

Annual Report

2016



Agricultural and Agrarian Insurance Board

No. 117, Subhadrarama Road, Gangodawila

Nugegoda

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காசீகாரீக னா ஙாைீசன ரக்ஷனா ஡னடிலடி
கமத்தொழில் மற்றும் கமநலக் காப்புறுதிச் சடை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

வீடிடு சலைவீடி } ரக்ஷனா
தந்தி } ரக்ஷனா
Telegrams } **Rakshana**

117, ஙுஙரா஡ சார், ஙாடிவீல, ஙுடிவாடி
117, Subadrarama Rd., Gangodavila, Nuggeoda

஡ரே ஂகடி
ஂமது இலக்கம் }
My Ref. No. }

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ஂமது இலக்கம் }
Your Ref. No. }

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திக்கதி }
Date } 2017.03.14

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

Hon. Secretary,

Annual Report -2016

I submit herewith the Annual Report on the working of the administrative, operational, and financial activities of the Board which incorporates all its activities during the year 2016.

Yours faithfully

P. Sydney Gajanayake
Chairman
Agricultural and Agrarian Insurance Board

டிர்க்டரி
தொலைபேசி }
Telephones }
஑கிடி
பெக்ஸ் }
Fax }

஑காசினி
தலைவர்

011-2812571

011-2812572

டிடி஑஑ சனராடீ

பணப்பரளர் நர஑கம

Director General

011-5732397

011-2812574

புடி஑ கார்டலடி
தலைமையகம்
Head Office

011-5384000

Message of the Chairman

The service rendered by the Agricultural and Agrarian Insurance Board during the past four decades to uplift the local agriculture and the agriculturalist by introducing agricultural insurance to Sri Lanka's agricultural sector as a means of risk management thus minimizing the economic losses caused to the farmer community during a natural disaster is immense.

Year 2016 was of special significance to the Board as it was able post a net profit of Rs 339.9 million and this was no mean achievement as it brought much needed financial viability to the institution laying the foundation for a stable future.

Since agriculture is the main source of income of an overwhelming majority of rural people, having considered the impact of frequently occurring disaster situations triggered by climatic and weather changes on their economic sustainability, foundation was laid in the year 2016 to implement a systematic programme to insure all crops to stabilize the country's agricultural sector by minimizing the risks in paddy and other cultivations covering all farming lands and to reimburse thorough insurance the impact made on their income by natural disasters that are beyond the control of the farmer community.

Therefore, year 2016 can be termed as a great success during which a noteworthy growth was achieved in the performance of the Board.

Sydney Gajanayake

Chairman

Agricultural and Agrarian Insurance Board

Agricultural and Agrarian Insurance Board

Vision

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

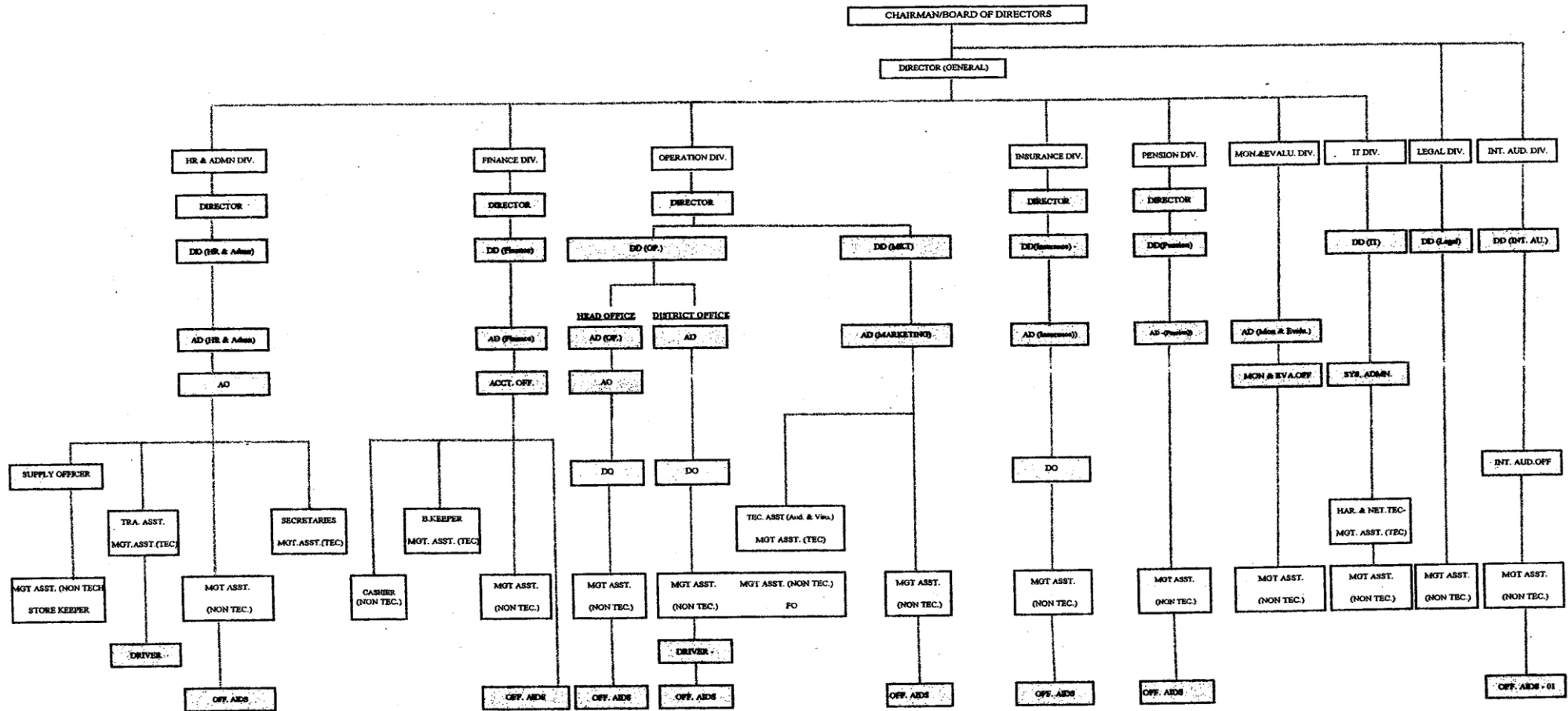
Mission

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

Board of Directors -2016

	Name and Post	
01	Mr. Sydney Gajanayake Chairman Agricultural and Agrarian Insurance Board	Chairman
02	Mr. M.A.S. Weerasinghe Commissioner General of Agrarian Development Department of Agrarian Development Colombo-07	Member
03	Ms Champa Balasuriya Director Department of Public Enterprises General Treasury Colombo 01	Member
04	Mr. N.V.P.C.Jayathilake Additional Secretary (Administrative and Finance) Ministry of Agriculture "Govijana Mandiraya" Battaramulla	Member
05	Dr. Mrs W.M.A. Senaratne Director (Livestock Planning) Ministry of Social Services, Welfare and Livestock Development Sethsiripaya Battaramulla	Member
06	Mr. R.M. Nandairi Additional Director General of Agriculture Department of Agriculture Peradeniya	Member
07	Mr. S,M,G. Samarakoon No 120, Hurulumagahapitiya Megodawewa Anuradhapura	Member
08	Mr. K.B. Rajapaksa Deputy General Manager (Business Banking Activities) People's Bank No 75, Chiththampalam A Gardiner Mawatha Colombo -02	Member
09	S. Subramaniam Additional Secretary (Development) Ministry of Fisheries and Aquatic Resources Development New Secretariat Maligawatta Colombo 10	Member

ORGANIZATIONAL STRUCTURE AGRICULTURAL & AGRARIAN INSURANCE BOARD



Foreword

Agricultural and Agrarian Insurance Board, the sole state sector insurer to have the agricultural risk management of an agriculture based country like Sri Lanka as its prime objective, in addition to undertaking the risks of crops of agriculturalists in the agricultural risk management, has been rendering a colossal service since its inception by providing insurance cover to the agriculturalist as well as their implements and stores.

Accordingly, the service rendered by the Agricultural and Agrarian Insurance Board during the last four decades by introducing agricultural insurance as a formal risk management method to the agricultural sector of Sri Lanka, minimizing the economic losses caused to the local farmer community in emergency situations and helping financial institutions granting agricultural loans to sustain their financial stability in emergency situations is immense.

