණ්ඩලය.

ගොවි විශ්‍රාම වැටුප් හා සමාජ ආරක්ෂණ ප්‍රතිලාභ යෝජනා ක්‍රමයේ 2017 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳව විගණකාධිපති වාර්තාව

මාගේ සමාංක හා 2018 ජූලි 12 දිනැති ලිපියට යොමුවේ.

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

එස්.යකන්දාවල
නියෝජ්‍ය විගණකාධිපති
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DG / DCF)

- පිටපත් -
1. ලේකම්, කෘෂිකර්ම අමාත්‍යාංශය.
 2. ලේකම්, මුදල් හා ජනමාධ්‍ය අමාත්‍යාංශය.



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No. }

AGL/E/FPS/01/17/04

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

12 July 2018

The Chairman,
Agricultural and Agrarian Insurance Board

Report of the Auditor General on the Financial Statements of the Farmer's Pensions and Social Security Benefit Scheme for the year ended 31 December 2017

The audit of financial statements of the Farmer's Pensions and Social Security Benefit Scheme for the year ended 31 December 2017, comprising the statement of financial position as at 31 December 2017 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(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 28(4) of the Farmer's Pensions and Social Security Benefit Scheme Act No.12 of 1987. My comments and observations on the above financial statements were included in this report. A detailed report was issued to the Chairman of the Board on 11 April 2018.

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 conducting the audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items and the elements making up the statement of financial position, income statement, statement of changes in equity and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Going Concern of the Scheme

The farmers contribution income in the years 2016 and 2017 amounted to Rs.35,198,320 and Rs. 29,381,645 respectively, whereas the farmers pension payments amounted to Rs. 2,611,078,145 and Rs. 2,616,581,105 respectively. The payment of pensions as against the contributions had increased due to the Treasury had spent sums of Rs. 2,450,000,000 and Rs. 2,520,000,000 in the years 2016 and 2017 respectively for the payment of pensions. Accordingly, the situations were occurred where the scheme could not be operated without Treasury contributions.



Further, pension payable liability of the scheme as at the year under review was Rs.63,220,697,989 and it was an increase of 6.1 per cent compare with the preceding year. Also the net asset of the scheme had been negative value of Rs. 67,771,138,975. This had mainly been affected the actuarial valuation in terms of Sri Lanka Accounting Standard 37, payment of farmers pension in terms of Extraordinary Gazette No. 1853/49 dated on 14 March 2014 and recovery of contribution in accordance with the old pension scheme. Therefore it was observed that the going concern of the scheme is in uncertain situation due to possibility of improving this adverse financial situation in future and inability to prove by the Institute that effective actions had been taken to overcome this situation.

2.2.2 Related Party Transactions not Disclosed

Sufficient information had not been disclosed in notes to the accounts with regarding the payable amount of Rs. 194,619,125 to the Agricultural and Agrarian Insurance Scheme from group life insurance operating under the Board.

2.2.3 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 16

As per the paragraph 79 of the standard, though Motor vehicles at a cost of Rs.2,102,060 had been completely depreciated due to non-reviewing of effective life time of non-current asset annually, those were still being utilized. Accordingly actions had not been taken to revise accounting estimation error in terms of the accounting standard 8.

(b) Sri Lanka Accounting Standard 37

- (i). As per the paragraph 59 of the standard, the actuarial assessment for the retirement liability had been carried out in the year 2007, but it had not been carried out subsequently, even up to the year under review.



Accordingly, basic components such as interest rate, recruitment, resigning, deaths, disabilities and changes of active contributors and farmers pensioners which could be considerably effected had not been considered in making provision for pensions liability. Therefore the provision of Rs. 29,473,158,000 in the year 2007 had been increased up to Rs. 63,220,697,989 in the year 2017 i.e. an increase of 115 per cent.

- (ii). Even though pensions should be paid from the date of completion of 60 years of age in terms of Farmer's Pensions and Social Security Benefit Scheme Act 12 of 1987, contrary to that, payments had been made from the date of preparing of pension. 9,927 farmers had been applied for pensions from April to December 2017 and arrears which were not paid to them had been aggregating Rs. 244,034,838. However no provision had been made in financial statements in that regard as per the paragraph 14 of the standard.

2.2.4 Accounting Policies

Though the policy of the Institute is to credit the capital grants into revenue through the effective life time of the asset in continuous basis, actions had not been taken accordingly with regarding a sum of Rs. 547,885 capital grants received before the year 1989 from United Nations Food and Agriculture Organisation.

2.2.5 Accounts Receivable and Payable

The Following observations are made.

- (a) Actions had not been taken to settle audit fees even in the year under review relating to the period from the year 1997 to the year 2011 which was included in audit fees payable aggregating Rs. 3,295,285 shown in the financial statements.



- (b) Pensions payable to farmers with relating to the years 2012 and 2013 aggregating Rs. 3,033,329,200 had been included in payable pension balance of Rs. 3,257,634,369 which was shown under current liabilities of the financial statements and actions had not been taken to settle that amount even in the year under review.

2.2.6 Lack of Evidence for Audit

A loan of Rs. 518,000,000 and Rs. 295,230,441 had been given to Farmers Pension Fund in the years 2010 and 2011 respectively from Fisheries Pension Benefit Scheme and, Agricultural and Agrarian Insurance Scheme and, according to the financial statements, a sum of Rs. 663,905,406 and Rs. 398,274,007 respectively had been shown under current liabilities by including the interest for that loan. However an agreement had not been signed by including conditions such as interest percentage charged for that loan, repayment period, number of instalment to recover the loan, installment amount.

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 and Regulations

Non-compliances

Farmers Pensions and Social
Security Benefit Scheme Act
No.12 of 1987.

- (a) Sections 15(2),(3)

In terms of the provisions of the act, the cancellation of membership of members who evaded the payment of instalments should be informed the relevant members. It had not been done accordingly, and as such the right to re-validate the certificate of a contributor which had been cancelled had been breached. It was observed that a sum of



Rs. 18,839,792 had been paid as net instalments for 3024 members who evaded the payment of instalments in the year under review.

(b) Section 20

Although the Consultation Committee should consist of 12 members, only 10 members had been appointed for the year under review and not even single meeting had been conducted.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the operating results of the scheme for the year under review had been a deficit of Rs. 42,640,061 as compared with the deficit of Rs. 74,030,438 for the preceding year thus indicating a decreasing of Rs.31,390,377 in the deficit of the year under review as compared with the preceding year. Though the revenue had been decreased by Rs. 13,159,670 and the expenditure had been increased by Rs. 26,471,566 during the year under review, increase in Government grants by Rs. 70,000,000 had mainly attributed to this decrease in the deficit.

When reviewing financial result of the year under review and preceding 04 years, deficit of the year 2013 had been a surplus in the year 2014 and then again it had become a financial deficit from the year 2015. However, after adjusting staff remuneration and the depreciation for non-current assets into the financial result, the minus contribution of Rs. 1,678,119,540 in the year 2013 had been Rs. 74,364,024 (Rs. 159,604,332) Rs. 20,328,449 and Rs. 54,958,066 from 2014 to the year 2017 respectively.



4. Operational Review

4.1 Performance

4.1.1 Planning

According to the action plan prepared for the year under review, though it had been planned to enlist 700 farmers during the year and collect contribution amounting to Rs. 1,106,400 from them, it had not been performed accordingly.

4.1.2 Functioning and Reviewing

Following observations are made with regarding the performance of the Institute.

- (a) According to the paragraph 4 of Farmer's Pensions and Social Security Benefit Act No. 12 of 1987, though it was shown that any farmer possess the relevant qualification and not below the age of 18 years and not more than the age of 59 years has the right to join in this scheme, the number of active farmers in the scheme as at the end of the year 2012 was 959,254 and after that, Institute had not taken actions to follow sufficient and proper procedure to improve membership by enlisting members into this scheme. Further, though 3,025 farmers had been decrease due to resigning, deaths, disabilities and non-payment of instalment management had failed to verify the number of active members as at the end of the year under review due to non-maintaining of updated information after the year 2012.
- (b) Information to review the progress of the scheme could not be ascertained as the information not properly updated in the computer system such as recovery of instalment amount of the members, abolition of membership benefits given and farmers personal details etc after the year 2012.



4.2 Management Activities

The following observations are made.

- (a) According to the Extraordinary Gazette No.1853/49 of 14 March 2014, though new pension scheme should be implemented from 01 January 2014, payment of pension had been made according to the new scheme by collecting the contribution amount in accordance with old pension scheme. Pension of Rs.7,664,298,940 had been paid for the period from January 2014 to December 2017 on this basis and a sum of Rs. 92,443,207 had only been recovered as contribution. Management had failed to implement the new scheme or to implement by making amendments even as at 30 May 2018 for further continuation of this scheme.
- (b) It was observed in field inspection at Kalutara District Secretariat that, contribution applications of 10 applicants with the age between 61 years to 68 years had been presented due to non-maintaining a proper farmers awareness procedure by the Institute about enlisting into the pension scheme and receiving of benefits.
- (c) It was observed that, 08 applications out of the sample of 50 pension payment applications, there were instances where the period from 07 months to over 02 years had been spent for making payments from the date of those presentations.
- (d) According to the deed awarded to contributors who enlisted in the scheme, though it was shown that the spouse is entitle to the pension until the month falling the eightieth birthday of the contributor who died before 80 years of age, arithmetic data with relating to the number of applications received to Head Office who applied for spouse entitlement from the year 2014 to December 2017 were not presented to audit.



- (e) Pension applications of 6,680 had been received to Pension Division during the year under review from District Offices and answers had only been provided for 4,917. No decision had been given for 584 pension applications of Kandy and Matale Districts.
- (f) Though the unclaimed pensions should be return to the Board in the first day of the following month, it was observed that unpaid pension aggregating Rs.10,997,732 were kept idle in outside post offices for more than 03 months due to non-making follow up actions by the management in that regard.
- (g) Actions had not been taken even in the year under review with relating to 117 cheques in 03 bank accounts valued at Rs. 1,179,624 which was deposited but not realised from the year 1992.