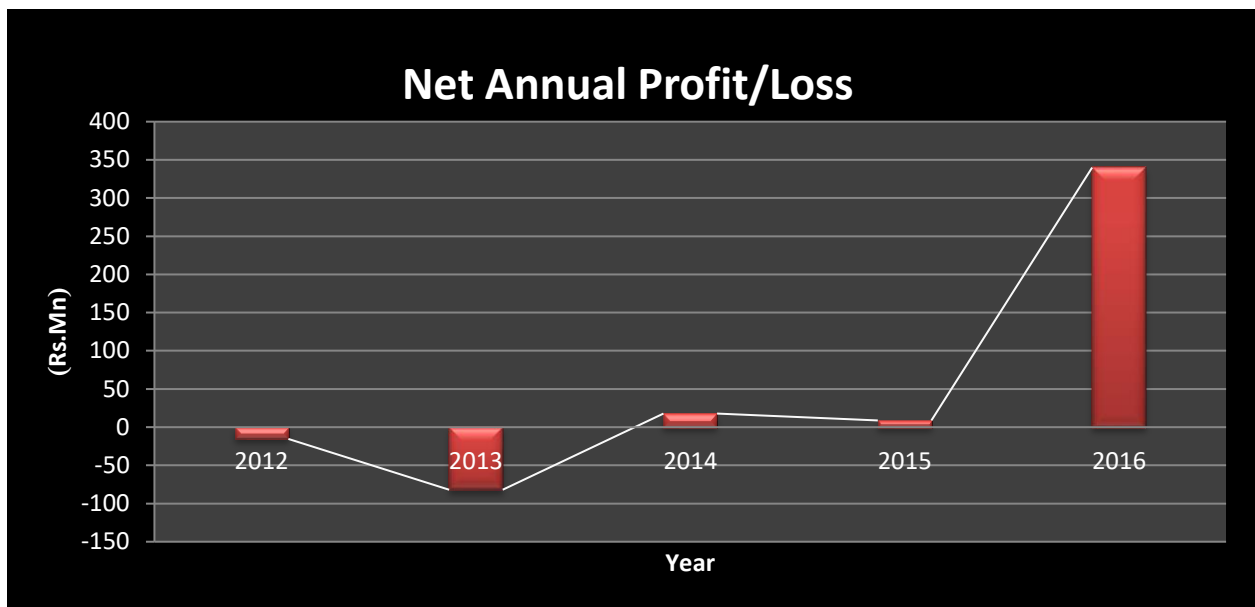
With its vision of being the ideal agricultural insurance institute in South Asia at the forefront, the Board makes an immense contribution to ensure the sustainability of local agriculture while successfully overcoming challenges such as maintaining the institution as a going concern and continuing with services to the satisfaction of consumers. Conquering these challenges in 2016, the agricultural insurance scheme of the Board posted a record net profit of Rs 339.9 million and in comparison to year 2015, it was a growth of 3781%. Central to this progress was the operational profit of Rs. 377.7 earned by the agricultural insurance scheme during the year 2016. Insurance premium income in 2016 was Rs 737 million and the amount paid as compensation was Rs. 394 million.

Annual premium income from 2012 to 2016

	2012 (Rs Mn)	2013 (Rs Mn)	2014 (Rs Mn)	2015 (Rs Mn)	2016 (Rs Mn)
Crop insurance schemes	99.80	82.18	94.25	104.6	94.85
Livestock insurance scheme	15.80	8.90	13.74	9.00	10.56
Warehouse and agricultural implements insurance scheme	6.55	1.53	0.62	1.08	7.82
Suwasetha and accident insurance scheme	2.55	26.1	7.67	16.43	15.61
Fertilizer subsidy insurance scheme	0.00	0.00	0.00	1006.4	608.19
Total (Rs Million)	124.70	93.87	116.28	1,137.51	737.03

Net annual profit from 2012 to 2016

	2012 (Rs Mn)	2013 (Rs Mn)	2014 (Rs Mn)	2015 (Rs Mn)	2016 (Rs Mn)
Total income	136.70	101.50	122.5	1,156.10	782.20
Operational expenditure	(135.20)	(170.90)	(75.50)	(1,116.10)	(404.50)
Operational surplus	1.50	(69.40)	47.30	40.00	377.70
Government grants and other income	65.10	76.80	74.80	100.80	122.50
Total expenditure)including allocations((82.00)	(89.30)	(104.00)	(132.00)	(160.30)
Net annual profit/loss	(15.40)	(81.90)	17.80	8.80	339.90



As per a concept of the Hon. Minister of Agriculture, action was taken to establish the Agricultural Task Force or the gathering of information with a view to providing relief to farmers affected by the inclement weather that prevailed throughout the island in recent times. '1918' telephone hotline was introduced enabling farmers to report their crop damages and the responsibility of forwarding information so received to the Agricultural Task Force was entrusted to the Board. In terms of the new insurance policy introduced by the government for farmers, action was taken to maintain this service as a 24-hour hotline with the support of the Ministry of Agriculture. Having collected information on damages caused to the crops and properties of farmers affected by disasters as well as to the tanks, immediate action was taken to grant relief to them.

During the Yala season of 2016, the Board took measures to award compensation without the insurance cover to paddy cultivations damaged in natural disasters. Indemnification of paddy cultivations of agriculturalists damaged by natural disasters without levying insurance premiums was commenced for the first time during the Yala season of 2016. The total damages was estimated as over Rs 100 million. Further, as a special programme, a maize insurance scheme was implemented in the Maha season of 2015/2016 and the compensation paid by the Board under this scheme amounted to Rs 7.5 million.

The agricultural damage assessment currently in operation is carried out through eye level inspection. The process of damage assessment conducted in the aftermath of agricultural disaster is time consuming. As eye level inspection involves subjective judgments superseding objectivity, problematic situations could arise. Since an index based insurance scheme has the potential to assess the impact on agriculture caused by inclement weather conditions scientifically and technologically, the process of the computation of indemnity is much quicker and therefore a system of settling claims to indemnity within a week will take root replacing the existing system where the empowerment of affected persons through a process of indemnity could take several months. In addition, a system of forewarning that enables the risk management through the provision of information on preventable agricultural risk management will also be established. Improving the efficiency of Sri Lanka's agricultural insurance and increasing the coverage of agricultural insurance

of Sri Lanka are the objectives of this project. The project has received technical assistance from International Finance Corporation affiliated to the World Bank.

Action was initiated to establish an external agents' network, in addition to the field staff deployed at the district level to implement crop insurance, livestock insurance, social security and general insurance schemes currently being implemented by the Board, to propagate the Board's insurance schemes among a wider farmer community. This can be termed as a special programme launched for the advancement of the Board in the year 2016.

Since agricultural insurance cover can be obtained from Agrarian Service Centres, farmer organizations, the officers of the Agricultural and Agrarian Insurance Board and the Agricultural Research and Production Assistants that maintain close relationship with agriculturalists, the need to exclusively visit institutions spending time and money has been obviated. Similarly, farmer organizations are empowered through the financial benefits gained by farmer organizations by serving as marketing agents of the AAIB and this has indirectly benefited the agricultural sector.

New proposals to overcome problems encountered in enrolling members to the Farmers' Pension Scheme and maintain farmers' and fishermen's pension scheme in a sustainable manner were formulated and submitted for the approval of the Cabinet of Ministers in 2016.

During 2016, recruitments were made to 12 posts of Assistant Directors, 11 posts of management assistants and 5 posts of drivers and though the staff should have 421 members as per the approved cadre, the number of employees currently serving in the Board is 307. Thus there are 125 vacancies at present.

The year 2016 was a record year in the performance of the Board and the activities of the Board and its performance is set out in this report.

Operations Division

Operations Division – 2016

One of the key alternatives adopted by the government in the agricultural risk management for minimizing the production risk faced by the agriculturalist and ensuring proper value for agro products is the agricultural insurance. As a country with agriculture driven economy, one of the foremost responsibilities of the government is to identify and introduce strategies to mitigate agricultural risks. The Agricultural and Agrarian Insurance Board as the flagship protector of the local agriculture is the only public sector insurance institution that plays a pivotal role in granting stability to agriculturalists and promoting agro products.

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

To discharge the responsibilities entrusted to the Board in the implementation of plans of the government to mitigate agricultural risk, the Operations Division took the initiative to implement a slew of insurance schemes island-wide in the year 2015 giving priority to agricultural insurance.

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 2016 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, soya and black gram) cultivation insurance scheme
- Big onion cultivation insurance scheme
- Sugarcane cultivation insurance scheme
- Export crops cultivation insurance scheme
- Plantation crops (tea) cultivation scheme
- Coconut cultivation insurance scheme
- Potato cultivation insurance scheme
- Floriculture insurance scheme
- Ginger cultivation insurance scheme
- Chilli cultivation insurance scheme
- Vegetable cultivation insurance scheme
- Banana cultivation insurance scheme
- Fruit cultivation insurance scheme

2. Warehouse insurance scheme

3. Agricultural implements insurance scheme including tractors

4. Livestock insurance scheme

- Goat
- Cattle

5. Accident insurance scheme
6. Suwasetha health insurance scheme
7. Third party insurance scheme

The newest scheme launched in the year 2016 was the index based insurance scheme. This marks a watershed in the employment of modern technology in discharging the duties entrusted to the Board by the Act. The new system enables the speedy assessment of the loss and payment of compensation in a very short period of time in comparison to the existing process of assessing losses and settling claims to indemnity. Improving the efficiency of Sri Lanka's agricultural insurance and increasing the coverage of agricultural insurance of Sri Lanka are the objectives of this project. The project has received technical assistance from International Finance Corporation affiliated to the World Bank.