4.3 Operating Activities

The following observations are made.

- (a) According to the letter of the Director General of the scheme dated 28 January 2015, survey on bio data of farmer contributors should have been completed before 28 February 2015, but the survey had been completed only in the 14 District Offices out of 25 Districts, despite the information of members of the new pensions scheme implemented since January 2014. Though almost a sum of Rs. 2,705,000 had been spent to install the computer system and a sum of Rs. 1,726,875 had been spent as incentives and other expenses for Agrarian Research and Production Assistant who were participated for the survey, the expenditure incurred for this had been fruitless due to incompleteness of the survey and non-updating the information received into the system.
- (b) Pension had continuously been return to District Account Offices again and again when the time of unclaimed for the time range from 07 months to 11, without finding reasons for not claiming. District offices or Board had failed to find out reasons for sending payment-cheques for more than three times for beneficiaries who were not claimed.



4.4 Transactions of Contentious Nature

A sum of Rs. 15,000 for Assistant Commissioner of Matara District and A sum of Rs.88,000 for 22 Development Officers in Agrarian centers by Rs. 4,000 each had been paid as allowances without the approval, despite of paying incentives of Rs.120,850 payable to Agrarian Research and Production Assistant officers in 22 Agrarian Centers who were participated in the farmers pension survey at Matara District in the year 2015. The remaining balance of Rs. 17,850 had not been settled to District Office as at the date of audit of 25 October 2017. Further, though a sum of Rs.17,850 had been taken on 21 December 2015 from District Office to pay for Agrarian Research and Production Assistant officers, no corroborative evidence were presented to audit that, this had been paid to officers.

5. Achieving of Sustainable Development Goals

Actions should be taken by every Government Institution in terms of sustainable development “the agenda” for the year 2030 of the United Nations and it was not aware the manner in which should be implemented with regarding the activities coming under the scope of Farmer’s Pensions and Social Security Benefit Scheme.

- (a) Though it had been identified to implement the objectives of sustainable development which should be achieved under the scope of Farmer’s Pensions and Social Security Benefit Scheme with the awareness as per the above agenda of the year 2030 which should be completely alleviated its poverty in every aspect, the Institute had not been taken actions to implement the amendments completely which was gazetted under its scope as new scheme by Gazette No. 1853/49 dated on 14 March 2014. Therefore targets expected from the amendments of the scheme could not be achieved.
- (b) Though the parties such as Ministry of National Policy and Economic Affairs, Ministry of Social Empowerment and welfare, Ministry of Finance, Ministry of Rural Economic affairs, Agrarian Societies and Farmers could be identified as the interested parties with regarding the implementation of sustainable development objectives as the responsibility of the scheme, remedies had not



been taken even as at the date of audit in June 2018 though it had been proposed in Cabinet Decision taken on 26 October 2016 for the Cabinet Paper presented on 13 September 2016 as “to Take Steps to Present New Permanent Sustainable Financial Proposal to Initiate New Pension Scheme”.

- (c) Though it was compulsorily required to have a correct data base to measure the performance correctly, it was observed that the actions had not been taken to generate a correct data base to measure the achievement of sustainable development goals by the Institute. It was observed that this had been occurred due to the reasons such as non-performing a survey on members bio data by covering all District, non-managing survey activities properly in the year 2015, non-assessing age analyses of active agrarian contributors after the year 2007.
- (d) It was observed that the preparation of plans and process to achieve targeted goals was in slow progress due to non-keeping proper coordination with the Board and other related Institutions such as District Accounts Offices, Agrarian Service Centres, Department of Agrarian Service, Cooperative Societies and Rural Banks with a view of achieving sustainable development goals.

6. Accountability and Good Governance

6.1 Budgetary Control

Variances ranging from 18 per cent to 81 per cent were observed between the budgeted figures and the actuals during the year under review and as such the budget had not been made use of as an effective instrument of management control.

6.2 Implementation of Social Responsibility

This scheme had been introduced to be a relief for social and economic problems facing at the time of aging or impotency or untimely death caused to agrarian community engaging in agricultural activities in Sri Lanka. It was revealed that the

- (a) Out of the net instalment applications received to Agrarian Pension Division from 29 District Offices, payments had not been made up to 31 December of the year under review for 466 applications presented in the year 2016 and 217 applications presented in the year 2017. According to the test sample (August and December 2017), further the delay period ranging between 2 ½ and 5 ½ years had been occurred for the calculation of net instalment payments which was received from District Offices.
- (b) Though a sum of Rs. 50 had been deducted in each month from the monthly pension paid to contributor as per the paragraph 13 (2) (b) of the Extraordinary Gazette No. 1853/49 of 14 March 2014, actions taken from this money had not been disclose by the Gazette.

Weaknesses in systems and control were brought to the attention of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

Areas of systems and control	Observations
(a) Financial Control	Non taking actions to recall unclaimed pensions without any delay.
(b) Collecting contributions, Payment and accounting	(i). Non taking actions to avoid membership abrogation by making aware the members who omit the payment of contribution instalments.



- (ii). Non taking actions to get informations for progress reviewing of the scheme by updating the computer system properly.
- (iii). Non performing of net instalment payment application process without a delay

W.P.C. Wickramarathna

Auditor General (Acting)

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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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எனது இல.
My No.

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Your No.

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திகதி
Date

2018 ජූලි 20 දින

CHAIRMAN'S OFFICE

09 AUG 2018

Agricultural & Agrarian
Insurance Board

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කෘෂිකාර්මික හා ගොවිජන රක්ෂණ මණ්ඩලය

යිවර විශ්‍රාම වැටුප් හා සමාජ ආරක්ෂණ ප්‍රතිලාභ යෝජනා ක්‍රමයේ 2017 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳව 1971 අංක 38 දරන මුදල් පනතේ 14(2)(සී) වගන්තිය ප්‍රකාර විගණකාධිපති වාර්තාව

මාගේ සමාංක හා 2018 ජූනි 20 දිනැති ලිපියට යොමුවේ.

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

ඊ.ඒ.පී. ආනන්ද

නියෝජ්‍ය විගණකාධිපති

විගණකාධිපති වෙනුවට.

D (Fin) / IA

පිටපත් : 1. ලේකම් - කෘෂිකර්ම අමාත්‍යාංශය

2. ලේකම් - මුදල් හා ජනමාධ්‍ය අමාත්‍යාංශය

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

} AGL/E/FISH/01/17/03

ඔබේ අංකය
உமது இல.
Your No.

}

දිනය
திகதி
Date

} 20 June 2018

The Chairman,

Agricultural and Agrarian Insurance Board.

Report of the Auditor General on the Financial Statements of Fishermen's Pension and Social Security Benefit Scheme for the year ended 31 December 2017 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Fishermen's Pension and Social Security Benefit Scheme for the year ended 31 December 2017 comprising the Statement of Financial Position as at 31 December 2017 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(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 28(4) of the Fishermen's Pension and Social Security Benefit Scheme Act, No. 23 of 1990, and Section 13(1) of the Finance Act, No. 38 of 1971. My comments and observations which I consider should be published with the Annual Report of the Agricultural and Agrarian Insurance Board in terms of Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act, was issued to the Chairman of the Board on 23 March, 2018.

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 the audit conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810).

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka



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1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraphs 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the statement of financial position, statement of financial performance and statement of changes in equity, and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Going Concern of the Pension Scheme

The liability of the Scheme for the fishermen's pension amounted to Rs. 3,297,559,198 by the end of the year under review indicating an increase of 8.8 per cent as compared with the preceding year. Furthermore, the Fishermen's Pension Fund of the Scheme had become a minus value of Rs. 2,656,607,635. This situation had mainly been caused by the increase in the payment of fishermen's pension as compared to the actuarial assessment being conducted since the year 2007 in accordance with Sri Lanka Accounting Standard 37, and the fishermen obtaining the membership newly. Because of the facts that the said unfavorable financial position would be further aggravated in the future, and the institution had not confirmed that productive measures had been taken to remedy the situation, it was observed that the going concern of the Scheme had remained doubtful.

2.2.2 Sri Lanka Accounting Standards

Non-compliances with the following Sri Lanka Accounting Standards were observed in audit.

(a.) Sri Lanka Accounting Standard 01

The loan balance receivable as at 31 December 2017 amounting to Rs. 663,955,406, had been shown as a receivable balance under current assets in the financial statements without being classified as current or non-current in terms of Paragraph 64 of the Standard.

(b.) Sri Lanka Accounting Standard 37

According to Paragraph 59 of the Standard, the liability for pensions of the active contributors and the retired fishermen should be reviewed for every period of reporting, but it had not been so done after the year 2007. Accordingly, due to failure in taking into account the basic factors having a considerable impact on the allocations for pensions, such as interest rate, enrolments, number of persons leaving the Scheme, demise, and disabilities, along with the changes of active contributors and retired fishermen, the active contributors and the retired fishermen in the year 2007 being 54,248 had decreased to 29,472 by the year 2017 representing 46 per cent, but the provision relating to that period had increased from Rs. 1,242,006,539 to Rs. 3,297,559,198 by 166 per cent.

2.2.3 Lack of Evidence for Audit

The Institution failed to provide the Audit with the Agreement including the regulations such as the loan of Rs. 518,000,000 granted to the Farmers' Pension Benefit Scheme by the Scheme, and the interest thereon amounting to Rs. 330,905,406. Owing to that, the accuracy and the completeness of the said transaction could not be verified.

2.3 Accounts Receivable and Payable

The following observations are made.

- a) Audit fees payable as at 31 December of the year under review amounting to Rs. 1,417,697, had continuously been brought forward since the year 1998 without being settled.
- b) The sum of Rs. 515,000 allocated annually for the printing expenses payable, had continuously been brought forward in accounts since the year 2011 without being settled.
- c) The progress in the recovery of loan and interest totalling Rs. 663,955,406 as at 31 December 2017 with respect to the loans granted in several instances to the Farmers' Pension and Social Security Benefit Scheme since the year 2007, had remained weaker.



2.4 Non-compliances 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

Due to failure in informing the relevant members on the forfeit of their membership following the failure to pay the contributions in terms of the provisions of the Act, the right of a contributor to validate his membership had been deprived of.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the operating activities of the Scheme for the year under review had resulted in a surplus of Rs. 28,891,442 as compared with the corresponding surplus of Rs. 2,420,592 for the preceding year, thus observing an improvement of Rs. 26,470,850 in the financial result of the year under review representing 1094 per cent as compared with the preceding year. The receipt of Rs. 37,672,911 out of a sum that remained receivable as the verdict of a case filed against Bank of Ceylon had been returned in favor of the Board in the year under review, had mainly attributed to the said surplus.

The analysis on the financial results of the year under review and 4 preceding years revealed a surplus of Rs. 12,194,196 in the financial result of the year 2013. However, the said surplus had gradually deteriorated in the years 2014 and 2015 reaching deficits of Rs. 7,170,305 and Rs. 15,147,293 respectively. However, a surplus had occurred once again in the years 2016 and 2017, which had improved up to Rs. 28,891,442 in the year 2017. When the employee remuneration and depreciation on non-current assets had been adjusted with the said financial result, the contribution of the year 2013 amounting to Rs. 14,622,327, had deteriorated to the minus values of Rs. 4,358,373 and Rs. 11,983,314 in the years 2014 and 2015 respectively. But, in the years 2016 and 2017, the contribution of the Scheme had gradually improved up to Rs. 5,601,658 and Rs. 32,281,870 respectively.



3.2 Analytical Financial Review

A summary of the financial results of the year under review and the preceding year, is given below.

	<u>2017</u>	<u>2016</u>	<u>Increase/(Decrease) in the</u> <u>Difference</u>
	Rs.	Rs.	%
<u>Income</u>			
Interest Income	58,753,600	63,046,648	(7)
Contribution of the Fishermen	920,022	928,732	(1)
Grants for Recurrent Expenses	1,500,000	1,500,000	-
Other Income	<u>37,672,912</u>	=	100
Total Income	<u>98,846,534</u>	<u>65,475,380</u>	51
<u>Deductions - Expenses</u>			
Payment of Pensions	(59,897,422)	(53,821,700)	11
Other Operating Expenses	(3,865,686)	(4,148,448)	(7)
Administrative and Financial Expenses	<u>(6,191,984)</u>	<u>(5,084,640)</u>	22
Total Expenditure	<u>(69,955,092)</u>	<u>(63,054,788)</u>	11
Profit (Loss) for the Year	<u>28,891,442</u>	<u>2,420,592</u>	

The following observations are made.

- (a.) The contribution of the Scheme for the year under review totaled Rs. 920,022, whereas the payment of pensions, net installments, and benefits on death & debility, amounted to Rs. 59,897,422, Rs. 1,354,615, and Rs. 463,800 respectively, thus payments made in excess of contribution, amounted to Rs. 60,795,815 indicating 6,608 per cent. As compared with the preceding year, the contributions of fishermen in the year under review, had decreased by 1 per cent, whereas the payment of pensions had increased by 11 per cent whilst the liability for pensions had increased by 8.8 per cent.



- (b.) The main income of the Scheme should be the contribution to Fishermen's Pension and Social Security Benefit Scheme; however, the income of the year under review had comprised of a sum of Rs. 54,394,779 or 55 per cent of the interest on loans granted to the Farmers' Pension Benefit Scheme.
- (c.) According to the budget estimate, it was expected to enroll 100 new contributors to the Scheme in the year under review, but 109 contributors had been enrolled. Nevertheless, 144 contributors had left the Scheme in the year under review.

3.3 Legal Cases Instituted by the Institution

The Board had filed a case against Bank of Ceylon in order to recover the interest that the Fishermen's Pension Fund had been deprived of due to the Bank acting erroneously on the maturity of the investments made by the Board in the year 1996 in Treasury Bills. The same verdict returned by the District Court on 07 October 2003 that the interest and the monies deprived including the legal fees be paid to the Board, had been reached by the Appellate Court as well on 14 August 2015. As per the calculations of the Board, the amount that remained receivable from Bank of Ceylon, amounted to Rs. 103,248,251 as at 31 March 2017, but the Bank had paid only a total of Rs. 37,672,911 comprising sums of Rs. 31,618,396, and Rs. 6,054,515 paid on 17 February 2017, and 07 April 2017 respectively. As the management had delayed in implementing the verdict given, and failed to take action to recover the monies in a timely manner, the Board had again filed a case against the Bank of Ceylon on 25 July 2017 to recover the balance.

4. Operating Review

4.1 Performance

The Fishermen's Pension and Social Security Benefit Scheme had been established to achieve the objects of : to provide social security to fishermen during their old age or disability, to provide relief to the dependents of fishermen upon the death of such fishermen, to encourage fishermen to continue in their occupation, to attract young persons to the fishing industry, and to inculcate the habit of saving and to promote thrift among the fishermen. The following observations are made in this connection.

- (a.) At the time of preparing the Corporate Plan for the period 2014-2016, the Fund remained in a state of erosion after the year 2014 that would end up in zero by the year under 2020, and a period of 03 years had elapsed since the management had identified that the Fund should be restructured. However, the Board had failed to carry out any restructuring activity.



- (b.) Attention of the Scheme had not been drawn on the objects such as, to encourage fishermen to continue in their occupation, to attract young persons to the fishing industry, and to inculcate the habit of saving and to promote thrift among the fishermen.
- (c.) Despite being expected to collect contributions totalling Rs. 3,684,000 from the contributors in the year under review, the actual receipt of contributions totaled Rs. 920,022 only.

4.2 Operating Activities

Owing to reasons such as, delays in paying benefits to the contributors, unexpected deprivation of benefits expected by fishermen from the Scheme, non-updation of contributor information, decreased tendency for the industry due to gradual decline in the enrolments, and lack of interest in saving habits, it was observed that the service to be rendered by the Fishermen's Pension and Social Security Benefit Scheme for the fishermen, had not been as efficient and productive as expected.

5. Accountability and Good Governance

5.1 Budgetary Control

As significant variances ranging from 34 per cent to 110 per cent were observed between the budgeted and actual income and expenditure, it was observed that the budget had not been made use of as an effective instrument of management control.

5.2 Action Plan

An Action Plan had not been prepared for the Scheme for the year under review in accordance with Public Finance Circular, No. 01/2014, dated 17 February 2014. Although the going concern of the Fund had remained doubtful, the Scheme had no plan or preparation whatsoever to face the situation likely to arise due to failure in preparing an annual Action Plan.



6. Systems and Controls

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

<u>Areas of Systems and Controls</u>	<u>Observation</u>
(a.) Management of Contributions	Failure to take action to recover the unpaid monies out of the pensions remitted for payment.
(b.) Management Information System	<p>(i) As the applications sent through the district offices for obtaining benefits are not documented at the Pensions Division, a methodology does not exist enabling easy identification of the number of applications received during the year, and the number of applications either processed so far or waiting to be processed.</p> <p>(ii) Due to failure in documenting the information, it is not possible to separately identify and analyze the payment of pensions, payment of net installments, and payment of gratuity on death and debility, out of the total number of applications received during the year.</p> <p>(iii) Failure to maintain the information relating to bio data in an up-to-date manner.</p>

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M. Gamini Wijesinghe.

Auditor General



காசிகார்திக தா தாவிசத ரக்தஸ தஸ்திலு
கமத்தொழில் மற்றும் கமநலக் காப்புறுதிச் சபை
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2017/4/5/FR/2

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தமது இலக்கம்
Your Ref. No.

தரத
திகதி
Date

2018/07/05

Audit Superintendent
Auditor General's Department
Colombo

Answering to Report 14 (2) (c) of the Year 2017 presented in respect of Agricultural Insurance Scheme

Answers for the Auditor General's report as regards the Agricultural Insurance Scheme for the year 2017 are submitted herewith as per Section 14(2) (c).

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

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2. Financial Statements

2.1 Opinion

2.2 Comments on the financial statements

2.2.1 Non-compliance with Sri Lanka Accounting Standards

(a) Sri Lanka Accounting Standards 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.

(b) Sri Lanka Accounting Standard 18

The revenue in respect of all movable and immovable assets of farmers is shown under Agricultural Implements Insurance Scheme and action has been taken to furnish details of each insurance to the audit through schedules.

(c) Sri Lanka Accounting Standard 37

The allocation for the payment of Death and Disablement Gratuity of farmers is computed by the Farmers' Pension Fund and credited to the farmers' death and disablement gratuity fund and details thereto have been disclosed under journal note 12.

2.2.2 Accounting Deficiencies

Action will be taken to include this vehicle under property, plant and equipment in the coming year.

2.3 Accounts receivable and payable

- a. 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. Further, action was taken to recover the loan balances of most of the officers who have defaulted loans when they visited the Board to obtain the documents required to claim Employees' Provident Fund and action is being pursued to recover the balances of other officers from their guarantors.
- b. Measures have already been taken to recover this balance of Rs 708,347/- receivable from various parties to the Board to the Board.
- c. The Farmers' Pension Scheme is a scheme administered fully at present using the provisions of the treasury. Action will be taken in future to recover this money after restructuring this scheme as a new scheme with financial feasibility. As the Fisheries Pension Scheme too is a scheme that pays pension exceeding the premia income, it too is expected to be restructured in collaboration with the Department of Fisheries and the said amount is to be recovered thereafter.
- d. Action will be taken to pay audit fees gradually.