Using the weather forecasts from automatic weather forecast centres to be established under this project, the period of time required to pay indemnity will be reduced to 10 days. As a preliminary step of this project, the preparation of MIS software commenced in year 2016 and as a pilot project two automatic weather centers were established at Galenbindunuwewa and Horowpathana in the Anuradhapura District in 2016.

Further, the AAIB with support from the Ministry of Agriculture, took measures to introduce a 24-hour telephone hotline, in line with the new insurance policy introduced by the government for farmers whose crops were damaged due to natural disasters such as heavy rains, floods and landslides during the Yala season of 2016. The Operations Division of the Board linked up with the Task Force of the Ministry of Agriculture and gathered required information through hotline '1918'. Having collected information on damages caused to the crops and properties of farmers affected by disasters as well as to the tanks, immediate action was taken to grant relief to them. A large number of complaints were received from farmers through the hotline, and they were promptly investigated into and computation of the amounts of indemnity payable is being computed. The government has allocated Rs 100 million for the payment of compensation.

Establishment of marketing external agents' network

The senior management of the Board understood the timely need for the establishment of an external agent network in addition to the field staff deployed at the district level to implement crop insurance, livestock insurance, social security and general insurance schemes currently being implemented by the Board, to propagate the Board's insurance schemes among a wider farmer community. The establishment of a network of external insurance agents can be termed as a special programme launched for the advancement of the Board in the year 2016.

Through the establishment of this external marketing agents' network-

1. Farmers were made to realize the importance of agro insurance schemes covering 559 Agrarian Service Centres countrywide and awareness programmes were conducted among farmers to enroll farmers to the relevant insurance schemes on their own consent.
2. Through the introduction of the index based insurance schemes in 2017 upon the guidance and collaboration of the World bank aimed at covering risks caused by climatic/weather changes to farmers, mitigating the unexpected losses caused to the entire agriculture sector through insurance.

Thus, the Operations Division implemented a host of programmes for further propagation and expansion of insurance schemes amongst farmers during year 2016 for the success of the vision, mission and objectives of the Board.

Marketing Division 2016

1. The 68th Independence Day celebration was commemorated with pomp and pageantry at the Gallella stadium, Polonnaruwa on 04.02.2016. 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.
2. A programme to recruit Business Development Officers to take the insurance schemes of the Board to the people was held at Sudasuna Hall, Chilaw on 11.02.2016. The event was held under the patronage of the Chairman and Director General of the Board and the event was attended by more than 400 Business Development Officers.
3. An awareness programme for the leaders of farmer organizations and marketing agents was held at the Hambantota District office on 20/02/2016 under the patronage of the Chairman with a view to popularizing the Boards insurance schemes amongst farmers.
4. Under the direction of the Presidential Secretariat, **'A country free from toxic foods, educational and trade exhibition'** was held at the BMICH from 06 to 08 March 2016, 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.
5. After reaping the harvest of the Maha season of 2015/16, the traditional "Aluth Sahal Mangalya" or new rice festival at the Sri Maha Bodhi premises was held on 09 and 10 April, 2016 under the patronage of His Excellency the President Maitrheepala Sirisena and the erection of the Pirith Mandapa, 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.
6. A programme for obtaining information of farmers in the Monaragala district and surrounding areas in relation to the programme for preparing a database incorporating information of farmers conducted under the direction of the Ministry of Agriculture was held on 30.04.2016 and 01.05.2016 by deploying a 30 – member staff from the head office and Galle, Matara and Hambantota district offices.
7. Several special marketing programmes for the propagation of third part vehicle insurance scheme were conducted from 24.05.2016 to 27.05.2016 under the guidance of the Galle District Office
8. The Board extended its sponsorship for publicity of the **'Poson Udanaya Programme'** conducted by the Avulegama Agrarian Service Centre, Kurunegala on 20/06/2016 under the aegis of the Hon, Minister of Agriculture, Hon. Duminda Dissanayake and an awareness programme for insurance

agents was conducted on 19.05.2016. Propaganda banners of the Board too were displayed at the venue.

9. The opening of the new office building of the Mannar District was conducted under the patronage of the Chairman and with the participation of the Director General of the Board and the District Agent of Mannar.
10. Arrangements were made to conduct the award of indemnity in respect of losses caused to crops in the Ampara district during the Maha season of 2015/16 under the patronage of His Excellency the President Maithreepala Sirisena and to conduct an agricultural exhibition concurrently under the guidance of the District Secretary of Ampara. The Ampara district office arranged for maintaining an exhibition stall at the exhibition. It helped in introducing insurance schemes operated by the Board to the general public.
11. Arrangements have been put in place for the preparation of posters, banners and leaflets required for the propaganda and promotional programmes conducted at the district level through the district offices and upon requests received from several districts including Galle, Hambantota, Ampara and Matara the required materials were supplied by the Operations Division.
12. At the '**President's official mission mobile service –Polonnaruwa district 2016**', a special stall for the resolution of administrative problems encountered by the public was conducted on 30.07.2016 at the Rajakeeya Central College, Polonnaruwa.
13. "Dakshina Krushi Navodaya" agricultural, educational and trade exhibition organized by the Department of Agriculture was held from 02-06, 09.2016 in Labuduwa area and a stall demonstrating the activities and services of the Board was maintained. Using posters, posters and leaflets, the public at large and officials of the public and private sectors and schoolchildren were made aware of the services rendered by the Board.
14. Arrangements were made to conduct the '**Food nutrition programme and agricultural exhibition**' in the Ampara District from 29-30/08/2016. An exhibition stall of the Board was maintained and action was taken to create awareness on the activities of the Board using banners, posters and leaflets.
15. The appointment of insurance agents for the third party vehicle insurance scheme in the Anuradhapura District and the award of insurance compensation for maize cultivation of the Maha season of 2015/16 was held on 25.09.2016 under the patronage of Hon Minister of Agriculture Duminda Dissanayake and the Chairman of the Board. A large crowd comprising representatives from farmer organizations, Agricultural Research and Production Assistants and many others were present on the occasion.
16. Prime-Expo Lanka agricultural and trade exhibition was held from 09 to 11 October, 2016 at Mahaweli Buddhi Mandapaya. Embilipitiya and an exhibition stall of the Board was on display at the exhibition. Using posters, posters and leaflets, the public at large and officials of the public and private sectors and schoolchildren were made aware of the services rendered by the Board.

17. Several programmes for the appointment of district agents of the Polonnaruwa District for the propagation of the third party insurance scheme were conducted on 25/10/2016 and 27/10/2016 in association with Parakrama Samudra . Giritale, Kavudulla and Mineriya colonies.

18. Appointment of district agents for the propagation of the third party vehicle insurance scheme among farmers was carried out. These programmes were conducted at the Kalutara, Monaragala, Matara, Puttalam and Badulla districts under the patronage of the Chairman and the Director General of the Board.

Insurance Division

Agricultural Insurance Scheme & Livestock Insurance Scheme

Insurance Division -2016

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 2015 and Maha season of 2015/2016, prompt action was taken to release funds to enabling speedy payment of compensation to affected farmers.

Two mobile programmes centered on the Jaffna and Batticaloa districts were conducted covering the Northern and Eastern provinces for the computation of the amount of indemnity. Among the districts that recorded the major losses during the Maha season of 2015/2016 were Jaffna, Kilinochchi, Batticaloa and Anuradhapura. Mobile programmes enabled the speedy release of funds for indemnity payable to the insured in the districts in the Northern and Eastern provinces.

Similarly, at the mobile programme held in the Batticaloa district, action was taken to release funds for documents submitted under cultivation loans in addition to claims to indemnity under the 'Kethata Aruna' crop insurance programme. This enabled the speedy release of funds for indemnity payable and the farmers of the entire district could be paid compensation at once.

Further, a new computer programme (Use of access programme for claim process) was designed to facilitate the process of releasing indemnities under the 'Kethata Aruna' insurance scheme a workshop was conducted to brief the officers on its usage.

Under the maize insurance scheme operated as a special programme in the Maha season of 2015/16, the amount release for the payment of indemnity was Rs 7.5 million.