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

- a) Evidence is being filed to issue a formal charge sheet against this officer and after the filing of adequate evidence, it is expected to issue a charge sheet expeditiously.
- b) The officers have to work mostly in the field as per the nature of business of the Board and the executive officers have to regularly undertake duties in other districts in the aftermath of floods, droughts and other disasters. When officers are deployed for work in other districts, they have to find lodging and a sufficient allowance has to pay for this purpose and these allowances are paid with the approval of the Board of Directors. If proper lodging facilities are not made available, it will hinder the duties of the Board.
- c) Since the vehicles in possession of the Board are not sufficient to provide transport facilities to officers entitled to transport facilities, this allowance was paid as per Public Enterprises Circular No. PED1/2015 subject to the approval of the Board of Directors.

3. Financial Summary

3.1.1 Financial Result

4. Operating Review

4.1 Performance

4.1.1 Functioning and Review

- a) Due to unexpected changes in the situation that prevailed at the time of making plans for the year 2017 and preparing the Corporate Plan, the expected revenue targets could not be achieved. Especially, as a result of the reluctance of farmers to engage in agricultural activities due to unfavourable weather conditions prevailed in the year 2017 and owing to the payment of compensation by the government as drought relief, there was a decline in the trend of farmers obtaining insurance cover from the Board and they collectively had an impact on achieving the targets of agricultural insurance schemes of the of Board.
- b) However, the revenue from the third party insurance scheme including the agricultural implements insurance has posted a growth of 437% and the livestock insurance has recorded a growth of 27%.
- c) & d) Though there is a setback in achieving expected targets of agricultural implements insurance scheme and Suwasetha health insurance scheme due to minimal damages are caused to agricultural implements and the hospitalization is at a very low level, Acton will be taken to maintain the 50% progress attained under the existing circumstances.
- e) Though the Stores Insurance was launched with the aim of insuring the stores of the government, the expected target under the stores insurance could not be achieved as this insurance activity was entrusted to another institution and the decline in maintaining private stores due to the reduction in crop harvests as a result of the severe drought also contributed to this situation.

- f) The primary objective of the project for introducing an index-based insurance scheme with the technical support of International Financial Company (IFC) affiliated to the World Bank, (Project No. 600663) is to enhance the productivity of agricultural insurance and thereby expand Sri Lanka's agricultural insurance within the insurance market.

Ability to obtain weather related data, distribution of farmer population and agricultural farming lands, the districts of Anuradhapura, Polonnaruwa, Kurunegala, Vavuniya and Ampara were selected for the pilot project. An index is a mathematical system and though it is easier to compute compensation under this system, some time is taken to compare it with the damage levels in the field and to tune it with the index level accordingly.

Since a research has hitherto not been conducted in Sri Lanka regarding the inter-relationship between the crop damages and the above factors; the average rainfall of the area, sources of water for cultivation (large irrigation/ medium irrigation/ minor irrigation), the number of times water is released to farmers have to be carefully studied in employing the rain-based index for a particular region/district.

Though it was initially stated by the Department of Meteorology that the rainfall data could be obtained from the department in formulating a rainfall-data based index, the Department only had one rainfall measurement station in districts such as Vavuniya, and the prevalence of weather stations maintained by other institutions too was not at the required level. Therefore, in collaboration with the Department of Agrarian Services, 4 new rainfall measurement stations were added to the national meteorological network under this project. Accordingly, under the supervision of the Department of Agrarian Services, the Vavuniya district branches of the Department in the Vavuniya district, i.e. Omanthai, Ulukkulam, Weddikulam and Nedunkarni were added to the national Meteorological Network.

Several workshops and training sessions for the exchange of information and raise awareness on the index based insurance scheme with the participation of staff members of the district offices selected for the pilot project and the officers in charge of the relevant subjects in the Departments of Agriculture and Agrarian Development were conducted in the year 2017. The Vavuniya district programme is being successfully conducted now.

In addition, the support of the Meteorological Department, Agrarian Services Department, Agricultural Department, Mahaweli Department and Irrigation Department has been enlisted for the accurate determination of indemnity of the index based insurance scheme and the successful administration of the scheme.

As of now, the computation of compensation of the Maha season of 2017/18 in the Vavuniya district under the index based insurance scheme has been finalized and a comparative analysis with the existing 'eye-level' damage assessment by the insurance division of the Board is expected to be carried out.

- g) Though the Board has insurance policies for red onions, finger millet, black gram, peanuts, cowpea, green gram, gingelly, betel, pepper, ginger, cocoa, tea, coconut, vegetables, fruits, horticulture, cashew nut, sugarcane and arecanut, the schemes are implemented as per the requests of farmers. Insurance policies on red onions and sugar cane cultivation were

updated recently. The crops mentioned herein are cultivated in small scale in Sri Lanka. However, in the districts renowned for these crops, insurance activities are implemented robustly. As the risk for cultivations such as cocoa, tea and coconut is at a minimal level, the cultivators interest in insurance is minimum. However, during promotional and propaganda campaigns, action has been taken to create awareness amongst cultivators that there are insurance schemes for such crops.

- h) The Board has already paid serious attention for the commencement of insurance schemes to insure fishing boats and fishing gear and new insurance schemes are to be formulated in future in discharging the responsibilities entrusted to the Board by the Agricultural Insurance Act.

More productive and attractive insurance schemes are due to be introduced for farmers obtaining insurance under cultivation loans and fertilizer subsidy granted by commercial banks.

4.2 Management Activities

- (a) Embilipitiya office is maintained since 1986 on the land transferred to the Board by the Mahaweli Authority.

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/ල/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 Embilipitiy 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 General 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 Board 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 been received thus far and therefore it is expected to further discuss this matter with the Mahaweli Authority to obtain some relief regarding this lease amounting to Rs. 2,764,344/- from year 1986 to year 2017.

- (b) Disciplinary action has been initiated as of now.
- (c)
 - (i) The bank has detained the money credited to the same bank account in respect of these 32 farmers and the Agrarian Service Centres and District Officers have been notified to forward the correct bank accounts of farmers whose payments had been rejected. No sooner they are received, the payments will be made.
 - (ii) Payment of compensation to farmers affected by the drought that prevailed in the country since 2016 was carried out. The responsibility of recommending and approving compensation having inspected the damaged farming lands was entrusted to the Assistant District Commissioner of the Agrarian Development Department, Development Officers of the Agrarian Service Centres and Agricultural Research and Production Assistants and the documents were finally approved by the District Secretary. There has not been a duplication of damaged farming lands in respect of the payment of compensation indicated in the audit inquiry. In inspecting the Application Number (DO Serial Number), which is the basic primary

document used by the Agrarian Service Centres for the identification of the cultivated land, the farmer, the ownership of the land and the bank in respect of the list of compensation, the existence of separate basic documents was confirmed. Action has been taken to furnish the numbers of those basic documents to the audit.

(iii) Agrarian Service Centres and district offices were notified to submit revised documents for farmers whose claims were rejected and payments have been made for the revised documents so received. Payments are made immediately upon the receipt of accurate documents.

- (d) When the Deputy Director (Marketing) participates in the implementation of promotional programmes, the documents and materials required by the districts are taken from the head office and handed over to the respective offices upon requests made by executive officers in charge of districts, particularly those required for the third party vehicle insurance which must be handed over immediately. Accordingly, the Assistant Director (Marketing) has informed in writing that the vehicle insurance cards, vehicle insurance applications and T-shirts have been duly handed over to the Matara District Office and a letter certifying the receipt of 110 T-shirts from the Deputy District Director, Matara too has been submitted.

Insurance covers should be provided to the insured on time in administering the third party insurance scheme commenced with a view to boosting the income of the Board through the strengthening of district agents network. Though a problematic situation existed at the inception in distributing application forms, temporary cover cards and insurance cards throughout the island, that situation has been overcome and necessary measures have been taken as of now to print insurance cover cards at the district level. Consequently, the revenue from this insurance scheme has seen a rapid increase.

- (e) The farmers' pension scheme has become zero as of now and the provisions for the payment of farmers' pension are provided monthly by the Treasury. It is expected to restructure the farmers' pension scheme to operate it on a self-financing basis and action will be taken to levy the insurance premium due to the Agricultural Insurance Fund.
- (f) In order to fill the existing vacancies in the Board, applications have been called internally and externally and action will be pursued to fill these vacancies in the near future. Further, to fill the vacancies in the post of Management Assistants for which interviews have already been conducted, the approval has been sought from the board of directors and the approval has been received as of now. Action will be taken in due course to fill the vacancies in the post of Management Assistant. You are kindly informed that action will be taken to restrict officers not holding substantive posts when permanent officers are recruited.
- (g) Though applications were called by publishing vacancy notices in newspapers to recruit a permanent officer with expert knowledge on actuarial research activities to the post of Director (Insurance), not a single application was received.

- (h) Though there is a skilled staff in the Board, the lack of technical equipment has hindered there realizing their full potential. The Board has taken measures by now to minimize this situation.
- (i) This situation could babe avoided in future since new officers who can work with emerging technologies will join the Board during the new recruitments.
- (j) A committee has been appointed for the construction of a building for the head office and necessary action is being pursued as of now.
- (k) As the Board is in the process of acquiring high tech equipment, this problem could be resolved in future.

4..3 Management Inefficiencies

T-shirts were distributed among the agents of the external agents network by district offices at the time of awarding them agentship after being appointed and necessary training was provided. Accordingly, the district offices had applied for and received the T-shirts equal to the number of agents. Even by now, the process of recruiting of new agents has not been finalized in some district offices and since a new agent is recruited in place of an agent leaving the network, the T-shirts retained in the warehouse will be issued to the respective district offices as per their requests.

a. idle or underutilized assets

- (a) The number of pool vehicles in running condition is 07. They can be categorized as follows.

Vans	02
Cars	03
Jeep	01
Three wheelers	01

Of these pool vehicles, the 02 vans are mostly used when duties are carried out in groups. (Ex: duties pertaining to releasing of compensation, duties relating to computing of compensation and other duties) The three cars and the jeep are use daily for duty related purposes and the three wheeler is used for mail activities. Most of the vehicles belonging to the board are nearly 20 years old. Therefore they have to be repaired from time to time and until the repairs are completed, the vehicles of the pool are released to district offices as per service requirements. Though there are only three drivers attached to the head office, action is taken to attach drivers serving in the district offices to the head office during the relevant period of duties. Therefore you are kindly informed that these vehicles are not in an underutilized state.

- (b) Necessary measures will be taken to resotre the relevant assets and put to use.

4.5 Uneconomic transactions

- (a) Upon receiving the approval of the Secretary of the Ministry for the proposal on Real Time Agriculture Information Collection System under the subject of Digital Agriculture submitted by the

Chairman to the Secretary of the Ministry, Rs 30 million was allocated to conduct the pilot project. The pilot project was launched with the objective of achieving the following benefits.

- Cultivation loan management
 - Crop damage management
 - Supervision of cultivations
 - Harvest assessment
- } Direct benefits
-
- Statistical information
 - Farmer training and studies
 - Crop consultancy services
 - Water management
 - Fertilizer management
 - Soil management
 - Harvest projection
 - Agri market information management
- } Indirect benefits

At the preliminary stage of this project, it was expected to implement the pilot project employing 1000 selected Agricultural Research Production Assistants (only from the Anuradhapura District) and subsequently expand it to all districts at the agrarian service level. It had been planned to fulfill the technical requirement of this project through the proposed technical development to be carried out in the Board. Due to breakdowns in the procurements for the purchase of computers and accessories and the purchase of software and the political situation in the country at the time (as it was a period of an election and therefore the impact of election laws and regulations), the implementation of the relevant pilot project became challenging.

If the said pilot project could have been implemented concurrent to the essential technical development of the AAIB, the Board would have been to acquire advantageous position.

- b) As proper instructions had not been received regarding the inclusion of the cost of living allowance in computing the contribution for the Employees Provident Fund (EPF) at the time the payment of the cost of living for the first time in 2006, the cost of living allowance was not counted in computing the EPF contribution and subsequently on the instructions of the Labour Commissioner, the cost of living allowance was taken into consideration for the computation of the EPF contribution. After obtaining instructions from the General Treasury, action has been taken to settle the amount in arrears.
- c) The Agricultural and Agrarian Insurance Board established in 1973 is yet to have a head office of its own. Consequent to a request made from the Ministry of Land Development for the allocation of a land for the construction of the head office, a land 0.502 hectares in extent at Rajamalwatta Road, Battaramulla was transferred to the Agricultural and Agrarian Insurance Board. This amount of Rs. 565,800/= was given to the Land Reclamation Authority for obtaining a preliminary statistical report for the construction of a building on the said land. Based on that report, a project report has been prepared for the construction of the head office building and

the report has been submitted to the National Planning Department to obtain treasury provisions.

4.6 Staff Administration

- (a) Having amended the scheme of recruitment of the Board, a draft has been prepared as of now and since action was taken to accommodate the opinions and proposals obtained from the trade union of the Board, the process experienced some delay.

In order to fill the existing vacancies in the Board, applications have been called internally and externally and action will be pursued to fill these vacancies in the near future. Further, to fill the vacancies in the post of Management Assistants for which interviews have already been conducted, the approval has been sought from the board of directors and the approval has been received as of now. Action will be taken in due course to fill the vacancies in the post of Management Assistant. You are kindly informed that action will be taken to restrict officers not holding substantive posts (skilled, contract basis) when permanent officers are recruited.

- b) Taking into account section 08k of the Agricultural and Agrarian Insurance Act No. 20 of 1999, which states “to do all other things which in the opinion of the Board are necessary or incidental to the discharge of its functions” and section 9(1) thereof “The Board may appoint to the staff of the Board such officers and servants as may be necessary for the efficient discharge of its functions, on such terms and conditions as may be determined by the Board from time to time”, action has been taken to execute the powers conferred on the Board. Therefore, as the provisions of the Agrarian Insurance Act supersede the provisions of circulars, subject to the approval of the Board of Directors, action has been taken by these officers to establish and expand the external agent network.

Accordingly, the income generated by the Board through the external agents network established in the year 2015, is increasing rapidly and the income of 2015 which stood at Rs. 2,136,980/- increased to Rs. 8,474,131.10 in the year 2016 and shot up to Rs. 44,228,406.83 in the year 2017. The income generated during the first six months of the year 2018 was Rs 54,387,562.45.

1. Achieving sustainable development goals.

- (a) It is essential to maintain an accurate data base for the measurement of correct performance of any activity. In the 29 districts officers of the AAIB, a data base of farmers who have obtained agricultural insurance and fertilizer subsidy in their respective districts is in active operation.

Further, the AAIB is lending its support to the Agrarian Service Centres under the purview of the Agrarian Development Department to identify and demarcate the farming lands of each farmer.

As the first stage of this, preliminary activities in preparing a data base containing information of farmers in the eight agrarian service centres in the Vavuniya district are now in progress parallel to the programme for the implementation of the index based insurance scheme.

- (b) Designating the year 2017 as the year for the elimination of poverty, the AAIB implemented a host of programmes across the island to improve the living standard of Sri Lankan farmer community.

For example, a wide publicity was given to insurance schemes by highlighting the importance of insurance schemes to farmers with the direct involvement of 17 farmer organizations of the Monaragala district through the Agricultural Research and Production Assistants attached to the agrarian service centres in the year 2017.

In addition, publicity campaigns on insurance schemes were carried out in the Badulla district in the year 2017.

S.No	Location	Person/s educated	Scheme on which awareness was raised	Date	Number
01	Nagadeepa	Farmers	Suwasetha, accident, livestock insurance	06.01.2017	50
02	Robberiya Plantations	Plantation workers, group leaders	Suwasetha, accident	29.10.2017	400
03	Madolsima Plantations	Manager	Suwasetha, accident	10.11.2017 23.11.2017	01 expected group 1000
04	All ACSs	Agrarian Development Officers, AR&DAs	Suwasetha, accident insurance	12.11.2017	175
05	Mahiyanganaya (Dole Farm)	Manager, farmers	Suwasetha, accident insurance	11.2017	75
06	Season meeting Mahiyanganaya, Bathmedilla, Rideemaliyadda, Modara	Agrarian Service Officers, farmers	Suwasetha, accident, crop and livestock insurance	04.10.2017 09.10.2017 17.10.2017	160
07	District agricultural committees	D/S and other officials	Suwasetha, accident, crop and livestock insurance	Every month	150
08	Divisional agricultural committees	D/S and other officials	Suwasetha, accident, crop and livestock insurance	Every month	150

Thus, a large number of programmes were implemented at the district level to educate farmers on the crop insurance scheme and other insurance schemes administered by the Board. Regular awareness programmes were conducted through Agricultural Instructors serving under the Ministry of Agriculture and Agricultural Research and Production

Assistants serving under the Agrarian Services Development Department, farmer society leaders and other farmers.

Farmers scattered around the island who obtain fertilizer subsidy from the Ministry of Agriculture were insured under a concessionary premia system. An extensive publicity campaign was conducted in this regard from the Maha season of 2017.

In addition, the Board has rendered a yeoman service to the farmer community by paying compensation when farmers encountered economic problems due to damages caused to their crops in the year 2017 with the aim of eliminating poverty. Similarly, action was taken to minimize poverty by paying pensions to pensioners of farmers' and fishermen's pension scheme.

- (c) With the technical support of International Financial Company (IFC) affiliated to the World Bank, plans have been devised to implement an index based insurance scheme (Project No. 600663). The main objective of this project is to enhance the productivity of agricultural insurance and thereby expand Sri Lanka's agricultural insurance within the insurance market.

Based on factors such as weather centres, ability to obtain data, farmer population and agricultural distribution, the districts of Anuradhapura, Polonnaruwa, Kurunegala, Hambantota, Vavuniya and Ampara were selected for the pilot project.

Ability to obtain weather related data, distribution of farmer population and agricultural farming lands, the districts of Anuradhapura, Polonnaruwa, Kurunegala, Vavuniya and Ampara were selected for the pilot project. An index is a mathematical system and though it is easier to compute compensation under this system, some time is taken to compare it with the damage levels in the field and to tune it with the index level accordingly.

Since a research has hitherto not been conducted in Sri Lanka regarding the inter-relationship between the crop damages and the above factors; the average rainfall of the area, sources of water for cultivation (large irrigation/ medium irrigation/ minor irrigation), the number of times water is released to farmers have to be carefully studied in employing the rain-based index for a particular region/district.

Though it was initially stated by the Department of Meteorology that the rainfall data could be obtained from the department in formulating a rainfall-data based index, the Department only had one rainfall measurement station in districts such as Vavuniya, and the prevalence of weather stations maintained by other institutions too was not at the required level. Therefore, in collaboration with the Department of Agrarian Services, 4 new rainfall measurement stations were added to the national meteorological network under this project. Accordingly, under the supervision of the Department of Agrarian Services, the Vavuniya district branches of the Department in the Vavuniya district, i.e. Omanthai, Ulukkulam, Weddikulam and Nedunkarni were added to the national Meteorological Network.

Several workshops and training sessions for the exchange of information and raise awareness on the index based insurance scheme with the participation of staff members of the district offices selected for the pilot project and the officers in charge of the relevant subjects in the Departments of Agriculture and Agrarian Development were conducted in the year 2017. The Vavuniya district programme is being successfully conducted now.

In addition, the support of the Meteorological Department, Agrarian Services Department, Agricultural Department, Mahaweli Department and Irrigation Department has been enlisted for the accurate determination of indemnity of the index based insurance scheme and the successful administration of the scheme.

As of now, the computation of compensation of the Maha season of 2017/18 in the Vavuniya district under the index based insurance scheme has been finalized and a comparative analysis with the existing 'eye-level' damage assessment by the insurance division of the Board is expected to be carried out.