Measures were taken to obtain funds required for the payment of compensation under the 'Kethata Aruna' insurance scheme from the National Insurance Trust Fund subsequent to discussions with the officials of the Fund. Accordingly, compensation under 'Kethata Aruna' programme was paid for the Yala season of 2016.

Upon a request made by the management of Opex Institution, action was taken to operate an insurance scheme for farmers registered under that institution in respect of the Maha season of 2017/2018.

Subject to the approval of the Department of Agriculture, necessary arrangements were made to operate an insurance scheme for chili cultivations for the Hambantota district upon a request received from the district.

In addition, awareness programmes were conducted in several institutions with a view to addressing problems in the payment of compensation in respect of livestock insurance and for the promotion of livestock insurance and taking into account the market needs, the insured amount for goats was increased to Rs. 25,000/-

Action was taken to provide technical requirements needed for a crop insurance programme carried out under the World Bank funds, i.e. underwriting requirements and basic information requirement for entitlement and extended full contribution required for the index based insurance scheme.

In addition to the abovementioned underwriting schemes, duties relating to the payment of indemnity were discharged as indicated below.

Summary of the payment of compensation in 2016 is as follows.

Crop insurance

	No of farmers	Acreage	Indemnity Rs Million
Paddy	32867	63778	228
Maize	1933	3247	23
Potatoes	77	59	2.2
Total	34877	67084	252

Award of livestock indemnity - 2015		
Type	No of animals	Indemnity Rs . Mn.
Cattle	124	5.6
Goats	37	0.3
Total	161	5.9

Accordingly, Rs 260 million has been released to farmers as compensation during the year.

Farmers' Pension Division

Farmers' Pension and Social Security Benefit Scheme

And

Fishermen's Pension and Social Security Benefit Scheme

Farmers Pension Division -2016

❖ 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, steps were taken to formulate a new pension scheme for the farmer and fisher communities for the implementation of the scheme in a sustainable manner taking into account inflation and real value and present same to the Cabinet of Ministers.

Fishermen's Pension Scheme

The total number of fishermen registered with the Farmers' Pension Scheme by the end of 2016 was 68,915 and the number receiving pension was 3,724. A sum of Rs. 54 million was paid as pension during the year.

Since the Fishermen's Pension Scheme runs parallel to the Farmers' Pension Scheme, the funds of the Fishermen's Pension Scheme too will be used up in the near future. Therefore, this scheme too has to be subject to a necessary restructuring process.

Payment of farmers' pension – 2016

	District	No of subscribers	Amount paid
1	Colombo	4977	95,039,761
2	Gampaha	10321	187,442,494
3	Kalutara	8294	150,677,754
4	Kandy	13941	270,497,239
5	Matale	4163	73,269,403
6	Nuwaraeliya	2811	53,589,852
7	Galle	12408	250,105,648
8	Matara	9324	172,755,821
9	Hambantota	7902	141,740,073
10	Batticaloa	1021	18,238,650
11	Ampara	3682	64,178,234
12	Trincomalee	824	14,657,854
13	Puttalam	5042	89,130,906
14	Kurunegala	16543	298,425,347
15	Anuradhapura	6810	114,368,239
16	Polonnaruwa	4643	84,411,026
17	Monaragala	4602	85,261,935
18	Badulla	6153	110,595,423
19	Ratnapura	6565	118,779,844
20	Kegalle	8292	152,970,587
21	Jaffna	2261	44,209,478
22	Mannar	84	1,279,000
23	Vavuniya	472	9,001,279
24	Mullativu	125	2,490,645
	Total	141260	2,603,116,492

Death and Disabled Benefits 2016							
	District	No of deaths	Amount paid Rs.	No of disabled	Amount paid Rs.	Total deaths/disable ment	Total Rs.
1	Anuradhapura	8	151,193.00	0		8	151,193.00
2	Maho	10	209,096.00	0		10	209,096.00
3	Vavuniya	4	65,687.00	0		4	65,687.00
4	Kandy	33	573,589.00	2	44139	35	44,139.00
5	Manampitiya	7	128,485.00	0		7	128,485.00
6	Embilipitiya	3	58,616.00	0		3	58,616.00
7	Ratnapura	3	45,409.00	0		3	45,409.00
8	Matale	5	92,726.00	1	24854	6	117,580.00
9	Puttalam	6	107,597.00	0		6	107,597.00
10	Tambuttegama	4	86,471.00	0		4	86,471.00
11	Kegalle	7	122,798.00	0		7	122,798.00
12	Matara	15	273,240.00	0		15	273,240.00
13	Polonnaruwa	17	301,950.00	2	52192	19	354,142.00
14	Trincomalee	4	61,193.00	0		4	61,193.00
15	Hambantota	17	353,727.00	0		17	353,727.00
16	Kalutara	7	136,290.00	1	6312	8	142,602.00
17	Colombo	5	79,461.00	0		5	79,461.00
18	Gampaha	16	292,851.00	0		16	292,851.00
19	Ampara	10	164,436.00	0		10	164,436.00
20	Galle	22	400,631.00	0		22	400,631.00
21	Nuwaraeliya ඵඹ	5	110,850.00	2	55912	7	166,762.00
22	Kurunegala	25	504,887.00	0		25	504,887.00
23	Badulla	16	281,487.00	0		16	281,487.00
24	Monaragala	12	262,955.00	0		12	262,955.00
25	Jaffna	1	1,232.00	0		1	1,232.00
	Total	262		8		270	

Fishermen's pension and social security benefit scheme

District fisheries extension division	Death gratuity payments	
	No of subscribers	Amount Rs.
Kalutara	1	20,000.00
Galle	1	15,000.00
Mahawewa	3	26,000.00
Matara	3	26,000.00
Colombo	1	8,000.00
Tangalle	1	8,000.00
Puttalam	1	8,000.00
Negambo	5	70,000.00
Batticaloa	3	29,000.00
Trincomalee		
Mannar	3	85,000.00
Kalmunai	2	20,000.00
Mullaitivu		
Kilinochchi	5	51,000.00
Jaffna	7	101,000.00
Inland Fisheries		
Kandy	1	10,000.00
Sum Total	37	477,000.00

Fishermen's Pension and Social Security Benefit Scheme
Enrollment during the year 2016

District Fisheries Extension Division	No of contributors as per age						Total number of contributors 2016
	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	1749	979	1230	346	200	164	4668
Colombo	576	360	478	140	63	38	1655
Tangalle	2513	1389	1627	410	200	167	6306
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	2062	1225	1338	428	220	257	5530
Kalmunai	1565	1109	1515	479	243	207	5118
Mullaitivu	88	79	141	50	27	44	429
Kilinochchi	519	340	540	250	185	183	2017
Jaffna	2161	1099	1425	655	391	596	6327
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	24967	14682	17903	5557	2929	2877	68915

Fishermen's Pension and Social Security Benefit Scheme

Payment of fishermen's pension -2015

District fisheries extension division	No of subscribers receiving pension up to December 2016	Total amount
Kalutara	94	1,420,851.00
Galle	118	1,736,025.00
Mahawewa	331	4,661,486.00
Matara	290	3,923,136.00
Colombo	55	810,816.00
Tangalle	209	2,807,406.00
Puttalam	53	806,189.00
Negambo	530	7,136,527.00
Batticaloa	395	6,444,357.00
Trincomalee	91	1,360,965.00
Mannar	325	4,458,624.00
Kalmunai	307	4,276,807.00
Mullaitivu	26	760,825.00
Kilinochchi	206	3,636,842.00
Jaffna	643	9,608,758.00
Inland Fisheries		-
Nuwaraeliya	7	97,004.00
Polonnaruwa	1	16,000.00
Ratnapura	3	152,208.00
Monaragala	1	12,000.00
Kurunegala	1	14,004.00
Anuradhapura	4	52,044.00
Matale	4	52,476.00
Kandy	5	73,796.00
Kegalla	-	-
Badulla	4	40,500.00
Vavuniya	-	-
Batticaloa- Inland	21	407,627.00
Total	3724	54,767,273.00

Administrative and Human Resources Division

Administrative and Human Resources Division
Staff

The staff of the Agricultural and Agrarian Insurance Board was as follows as at 31.12.2016.