2. Accountability and Good Governance

6.1 Budgetary Control

Due to unexpected changes in the situation that prevailed at the time of making plans and budgetary reports for the year 2017 and preparing the Corporate Plan, the expected revenue targets could not be achieved. Especially due to the changes in the procedure for the implementation of the Kethata Aruna insurance scheme had a direct impact on this situation.

6.2 Non-implementation of the recommendations of the Committee on Puublic Enterprises

Since the AAIB is an institution in competition with the private sector insurers, granting incentives and commissions is imperative. As per the nature of business of the Board, expected targets cannot be achieved through competitive marketing without paying incentives. Therefore, by virtue of powers vested in the Board, action has been taken to pay commissions and incentives subject to the approval of the Board of Directors.

Other incentives indicated herein have also been paid with the approval of the Board of Directors for performing duties related to the Farmers' Pension Scheme and Fishermen's Pension Scheme which were transferred in addition to the agricultural insurance activities to the Board respectively in 1987 and 1990.

3. Systems and Controls

It is expected to establish a management information system linking up all district offices with the coordination of the Head Office through which it is expected to overcome prevailing shortcomings in all administrative fields of the Board and render a more efficient service.

(a) Sri Lanka Accounting Standard 01- Presentation of financial statements

- i. Since the loans granted by the Agricultural Insurance Scheme to the Farmers' Pension Scheme have been given on short term recovery basis, they have been indicated as current assets. At present, the Farmers' Pension Scheme is fully administered using the provisions of the treasury and action will be taken in future to recover this money after restructuring this scheme as a new scheme with financial feasibility.
- ii. & iii.

(b) Sri Lanka Accounting Standard 20 – Accounting government grants and disclosure of government assistance

Since this is the startup capital of the Board, it is not amortized.

2.2.4 Lack of evidence for audit

(a) The Mannar district office which was maintained at a 100 square feet building belonging to the Agrarian Services Department was relocated at a 920 square feet floor area on the first floor of the District Secretariat with the intervention of the District Agent. The Board has incurred approximately Rs. 02 million as construction costs and an agreement is expected to be signed in respect of this building in due course.

(b) The relevant rent agreements have been submitted to the government audit in the respective years. The lease rent agreements relevant to the year 2016 of the Kandy and Kegalle districts too have been submitted by now to the government audit division.

(c) Activities for the establishment of the external agent network commenced with the launch of the third party motor vehicle insurance and upon requests made by executive officers in charge of districts that it was advisable to provide a T-shirt each to every agent with the logo of the Board printed thereon in implementing special promotional programmes under that programme, and the T-shirts carrying the Board's log were dispatched to district offices by the head office. At the time of granting agent's certificate after the selection and training of agents, each agent was given a T-shirt and the district offices have used the attendance register as the register for the distribution of names for the distribution of T-shirts. As of now 2288 agents have been recruited for this agents' network and the progress of insurance sales is on the increase day by day.

(c) (i) Owing to the flood disaster situation prevailed in the Southern Province at the time, His Excellency the President had assigned the supervision of respective areas to ministers and as the Ministry of Agriculture experienced a shortage of vehicles to be deployed to the area assigned to the Hon. Minister Duminda Dissanayake, instructions were given to release the vehicles belonging to other institutions under the purview of the Ministry.

Accordingly, upon a request made under the authority of the private secretary of the Hon. Minister in a letterhead of the Ministry, the cab bearing number KI-2554 was deployed for disaster relief operations. As the vehicle pool of the Board did not have a suitable vehicle for the said purpose and most of its vehicles were more than 20 years old, the Board could only release the above vehicle.

I am of the opinion that the vehicle of the Board bearing No. KI-2554 had been deployed for short distance running while another suitable vehicle belonging to the personal staff of the Ministry had been deployed for the other expected purpose. It is outside the scope of the duty and it is also a difficult task to find out the purposes for which the said vehicle was used after its release.

However, you are kindly informed that section 8.3.9 of the Public Enterprises Circular will be adhered to in future.

(ii) 1. In performing his duties, especially for the relevant field activities in respect of the index base insurance, the Chairman had to visit district officers island-wide and additional fuel mentioned here had been obtained for that purpose. Letters have been forwarded for the approval of the Secretary of the Ministry for the additional fuel obtained.

3.2 Analytical Financial Review

3.3 Irregular transactions

(a) When the districts of Galle, Matara and Ratnapura were severely affected by heavy rainfalls experienced by the country in May 2017, public sector institutions were instructed through the media to provide relief to the flood affected people without being tied down by the provisions of existing circulars and accordingly the AAIB implemented this programme parallel to the relief operations of the Ministry of Agriculture.

This situation arose as the routine process could not be followed for the procurement of goods and services due to the urgency of the activities that had to be carried out. The Board incurred an expenditure of Rs. 1,102, 700/- for the relief work of which Rs. 253,000 was received by way of donations.

Since only Rs. 49,700/= of this amount was approved by the Board of Directors, the remaining amount of Rs. 800,000/- was reimbursed from the personal funds of the Chairman.

(a) Corporate Plan

(i) The Agricultural and Agrarian Insurance Board can be termed as an institution that directly implements state policies in collaboration with the Democratic Socialist Republic of Sri Lanka. The Board handles all insurance activities relating to the fertilizer subsidy programme implemented under state policies. The insurance activities associated with this programme undergo changes with the change in state policies.

The other insurance schemes administered by the Board are changed according to the market situation and the demand.

For example, insurance schemes of sugar cane and onion cultivations were updated last year.

Further, the Board maintains an agreement with state banks to grant insurance cover for cultivations for which cultivation loans are applied.

In addition, the Board pursues action for the formulation and introduction of new insurance schemes in keeping with the market demand. For example, the possibility of offering insurance cover to palm oil and greenleaf vegetables was explored at research level recently.

In granting, quality assurance certificate for insurance institutions, one of the key criteria is whether there are chartered insurers with fellowship at International Insurance Institute in the staff. The average salary of such officers cannot be compared with the salary scales in the public sector. Since the AAIB is a public sector venture, it has been deeply affected by this situation. However, to train the officers of the Board to reach this level, 50 officers were afforded the opportunity to follow the insurance course with the assistance of the World Bank and the International Monetary Fund. Applications have also been called from amongst these officers to follow the Diploma course. The basic groundworks is being laid to obtain the quality assurance certificate.

Further, in formulating insurance schemes administered by the AAIB, it maintains close coordination with institutions such as the Ministry of Agriculture which is the line Ministry of the Board, Agrarian Services Department, Agriculture Department, Mahaweli Authority, Irrigation Department, Meteorological Department.

As the only public sector insurer engaged in crop cultivation insurance, it is the duty of the AAIB to offer an insurance cover for any cultivation if or when a request is made by farmers.

As in the preceding years, this year too various strategies were adopted for the introduction of insurance schemes administered by the Board to the people. During the year, the agent's network was established in several more districts. It provides easy access to AAIB services to farmers at the village level. The Board expects to further expand this programme will lead to higher level of satisfaction among customers. The Board also strives to maintain a contested customer base by formulating policies in tandem with the government with the aim of providing a greater service to the farmer community.

(ii) The Board constantly pays attention to enhance knowledge and skills of the scope of subjects handled by officers of respective divisions. Opportunities are made available for them to undergo training in the subjects relevant to them and details of trainings in the year 2017 are tabulated below.

➤ Local training

S.No	Course/institution	Name	Post	Duration
1	Sri Lanka Insurance Institute - Insurance Foundation Course	50 members of the staff	Officers of the Board	11.02.2017-27.05.2017
2	Prag Institute – Training programme on scheme of recruitment	Mrs. A.Jayani Nisansala	Development Officer	28.02.2017
		Miss. H.Nilmini Priyangani	Management Assistant	
3	Actuarial Association of Sri Lanka -1st South Asian Actuarial Conference -2017	Mr. I.U.K. Kaluarachchi	Deputy Director	12.06.2017-13.06.2017
		Mr. S.M.U.G.S.K. Subasinghe	Asst. Director	

		Miss. D.K.Dissanayake	Asst. Director	
4	University Of Colombo School Of Computing - JAVA SE	Mr. I.S.E. Jayasuriya	Hardware and networking technician	08 days
5	National Institute of Labour Studies – Procurement process for executive officers	Mr. D.S.R. Hettiarachchi	Asst. Director	07.09.2017 14.09.2017 21.09.2017

➤ Foreign Training

S.No	Course/institution	Name	Post	Country in which foreign training was received	Duration
1	GIIF Asia Insurance - Intensive Technical Training on Fundamentals of Named Peril index Insurance GIIF Transfer Process - International Financial Corporation	Mr. S.M.U.G.S.K. Subhasinghe	Asst. Director	Indonesia	15.05.2017-19.05.2017
		Miss. D.K.Dissanayake	Asst. Director		
		Mr. C.P.Kumaragama	Project team representative		

(b) Action Plan and inspection of its physical and financial progress

(iv,v) The income of the Maha season 2016/2017 and the Yala season of 2017 is included in the crop cultivation income of the relevant year. During both these cultivation seasons, due to the severe drought that prevailed in all leading agricultural districts of the island, the community life had been crippled causing a calamitous situation with even drinking water becoming scarce. As most of the reservoirs ran dry, the extent of land cultivable became limited. Even in the cultivated lands, due to the increasing likelihood of crops being destroyed since the provision of water became problematic, the Board could not motivate people to insure their farming lands. Nevertheless, on the basis of the agreements with the banks to implement insurance activities under the agricultural loan schemes, the Board had to provide insurance cover to the relevant crops. Similarly, the economy of farmers was adversely affected by the drought and it contributed negatively to the efforts of the Board to expand other insurance schemes and dealt a serious blow to the generation of revenue in the relevant year. It was the responsibility of the Board to pay the due amount of compensation to the insured cultivations and as compensation had to be paid to all farmers whose crops were damaged as per a policy decision of the government, a massive compensation had to be paid with the provisions allocated by the government.

(vi) The Board implemented the third party vehicle insurance programme not only to provide insurance cover to farm vehicles but also by virtue of powers vested in the Board by the Agricultural Insurance Act to insure all movable and immovable assets of the agriculturalist. Therefore, action had been taken to insure not only the vehicles used for agricultural activities, but all vehicles used by agriculturalists, and as officials laid more emphasis on this insurance scheme as it was the only insurance scheme a net income could be generated without paying benefits, it generated more income exceeding the revenue of all other insurance schemes.

(viii) Action will be taken to restructure these insurance schemes in the future after obtaining due approvals.

Since a research has hitherto not been conducted in Sri Lanka regarding the inter-relationship between the crop damages and the above factors; the average rainfall of the area, sources of water for cultivation (large irrigation/ medium irrigation/ minor irrigation), the number of times water is released to farmers have to be carefully studied in employing the rain-based index for a particular region/district.

Though it was initially stated by the Department of Meteorology that the rainfall data could be obtained from the department in formulating a rainfall-data based index, the Department only had one rainfall measurement station in districts such as Vavuniya, and the prevalence of weather stations maintained by other institutions too was not at the required level. Therefore, in collaboration with the Department of Agrarian Services, 4 new rainfall measurement stations were added to the national meteorological network under this project. Accordingly, under the supervision of the Department of Agrarian Services, the Vavuniya district branches of the Department in the Vavuniya district, i.e. Omanthai, Ulukkulam, Weddikulam and Nedunkarni were added to the national Meteorological Network.

Several workshops and training sessions for the exchange of information and raise awareness on the index based insurance scheme with the participation of staff members of the district offices selected for the pilot project and the officers in charge of the relevant subjects in the Departments of Agriculture and Agrarian Development were conducted in the year 2017. The Vavuniya district programme is being successfully conducted now.

In addition, the support of the Meteorological Department, Agrarian Services Department, Agricultural Department, Mahaweli Department and Irrigation Department has been enlisted for the accurate determination of indemnity of the index based insurance scheme and the successful administration of the scheme.

As of now, the computation of compensation of the Maha season of 2017/18 in the Vavuniya district under the index based insurance scheme has been finalized and a comparative analysis with the existing 'eye-level' damage assessment by the insurance division of the Board is expected to be carried out.

4.1 Identified losses

- (a) Though it was initially decided to print 6000 T-shirts for the third party external agents' network, the t-shirts had to be printed in batches on several occasions as mentioned because the recruitment of agents was carried out from time to time. Since this had to be done methodically, the subsequent purchases were made after having called for quotations and at the lowest bid. However, in future, proper procurement procedure will be strictly adhered to.
- (b) Though the Board is in possession of a Duplo machine, it is not practicable to carry out all printing tasks of the Board using this Duplo machine in the head office.

Especially, in administering large scale insurance schemes such as the 'Kethata Aruna' insurance scheme in the year 2015,2016 and the payment of compensation to the farmers

affected by the drought in the Maha season of 2016/2017 covering the entire island, it is not practicable to carry out printing requirements of district offices using the Duplo machine in the headquarters and if any delay occurred at a time a large number of applications had to be distributed among district offices, there was a possibility of the entire process being delayed, the head office took measures to disburse the required advances to carry out printing requirements at the district level including to the claim applications necessary for the release of compensation without delay to farmers.

However, in future, action will be taken to obtain details of printing requirements from all the divisions and district offices by the administrative division and effectively centralize all the printing activities of the Board which is expected to serve as a cost effective method.

A programme is being devised to effectively put an end to printing activities handled by district offices and to carry out all printing works by the head office. Similarly, if a need arose for emergency documents to be printed by district offices, a special approval has to be obtained in future.

4.6 Deficiencies in Financial Management

(a) (i) Of the amount thus paid, a sum Rs.354,700/- had been recovered when fertilizer subsidy was given farmers and a sum of Rs. 65,000/- had been recovered directly from farmers. Accordingly, in respect of the above payment, the amount had been duly recovered.

(b) (vi) Due to the high risk involved in the crop insurance scheme which is the foremost insurance scheme administered by the Board, the long-term investment of the funds of the Board is not practical. Therefore, having identified liquidity needs of the Board through cash flow projections, investments are already carried out so as to earn the maximum interest income. In future, it is expected to make long term investments at all times possible in order to reap maximum benefits from investments.

viii. The Board has introduced an incentive scheme for the third party insurance and it is expected to expanded island-wide in future.

viii. Action will be taken in future to prepare succession plan for the Board in future and the reference of the officials of the Board for training in external institutions is already being carried out. It is expected to increase it further in future.

xi. This is due to the problems arose in recruiting due to financial provisions being limited though staff requirements have been identified long before.

- (a) As pointed out in the audit, in printing one hundred thousand new cards to be printed anew for the regularization of the issuance of insurance cards, the Administrative and Supplies Division has been notified to start new cards with serial number TP-00001.
- (b) The ministerial circular regarding the granting of an insurance cover of Rs. 40,000 was issued on 13.12.2017, and as per the said circular, the insurance programme had to be implemented from the Maha season of 2017/2018. As cultivation activities of that season could not be started on time due tanks and other waterways running dry due to the severe drought that lasted several seasons and the resultant water shortage in the majority of

agricultural districts, it had been decided on the instructions of the officials to abandon cultivations or to delay the start by several months. Thus, since there had been a delay in commencing cultivation activities of that season, the handing over of documents pertaining to the insurance programme to district offices after the issuance of the circular did not have any special impact in the administration of crop insurance activities.

- (c) In administering the insurance scheme under which an insurance cover of Rs. 40,000 was offered, the responsibility of levying the prescribed insurance premia from farmers and offering the insurance cover was entrusted to Agricultural Research and Production Assistants by the circular. At the time handing over receipt books, an instruction leaflet on the levying of premia too was handed over and specific instructions were given through it to inspect the cultivations and offer the insurance cover only to those cultivations in good condition. Though there had been an oversight on the part of those officers who assist the activities of the Board, in paying compensation, the money was released only after the inspection of details submitted in respect of damages caused to crops.
- (d) In the Yala season of 2017, a sum of Rs. 199 million has been disbursed up to now for 23,582 farmers.
- (e) According to the cultivation schedules, the 2017/18 Maha season usually ends in the months of March and April. When paddy cultivation remains in the field, compensation cannot be paid. (except in case of an unexpected disaster) Payments can be started after the recommendations are given subsequent to the assessment of damages at the end of the season. Money had been paid to 532 farmers of the Anuradhapura district for whom recommendations had been given at the end of the season. For other documents, compensation to be paid is being calculated.

As the nature of the damage could change according to the information obtained through satellite technology, action had been taken to make payments subject to a ceiling of Rs. 20,000 per acre, until such information was received and since insurance was done sometime after the commencement of the cultivation season.

- (b) Entrusting the responsibility of administering the new insurance scheme of granting an insurance cover of Rs 40,000 as recommended from the 2018 budget proposals was an excellent opportunity for the Board to consolidate its financial stability. Though the collection of premia under the said scheme was assigned to the Agricultural Research and Production Assistants, past experiences regarding the expansion of insurance schemes of the Board proved that as officers from an external organization, it could not be expected from them to meet and create awareness amongst all farmers. Therefore it was proposed by the officers incharge of districts and the heads of divisions that it was essential to give wide publicity to the programme through television and radio, as these two media were the most suitable for the task, as raising awareness beforehand would lead to more success and since the task had to be completed within a brief period of time. Accordingly, the Board had borne this publicity expenditure for a very essential purpose and it should also be considered as an investment made in the expectation of long-term results for giving publicity to the crop insurance programme.
- (c) The procurement process adopted by the Board previously was suspended upon not receiving the approval of the Ministry of Agriculture. As three out of the four bidders

forwarded bids for the new procurement process as well, that amount was offset for the new process and the money was refunded for the other institution.

5.2 Environmental and Social Responsibility

- (C) The Board administers a host of insurance schemes and due to the inconvenience in retrieving information quickly if a single file was maintained for requests of farmers in respect of each scheme, separate files are maintained for each scheme with copies of letters in respect of action to be taken at the district level and by the head office in offering solutions to problems of farmers with relevance to each scheme.
- (d) Payment of compensation for the crop damages of the Maha season of 2017/18 has been commenced as of now. Accordingly, groups of officers from the head office have gone to districts which have completed applications claiming compensation and compensation is being computed. The funds required for the payment of compensation are expected to be obtained from the Treasury and the National Insurance Trust Fund.
- (e) This situation would be avoided in future, as action is being pursued to fill the vacancy in near future.



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Date

2018/05/15

Audit Superintendent
Auditor General's Department
Colombo

Answers to Report 14 (2) (c) of the Year 2017 presented in connection with Farmers' Pension Scheme

Answers for the Auditor General's report as regards the Farmers' Pension Scheme for the year 2017 are submitted herewith as per Section 14(2) (c).

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2. Financial Statements

2.1 Opinion

2.2 Comments on the financial statements

2.2.1 Going concern of the scheme

Through Gazette Notification Extraordinary No.153/49, measures were taken to amend the Farmers' Pension Scheme and a new Farmers' Pension scheme that could be maintained on a self-financing basis was introduced. 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 Not disclosing related party transactions

This amount which should be paid to the Agricultural Insurance Fund for the payment of death and disability gratuity of farmers has been disclosed through Note to Accounts No. 9. Money credited to the said fund for the respective year has been presented through journal No. 19 and details thereof have been submitted to the audit.

2.2.2 Sri Lanka Accounting Standards (SLAS)

(a) 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, all fixed assets have been duly accounted.