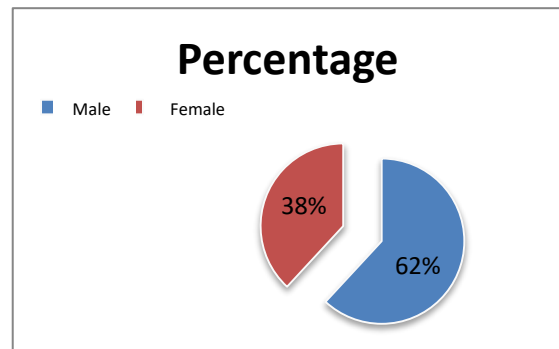
Composition of the staff

Service Category	Designation	Approved Cadre	Existing Cadre	Vacancies
Senior Management				
HM	Director General	1	1	-
HM	Director	5	1	4
Management				
MM	Deputy Director / Assistant Director	45	43	2
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	31	24
	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	166	54
Primary (Technical)				
PL - Skilled	Driver	38	29	9
Primary (Non Technical)				
PL - Non Skilled	Office Assistant	42	29	13
		421	307	114

Analysis of Staff as at 31.12.2016

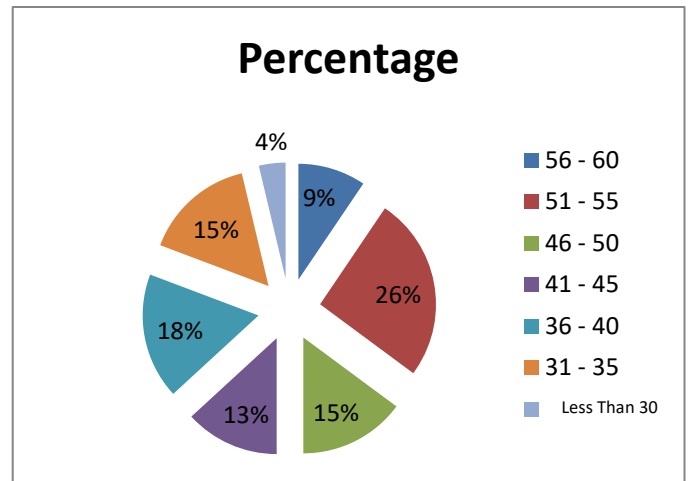
Staff- Gender Analysis

Male - 190
 Female - 107
 Total - 307



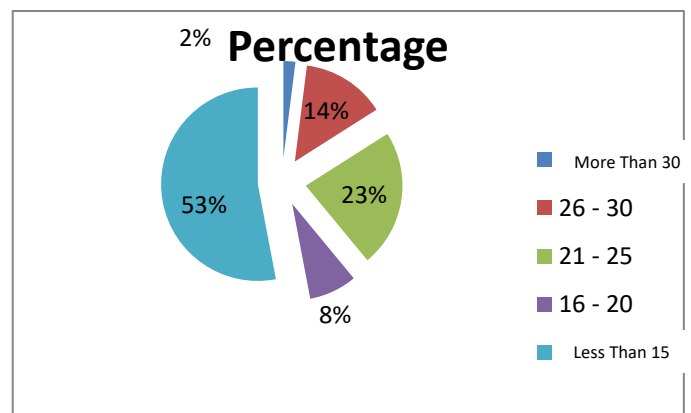
Age analysis

Age Group	No of Employees	Percentage
56 - 60	47	15%
51 - 55	64	21%
46 - 50	40	13%
41 - 45	42	14%
36 - 40	57	19%
31 - 35	41	13%
Less than 30	16	5%
Total	307	100%



Anal ysis by period of service

Years	No of employees	Percentage
More than 30	13	2%
26 – 30	81	14%
21 – 25	20	23%
16 – 20	12	8%
Less than 15	181	53%
Total	307	100%



Retirement, deaths and vacation of posts in 2015

Male - 08
 Female - 06
 Total - 14

Recruitment and promotions during the year 2015

- External recruitment - 28
- Internal recruitment - -
- Promotions - 01

During the year 12 posts of Assistant Directors, 11 posts of Management Assistants and 05 posts of Drivers were filled through a process of formal interviews. A post of Development Officer was also filled under the internal promotions and action was taken to recruit a lady officer on secondment basis for the posts of Assistant Director- Legal and Board Secretary.

In addition, formal interviews were conducted during the year to fill the vacancies in the cadre of Management Assistants.

Employee Training and Academic Activities

Assistant Director Mr. S.M.U.G.S.K. Subasinghe and Assistant Director Mr. D.S.R. Hettiarachchi participated in the programme entitled 'How to improve your personal effectiveness' organized by Colombo School of Business & Management.

Further, a training programme on office methods accounting process was conducted for all members of the staff save for those in the junior staff by the Sri Lanka Institute of Development Administration.

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 -2016 was held on 22nd April 2016 with the participation of all district staffs.

Procurement and Transport

Supplies Divison

The printing of receipt books, insurance certificate cards, banners and leaflets in respect of insurance schemes operated by the board was awarded to the lowest bidders in line with the formal procurement procedures.

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

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

Action was taken to dispose of condemned office equipment and furniture from the Kandy, Kegalle, Trincomalee, Jaffna and Mannar district offices 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.

Vehicle Pool

06 jeeps and 01 car purchased during the period from 1985-1993 (one as scarps) were sold in accordance with the procurement process.

Office Buildings

The Head Office of the Board was maintained at No. 117, Subhadrarama Road, Gangodawila, Nugegoda . The Board maintains 27 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 2016, 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, with contributions from the limited human resources of the Internal Audit Division (Audit Officer- acting and Development Officer- Audit) and the support of trainees, 42 internal audits were conducted for the year 2016 at the head office and 26 district offices scattered island-wide.

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 procurement of goods, forwarding arrival/ leave records and stock reports (Matara and Gampaha district offices), maintaining inventory registers, issuing fuel advances, releasing distress loans, issuing mix advances, maintenance of vehicles and the process of purchasing capital goods.

In addition, audit inspections were carried out on the disciplinary inquiries conducted in year 2016.

In respect of the Finance Division, inspection of petty cash imprest at the end of year 2015 under the inspection of cash books and payment vouchers, inspection of petty cash and payment vouchers in the districts of Matale, Mannar, Thambuttegama, Hambantota and Kandy. Inspection of administrative account of fishermen's pension, inspection of administrative account of Kalutara and Gampaha districts were carried out.

Further, audits were conducted at the Matara, Gampaha, and Mannar district offices on the implementation of insurance activities maintenance of vehicles, remitting premiums of Suwasetha insurance scheme to the head office, issuing mixed advances, issuing fuel advances, purchasing goods and procurement of capital goods.

Inspection of payments of compensation in relation to maize cultivation, paddy cultivation compensation in the Hambantota district for Maha season 2015, paddy cultivation compensation in the Matara district for Yala season of 2015, settlement of claims to indemnity for livestock insurance, and claims to indemnity under Suwasetha health insurance scheme were audited covering the activities of the Insurance Division.

For the evaluation of the activities of the Operations Division, a performance evaluation of agricultural insurance schemes was conducted in respect of the years 2015 and 2016.

Audit inquiries concerning the payment of pensions to the spouse, updating individual accounts of the farmers' pension scheme, levying back premiums of the farmers' pension scheme, payment of death benefits of the farmers' pension scheme and payment of death gratuity and disablement benefits of the fishermen's pension scheme were carried out in respect of the Farmers' Pension Division.

Under the inspection of district offices, activities of the Gampaha, Matara and Mannar district offices were examined.

Maintaining coordinating activities with the Auditor General's Department, the Ministry of Agriculture and the Public Enterprises Department was carried out by the Audit Division.

Conducting audit management committee meetings

The Audit Management Committee of the Agricultural and Agrarian Insurance Board for year 2016 consists of the following three member of the Board of Directors.

Champa Balasuriya	- Chairman of the Committee	-Director, Public Enterprises Department
N.P.V.C. Piyathilaka	- Member of the Committee	- Assistant Secretary, Ministry of Agriculture
M.A.S. Weerasinghe	- Member of the Committee	-Commissioner General- Department of Agrarian Services

Four audit management committees were held during year 2016 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.

Finance Division

Financial Summary

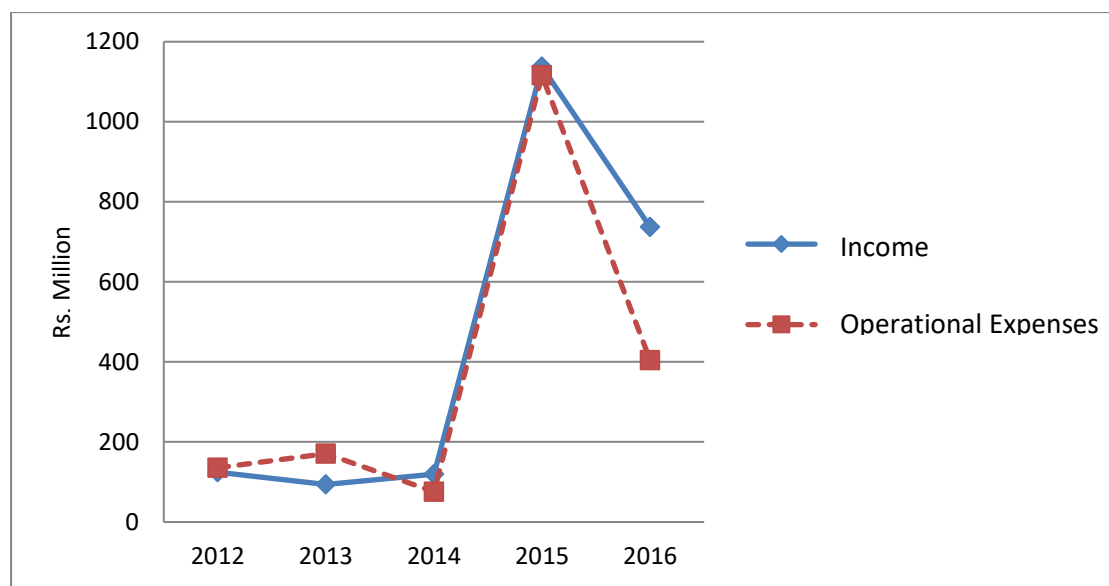
The Agricultural Insurance scheme of the Board posted a record net profit of Rs 339.9 million in the year 2016, and in comparison to year 2015, it was a growth of 3781%. Central to this progress was the operational profit of Rs. 377.7 earned by the agricultural insurance scheme during the year 2016. Insurance premium income in 2016 was Rs 737 million and the amount paid as compensation was Rs. 394 million.

During the year 2016, a net amount of Rs. 2611 million was paid as pension to 141,260 farmers under the farmers' pension scheme and the amount paid as pension under the Fishermen's Pension Scheme to 3724 fishermen was Rs 53.8 million.

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

Profitability

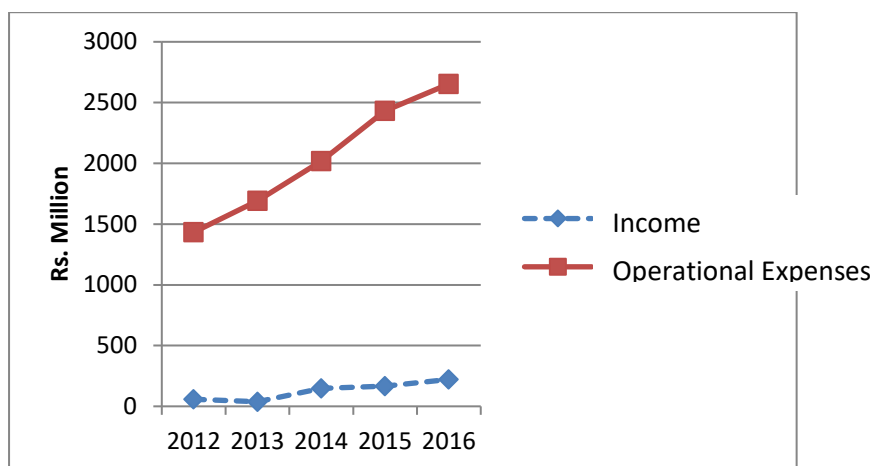
- Agricultural Insurance Scheme



	2012	2013	2014	2015	2016
Insurance Premium Income (Rs Mn)	124.7	93.8	116.2	1137.5	737.0
Operational expenditure (Rs Mn)	135.2	170.9	75.6	1116.1	404.5

The total income earned from the agricultural insurance scheme in year 2016 was Rs 737 million and the operational expenditure was Rs 404.5 million. Though the insurance income registered a decline of 36% compared to year 2015, the operational expenditure too shows a parallel decrease of 64%. Accordingly, in comparison to year 2015, the agricultural insurance scheme has posted a progress of 845.8% in the operational profit in 2016. The operational profit of year 2016 was Rs. 377.7 million and the net profit was Rs. 339.9 million.

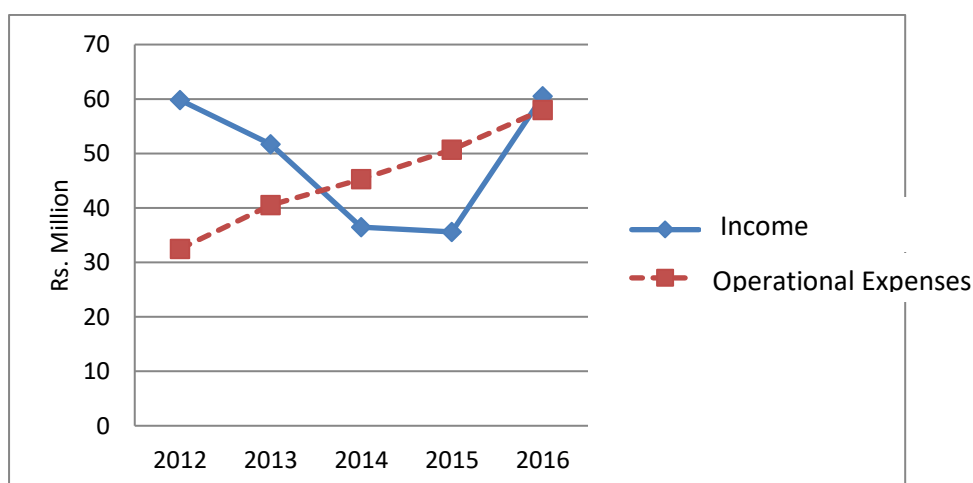
Farmers Pensions Scheme



	2012	2013	2014	2015	2016
Income	58.1	38	147	166	221.6
Operational Expenditure	1433	1693	2019	2432	2653

Under the new Farmers' Pension Scheme introduced in year 2014, a net pension of Rs. 2611 million was paid to 141,260 farmers in 2016. The total operational expenditure of the Farmers' Pension Scheme during the year was Rs 2653 million and as in previous years, this year too, the Treasury allocated Rs 2450 million as provisions for the payment of pension.

Fishermen's Pensions and Social Security Benefits Scheme



	2012	2013	2014	2015	2016
Income	59.8	51.7	36.5	35.6	60.5
Operational Expenditure	32.5	40.5	45.3	50.7	58.0

During the year 2016, the pension paid to fishermen amounted to Rs 53.8 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 – 2016**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st DECEMBER 2016

	Scheme As at 31-12-2016			Group	
	AIS	FPS	FIPS	31-Dec-16	31-Dec-15
REVENUE					
Premier -Insurance	737,039,175.42			737,039,175.42	1,137,513,224.60
Farmer 's Pension Collection		126,080,395.29		126,080,395.29	64,562,670.19
Interest - AAIB	45,169,861.64			45,169,861.64	18,560,294.81
Interest - FPS		95,553,480.81		95,553,480.81	101,600,293.98
Fishermen's Pension Collection			928,732.00	928,732.00	1,030,292.00
Interest - FSH			63,046,647.85	63,046,647.85	38,040,716.65
	782,209,037.06	221,633,876.10	63,975,379.85	1,067,818,293.01	1,361,307,492.23
Less : Operating Expenditure					
Indemnity - AAIB	(394,541,696.42)			(394,541,696.42)	(1,104,207,901.10)
Operational expenses - AAIB	(9,950,591.40)			(9,950,591.40)	(11,931,035.42)
Pension payments & commission		(2,620,548,357.00)	(54,458,615.00)	(2,675,006,972.00)	(2,436,613,521.66)
Group Insurance Paid - FPS		(14,907,330.00)		(14,907,330.00)	(27,011,280.00)
Other Operational expenses - FPS		(1,372,330.00)		(1,372,330.00)	(2,220,894.00)
Refund of Contribution & Net Interest		(16,195,597.81)	(1,686,522.00)	(17,882,119.81)	(15,240,313.00)
Group Insurance Paid - FSH			(1,761,650.00)	(1,761,650.00)	(1,763,390.00)
Incentive of - FSH			(63,361.00)	(63,361.00)	(65,604.00)
	(404,492,287.82)	(2,653,023,614.81)	(57,970,148.00)	(3,115,486,050.63)	(3,599,053,939.18)
Operational surplus / (Deficit)	377,716,749.24	(2,431,389,738.71)	6,005,231.85	(2,047,667,757.62)	(2,237,746,446.95)
Amotization Of Gov: Grant	2,319,222.69	837,349.38		3,156,572.07	767,459.86
ADD:					
Govt. Grant for Pension Payments		2,450,000,000.00		2,450,000,000.00	2,090,000,000.00
Govt. Grant for Admin Expenses	120,000,000.00	120,000,000.00		240,000,000.00	186,000,000.00
Farmers Contribution for Admin Exp.		2,024,925.00		2,024,925.00	2,378,895.00
Grant for Admin: Expenses - FSH			1,500,000.00	1,500,000.00	1,500,000.00
Other Income	192,416.34	18,890.00		211,306.34	7,832,517.26
	120,192,416.34	2,572,043,815.00	1,500,000.00	2,693,736,231.34	2,287,711,412.26
	500,228,388.27	141,491,425.67	7,505,231.85	649,225,045.79	50,732,425.17
Less : Expenses					
Admin Expenses	(144,015,454.14)	(119,538,084.32)	(5,077,139.86)	(268,630,678.32)	(249,114,752.25)
Finace & Others	(387,633.47)	(95,983,779.11)	(7,500.00)	(96,378,912.58)	(57,967,581.17)
	(144,403,087.61)	(215,521,863.43)	(5,084,639.86)	(365,009,590.90)	(307,082,333.42)
NET SURPLUS /(DEFICIT)	355,825,300.66	(74,030,437.76)	2,420,591.99	284,215,454.89	(256,349,908.25)
Less : Provision for A.A.IB Reserve fund	(18,885,837.46)			(18,885,837.46)	(1,996,729.14)
Net Surplus (deficit) After Provision	336,939,463.20	(74,030,437.76)	2,420,591.99	265,329,617.43	(258,346,637.39)
Other comprehensive income					
Gratuity gains / (losses)	2,965,295.24	9,346,333.16	357,981.89	12,669,610.29	5,078,265.70
Increase in Pension Liability		(3,292,469,726.00)	(246,515,112.73)	(3,538,984,838.73)	(3,424,940,873.14)
	2,965,295.24	(3,283,123,392.84)	(246,157,130.84)	(3,526,315,228.44)	(3,419,862,607.44)
Net Surplus /Dificit of the Comprehensive inc	339,904,758.44	(3,357,153,830.60)	(243,736,538.85)	(3,260,985,611.01)	(3,678,209,244.83)