(b) Sri Lanka Accounting Standard 37

- (i) The pension liability has been accounted on the basis of the actuarial assessment carried out in year 2007 as regards the liability of the Farmers' Pension Scheme. Since this pension scheme is not based on self-financing, action will be taken in future to restructure the scheme and assess the liability properly.
- (ii) Since there were more than 15,000 farmers in the waiting list to receive pensions, necessary measures were taken to include these farmers in the pension register for the expeditious payment of pensions to them. Action is being pursued to enter the names in the pension register at the time of becoming entitled for the pension so as to prevent the existence of any arrears. Measures will be taken to gradually pay off this amount in arrears upon the receipt of provisions from the Treasury and will be accounted at the time of paying pension.

2.2.4 Accounting policies

This is not a government grant but a grant made by the Food and Agricultural Organization of the United Nations and action will be taken to amortize it in the coming year.

2.2.5 Accounts receivable and payable

- (a) Measures have been taken for the gradual payment of audit fees.
- (b) As farmers will receive more benefits under the new pension scheme, this money will be offset against it.

2.2.6 Lack of evidence for audit

As per the instructions given by the Treasury to use other funds of the Board to pay pensions when the Farmers' Pension Fund became zero, the required funds were obtained to the Farmers' Pension Fund as a loan from the Agricultural Insurance Fund and the Fishermen's Pension Fund.

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

Section 15(2), (3)

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.

Section 20

It is expected to hold meetings duly after appointing the members to vacant posts in the aAdvisory Committee.

3. Financial Review

3.1 Financial Result

3.2 Analytical Financial Review

4 Operating Review

4.1 Performance

4.1.1 Planning

At present, the scheme is without financial feasibility and is totally dependent on the financial patronage of the General Treasury and attention has been paid to confirm the number of active members and the payment of pension. Action will be taken present a detailed action plan in future after operating a new pension scheme with financial feasibility in future.

Performance and Review

- (a) Though it was expected to carry out new enrollments with the introduction of a new farmers' pension scheme in the year 2014, with the change of the state policies, the Board was instructed to introduce a new farmers' pension scheme under the 100-day programme of the new government. Action was taken accordingly and a new pension scheme was formulated and referred to the Ministry of Agriculture to be submitted for the approval of the cabinet. Since His Excellency the President and the Hon. Prime Minister had submitted observations stating that the new scheme should be referred to a committee of experts to seek their advice, it is expected to restructure the pension scheme in line with the policy of the new government and carry out new enrollments.
- (b) It is expected to take necessary measures to computerize all information regarding subscribers and upgrade the computer system.

4.3 Management Activities

- (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. The Board was instructed to introduce a new farmers' pension scheme under the 100-day programme of the new government. Action was taken accordingly and a new pension scheme was formulated and referred to the Ministry of Agriculture to be submitted for the approval of the cabinet. Since His Excellency the President and the Hon. Prime Minister had submitted observations stating that the new scheme should be referred to a committee of experts to seek their advice, it is expected to restructure the pension scheme in line with the policy of the new government and carry out new enrollments.
- (b) At the time subscription, farmers are made aware that they will be entitled to a pension in reaching 60 years of age and it is also mentioned in the relevant subscription deed. Further, awareness on this matter is raised in awareness programmes carried out from time to time by the district offices.
- (c) These delays are mainly caused due to shortcomings in pension applications and the relevant documents received by district offices. However, a data base containing information of all subscribers is expected to be established in future through which it is hoped to provide a speedy service to the subscribers.
- (d) Old members were absorbed into the new pension scheme restructured as per the gazette notification of 2014. According to the new gazette notification, if a member died after becoming entitled to pension, the spouse is not entitled to pension. Necessary action will be taken in future to make available these statistics to the audit.
- (e) All public requests and pensions received by district offices are documented. But there had been delays in responding to complaints and requests made by some subscribers.

Shortcomings in documents handed over by them too have contributed to this situation.

However, action will be taken in future to computerize all requests received by the district offices and have them forwarded to the head office through e-mail and to allocate a request number to follow up on requests made by farmers.

- (f) Necessary measures are already taken to bring down unpaid pensions promptly and even reminders are sent when necessary.
- (g) 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 had been submitted for the approval of the Treasury. Upon receiving its approval, it is expected to write off them from the accounts.

4.3 Operational Activities

- (a) 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.
- (b) After being formally informed to the Board that the subscriber is already deceased, action is taken forthwith to suspend the pension of the subscriber and even though no formal notice is given regarding the death of a subscriber, action is taken to suspend the payment of subscribers who do not claim their pension for 06 consecutive months.

4.2 Transactions of contentious nature

The relevant Deputy Director was informed to rectify this by expeditiously making payments to the correct parties.

5 Achieving Sustainable Development Goals

With the objective of establishing and operating a pension and social security benefit scheme for farmers upon reaching 60 years of age, the Farmers' Pension and Social Security Benefit Scheme established by Act No, 12 of 1987. The total number of farmers subscribed to the scheme as of now is 959,254.

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. The Board was instructed to introduce a new farmers' pension scheme under the 100-day programme of the

new government. Action was taken accordingly and a new pension scheme was formulated and referred to the Ministry of Agriculture to be submitted for the approval of the cabinet. Since His Excellency the President and the Hon. Prime Minister had submitted observations stating that the new scheme should be referred to a committee of experts to seek their advice, it is expected to restructure the pension scheme in line with the policy of the new government and carry out new enrollments.

Accordingly, a report with a new pension scheme was handed over to the Ministry again in April 2018 to be referred to a committee of experts. After a decision is made by the said committee of experts, it is expected to restructure the farmers' pension scheme and settle issues that would arise in that regard.

Action has been taken to upgrade the computer information system by entering data on the payment of premia by subscribers who have subscribed to the farmers' pension scheme but have not reached 60 years of age and back premia will be computerized from January 2018.

In the payment of monthly pension to farmers, coordination is maintained with the Department of Posts and district accountants and we are constantly in touch with them in the payment activities. Further, we regularly brief them as regards problems associated with the payment of pensions. Similarly, the Agrarian Service Centres coordinate with us in establishing legality of farmers and collecting premia.

6. Accountability and Good Governance

6.1 Budgetary Control

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

6.2 Discharging Social Responsibility

- (a) There has been some delay in making net premium payments to farmers whose subscription has been cancelled. These delays were caused by issues relating to attaching officers for this purpose due to dearth of officers attached to this division. However, action has been taken to update these payments by deploying necessary staff.
- (b) These amounts are not accounted monthly and have been accounted at the end of the year through journal entries.

4 Systems and Controls

Action is taken even now to have unpaid pensions returned promptly and even reminders are sent when necessary. Attention has already been paid regarding the updating of the management information system.



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Audit Superintendent
Auditor General's Department
Colombo

Answers to Report 14 (2) (c) of the Year 2017 presented in connection with Fishermen's Pension Scheme

Answers for the Auditor General's report as regards the Fishermen's Pension Scheme for the year 2017 are submitted herewith as per Section 14(2) (c).

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Answers for the Report of the Auditor General as per section 14(2) (c) of Finance Act No.38 of 1971 on Financial statements of Fishermen's Pension and Social Security Benefit Scheme for the year ended 31 December 2017

2. Financial Statements

2.1 Qualified Opinion

2.2 Comments on the financial statements

2.2.1 Going concern of the Scheme

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

2.2.2 Accounting Standards

(a) Sri Lanka Accounting Standard -01

Since this loan to the Farmers' Pension Scheme had been granted on short-term recovery basis, it has been indicated as a current asset. Currently, the Farmers' Pension Scheme is fully operated on the provisions of the Treasury and after restructuring as a scheme with financial feasibility, this loan is expected to be recovered fast.

(b) Sri Lanka Accounting Standard -37

The pension liability has been accounted on the basis of the actuarial assessment carried out in year 2007 as regards the liability of the Fishermen's Pension Scheme. Since this pension scheme is not based on self-financing, action will be taken in future to restructure the scheme and assess the liability properly

2.2.3 Lack of evidence for audit

This loan was granted to the Farmers' Pension Scheme on the instructions given by the General Treasury to the effect that other funds of the Board be used for the payment of pensions when the Farmers' Pension Fund became zero.

2.3 Accounts receivable and payable

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

- (b) This expenditure has been borne for the printing of annual reports, and all these expenses have been settled through agricultural insurance scheme. Action will be taken to pay the expenditure relevant to this scheme to the Agricultural Insurance Scheme gradually.
- (c) Currently, the Farmers' Pension Scheme is fully operated on the provisions of the Treasury and after restructuring as a scheme with financial feasibility, this loan is expected to be recovered fast.

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

(a) (i) Section 16

At the time fishermen are enrolled to the scheme, a notice is given by the Department of Fisheries in advance on the cancellation of the subscription of subscribers who fail to pay 10 consecutive premiums. Further, such cancellation of subscription is conveyed by the Department and the fishermen whose subscription is thus cancelled can subscribe again to the Fishermen's Pension Scheme as a new subscriber through the district offices of the Fisheries Department.

3 Financial Review

3.1 Financial Results

3.2 Analytical Financial Review

3.3 Legal incidents initiated by the institution

As per the judgment of October 2003, though it was decided to pay a sum of Rs. 5,411,930.85 to the board, Bank of Ceylon filed an appeal in the Appeals Court stating that this amount could not be paid. Upon the decision of the Appeals Court, the Board was able to recover Rs. 37,672,911 and the Court was informed that this amount was not sufficient.

1. Operating Review

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, It is expected to restructure this scheme in future in collaboration with the Department of Fisheries, increase the enrollment of subscribers, maintain the pension scheme more efficiently and operate it as a scheme with financial feasibility.

2. Accountability and Good Governance

5.1 Budget documentary control

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

5.2 Action Plan

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, It is expected to restructure this scheme in future in collaboration with the Department of Fisheries, increase the enrollment of subscribers, maintain the pension scheme more efficiently and operate it as a scheme with financial feasibility.

6. Systems and Controls

(a) Managmenetof contributions

Action has already been taken to have the unpaid pensions returned promptly and even reminders are sent when necessary.

(b) Management Information System

Attention has already been paid regarding the updating of the management information system.