AGRICULTURAL AND AGRARIAN INSURANCE BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31st DECEMBER 2016

	Scheme As at 31-12-2016			Group	
	AIS	FPS	FIPS	31-Dec-16	31-Dec-15
ASSETS					
<i>Non Current Assets</i>					
Plant, Property & Equipments	32,308,426.20	1,877,356.52	33,350.62	34,219,133.34	37,561,948.43
<i>Held to maturity Investment</i>					
Treasury Bond		1,089,638,590.88		1,089,638,590.88	1,105,827,499.92
	32,308,426.20	1,091,515,947.40	33,350.62	1,123,857,724.22	1,143,389,448.35
<i>Current Assets</i>					
Stocks	3,529,853.06	1,930,676.59	191,245.12	5,651,774.77	6,104,609.08
Receivables	688,805,936.39	24,141,665.20	651,060,627.28	63,298,302.34	71,789,922.00
Receivable Premium	10,839,821.45	3,901,242.60	-	14,741,064.05	26,245,149.93
Deposits & Pre Payments	4,567,672.00	-	-	4,567,672.00	4,161,918.57
Advances	721,725.24	-	-	721,725.24	1,687,865.99
Financial Instruments Held to Maturity	813,479,039.13	45,418,691.69	11,210,577.22	870,108,308.04	452,226,297.47
Cash at Bank	19,298,796.20	2,704,569.21	661,258.18	22,664,623.59	34,524,994.05
	1,541,242,843.47	78,096,845.29	663,123,707.80	981,753,470.03	596,740,757.09
TOTAL ASSETS	1,573,551,269.67	1,169,612,792.69	663,157,058.42	2,105,611,194.25	1,740,130,205.44
EQUITY & LIABILITIES					
<i>Capital & Reserve</i>					
AIB Accumulated (Deficit) / Surplus	324,889,782.08			324,889,782.08	(15,014,976.36)
Government Grant Capital	11,203,853.03	1,877,357.56		11,203,853.03	12,321,886.04
Government Grant	50,000,000.00			50,000,000.00	50,000,000.00
Farmer's Pension Fund		(64,075,011,808.80)		(64,075,011,808.80)	(60,714,518,840.20)
Group Insurance Fund - FPS	815,461,273.74			815,461,273.74	758,129,705.36
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			(2,418,370,198.12)	(2,418,370,198.12)	(2,174,633,659.27)
Staff Medical Insurance Fund	5,077,450.96			5,077,450.96	4,490,356.54
Group Insurance fund - FHS			24,012,849.70	24,012,849.70	22,780,199.70
<i>Other Fund</i>					
AAIB Reserve Fund	39,114,296.31			39,114,296.31	20,228,458.84
	1,245,746,656.11	(64,071,586,566.10)	(2,394,357,348.42)	(65,222,074,615.97)	(62,034,668,984.21)
<i>Non Current Liabilities</i>					
Fisheries Pension Liability			3,030,671,473.87	3,030,671,473.87	2,784,156,361.14
Farmers Pension Liability		59,572,164,879.00		59,572,164,879.00	56,279,695,153.00
Government Grant on Treasury Bond		1,081,488,000.00		1,081,488,000.00	1,081,488,000.00
Provision For Gratuity	31,059,936.08	35,547,037.43	991,497.90	67,598,471.41	78,869,510.22
	31,059,936.08	60,689,199,916.43	3,031,662,971.77	63,751,922,824.28	60,224,209,024.36
<i>Current Liabilities</i>					
Provision For Printing	757,871.30	651,771.16	465,000.00	1,874,642.46	944,166.30
Pre Premium Receipts	2,272,548.45	-	-	2,272,548.45	66,267,749.92
Other Payables	56,346,109.66	4,545,724,050.20	23,763,410.07	3,327,001,000.96	3,297,790,996.46
Accrued Expenses	5,566,184.75	5,623,621.00	1,623,025.00	12,812,830.75	35,632,752.61
Provision For Indemnity	231,801,963.32	-	-	231,801,963.32	149,954,500.00
	296,744,677.48	4,551,999,442.36	25,851,435.07	3,575,762,985.94	3,550,590,165.29
TOTAL EQUITY & LIABILITIES	1,573,551,269.67	1,169,612,792.69	663,157,058.42	2,105,611,194.25	1,740,130,205.44

Financial Statements as at 31 December 2016

Agricultural Insurance Scheme

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2016

	Notes	31.12.2016		31.12.2015	
		Rs.	Cts.	Rs.	Cts.
<u>ASSETS</u>					
<u>Non- Current Assets</u>					
Property, Plant & Equipment	1	32,308,426.20		35,561,968.91	
		<u>32,308,426.20</u>		<u>35,561,968.91</u>	
<u>Current Assets</u>					
Stocks	2.1	3,529,853.06		3,699,153.17	
Receivables	2.2	688,805,936.39		636,710,259.73	
Receivable Premium	2.3	10,839,821.45		21,359,296.93	
Deposits & Pre Payments	2.4	4,567,672.00		4,161,918.57	
Advances	2.5	721,725.24		1,687,865.99	
Financial Instruments Held to Maturity	2.6	813,479,039.13		381,981,745.65	
Cash at Bank	2.7	19,298,796.20		30,246,125.05	
Total current Assets		<u>1,541,242,843.47</u>		<u>1,079,846,365.09</u>	
TOTAL ASSETS		<u>1,573,551,269.67</u>		<u>1,115,408,334.00</u>	
<u>EQUITY & LIABILITIES</u>					
<u>Capital & Reserve</u>					
Government Grant (Initial Capital)		50,000,000.00		50,000,000.00	
A.A.I.B. Accumulated Fund	3	324,889,782.08		(15,014,976.36)	
Government Grant - Capital	4	11,203,853.03		10,360,425.10	
A.A.I.B Reserve Fund	5	39,114,296.31		20,228,458.84	
Farmer's Death Gratuity Fund	6	815,461,273.74		758,129,705.36	
Staff Medical Insurance Fund		5,077,450.96		4,490,356.54	
		<u>1,245,746,656.11</u>		<u>828,193,969.48</u>	
<u>Non - Current Liabilities</u>					
Provision For Gratuity		31,059,936.08		38,190,656.52	
		<u>31,059,936.08</u>		<u>38,190,656.52</u>	
<u>Current Liabilities</u>					
Provision For Printing		757,871.30		944,166.30	
Pre Premium Receipts	7.1	2,272,548.45		66,267,749.92	
Other Payables	7.2	56,346,109.66		23,832,775.38	
Accrued Expenses	7.3	5,566,184.75		8,024,516.40	
Provision For Indemnity	7.4	231,801,963.32		149,954,500.00	
Total Current Liabilities		<u>296,744,677.48</u>		<u>249,023,708.00</u>	
TOTAL EQUITY & LIABILITIES		<u>1,573,551,269.67</u>		<u>1,115,408,334.00</u>	

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

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

.....
Chairman
Agricultural & Agrarian Insurance Board

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

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
STATEMENT OF COMPREHENSIVE INCOME			
FOR THE YEAR ENDED 31st DECEMBER 2016			
		31.12.2016	
		31.12.2015	
REVENUE	Notes	Rs.	Cts.
		Rs.	Cts.
Premium - Insurance	8.1	737,039,175.42	1,137,513,224.60
Interest	8.2	45,169,861.64	18,560,294.81
TOTAL REVENUE		782,209,037.06	1,156,073,519.41
OPERATING EXPENSES			
Indemnity	9.1	(394,541,696.42)	(1,104,207,901.10)
Operating Expenses	9.2	(9,950,591.40)	(11,931,035.42)
		(404,492,287.82)	(1,116,138,936.52)
OPERATING SURPLUS/(DIFICIT)		377,716,749.24	39,934,582.89
Govt. Grant for Admin Expenses		120,000,000.00	93,000,000.00
Other Income	10	2,511,639.03	7,807,847.26
		122,511,639.03	100,807,847.26
		500,228,388.27	140,742,430.15
EXPENSES			
Administrative Expenses	11	(144,015,454.14)	(131,056,813.88)
Finance & Other Expenses	12	(387,633.47)	(917,074.11)
TOTAL EXPENSES		(144,403,087.61)	(131,973,887.99)
NET SURPLUS/ (DEFICIT)		355,825,300.66	8,768,542.16
Provision For A.A.I.B Reserve Fund		(18,885,837.46)	(1,996,729.14)
NET SURPLUS/ (DEFICIT) AFTER PROVISION		336,939,463.20	6,771,813.02
COMPREHENSIVE INCOME			
Gratuity Gain/Loss		2,965,295.24	1,986,355.57
		2,965,295.24	1,986,355.57
NET SURPLUS/ (DEFICIT) AFTER COMPREHENSIVE INCOME		339,904,758.44	8,758,168.59

AGRICULTURE & AGRARIAN INSURANCE BOARD					
AGRICULTURE INSURANCE SCHEME					
STATEMENT OF CHANGES IN EQUITY AS AT 31ST DECEMBER 2016					
	Govt. Grant for Capital	Accumulated Surplus/ Deficit	AAIB Reserve Fund	Farmer's Death Gratuity	Staff Medical Insurance
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st Dec 2014	9,038	(1,767)	18,231	709,386	3,912
Prior year Adjustment		(22,006)			
Additions during the year			1,997	48,743	578
Govt. Grant	4000				
Amortization Gov. Grant Farmers Pension	(2,678)				
Net Surplus /(Deficit)		8,758			
Balance as at 31st Dec 2015	10,360	(15,015)	20,228	758,129	4,490
Addition during the year:			18,886	57,332	587
Govt. Grant	4000				
Amortization Gov. Grant Farmers Pension	(3,156)				
Net Surplus /(Deficit)		339,904			
	844	339,904	18,886	57,332	587
Balance as at 31st Dec 2016	11,204	324,889	39,114	815,461	5,077

AGRICULTURAL & AGRARIAN INSURANCE BOARD					
AGRICULTURE INSURANCE SCHEME					
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2016					
		31.12.2016		31.12.2015	
		Rs.	Cts.	Rs.	Cts.
Cash Flows from Operating Activities					
Net Surplus / (Deficit)		339,904,758.44		8,758,168.59	
Adjustment for					
Depreciation		8,212,558.87		4,186,968.77	
Adjustments in respect of Prior year			-	(22,006,327.64)	
Provision For A.A.I.B Reserve Fund		18,885,837.46		1,996,729.14	
Gratuity Gain/Loss		(2,965,295.24)		(1,986,355.57)	
		24,133,101.09		(17,808,985.30)	
Profit / loss on disposal of Property, Plant & Equip.		10,780.57		(5,613,057.50)	
Non Cash proceeds from sale of Property, Plant & Equipment				1,535,000.00	
Provision for Retiring Gratuity		4,753,247.82		3,756,213.74	
Operating Surplus before working capital changes		368,801,887.92		(9,372,660.47)	
(Increase)/ Decrease in Inventories		169,300.11		(902,355.85)	
(Increase)/ Decrease in Receivables		(52,095,676.66)		(54,853,180.89)	
(Increase)/ Decrease Receivable Premium		10,519,475.48		6,010,265.36	
(Increase)/ Decrease in Deposits & Prepayments		(405,753.43)		194,154.89	
(Increase)/ Decrease in Advances		966,140.75		(645,284.69)	
Increase /(Decrease) Provision For Indemnity		81,847,463.32		63,154,500.00	
Increase /(Decrease) Provision For Printing		(186,295.00)		150,000.00	
Increase /(Decrease) Pre-premium advance		(63,995,201.47)		45,081,083.52	
Increase /(Decrease) Other Payables		32,513,334.28		21,906,442.05	
Increase /(Decrease) Accrued expenses		(2,458,331.65)		1,376,104.10	
		6,874,455.73		81,471,728.49	
Cash Generated from Operations		375,676,343.65		72,099,068.02	
Retiring Gratuity - Paid		(8,918,673.02)		(73,875.00)	
Net Cash Flows from Operating Activities		366,757,670.63		72,025,193.02	
Cash Flows from Investing Activities					
Medical Fund		587,094.42		578,327.05	
Farmer's Death Gratuity Fund		57,331,568.38		48,743,089.17	
Investments during the year		(431,497,293.48)		(96,217,978.88)	
Purchases of Property, Plant & Equipment		(4,982,751.73)		(31,307,863.23)	
Proceeds from sale of Property, Plant & Equipment		12,955.00		4,083,750.00	
Net Cash Flows from Investing Activities		(378,548,427.41)		(74,120,675.89)	
Cash Flows from Financing Activities					
Government Grant for Capital expenditure		4,000,000.00		4,000,000.00	
Amortization of Government Grant		(3,156,572.07)		(2,678,120.31)	
Net Cash Flows from Financing Activities		843,427.93		1,321,879.69	
Net Increase / (Decrease) in Cash & Cash Equivalents		(10,947,328.85)		(773,603.18)	
Cash & cash equivalents at the beginning of the year		30,246,125.05		31,019,728.23	
Cash & cash equivalents at the end of the year		19,298,796.20		30,246,125.05	

Agricultural and Agrarian Insurance Board

Agriculture Insurance Scheme

Significant Accounting Policies

For the Year Ended 31st December 2016

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. 63,513,946.48 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 2016.

Insured Subject	Provision for Indemnity (Rs.)
Paddy	150,000,000.00
Livestock	8,000,000.00
Suwasetha and Agri Equipment	1,000,000.00
Subsidiary Crops	35,000,000.00
Kethata Aruna	37,801,963.32
	231,801,963.32

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, kethata aruna operational income, interest income from treasury bills and loans of employees, and other miscellaneous income.
2. All income has been recognized on accrual basis.
3. Income from insurance premium collection of Maha season 2016 has been taken for the current year.

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

4. Government Grants have been received for recurrent expenditure for the year of 2016.
5. Government Grants received for capital expenditure has been recognized as income on systematic basis.

4.2 Revenue Recognition

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

4.3 Accounting for Government Grants

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

4.4 Expenditure

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

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

Expenditure	Rates
Salaries, EPF, ETF, Gratuity	50%
Medical Expenses	50%
Consultancy Fees	60%
Welfare	50%
Uniform	50%
Entertainment	60%
Printing	60%
Legal Fees	40%
Allowances to B/Members	60%
Rent	55%
Telephone	55%
Postage	40%
Electricity	55%
Travelling, Over Time	50%
Water Bill	55%
Daily Pay	50%
Security	75%
Main Office Equipment	75%
Main. Vehicle	57%
Computer Expenses	75%
Fuel Expenses	68%
Stationery	50%

Main. Building	55%
Publicity & Training	80%

4.3 Surplus

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

4.4 Reserve Fund

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

4.5 Pre-Premium

Insurance premium receipts for livestock has 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. Contingencies

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

Current Status of the Legal Cases of AAIB

	Court	Case No	Petitioner / Defendant	Subject	Current Status
1	Supreme Court	SC/appeal/168/13	Mr. K. M. Illiyas vs. AAIB	Dismissed from the Service	Appeal has been rejected
2	Anuradhapura	B/520/2013 B/2171/2002	Police vs. Mr.K.A.Heen Bandara and Mr.K.A.Sudath Bandara	Fraudulent of farmers pension premium	Trial is on
3	Anuradhapura Magistrate Court	61467	Police vs. Mr. T. A. Ratnasiri and Mr. Kamal Uduwana	Engaged in illegal pyramid schemes	Trial is on
4	Colombo High Court	3/8/2 M. C./2006	Police vs. AAIB	Mawillaru crop indemnity	Directed to Attorney- at-Law
5	Labour Tribunal Embilipitiya	6E/7030/11	Ms. M. D. Buddhika vs. AAIB	Non Continuation of Employment	Trial is on
6	Labour Tribunal Badulla	05/20356/2013	Mr. T. Warushawithana vs AAIB	Dismissed from the Service	Trial is on
7	Elpitiya Magistrate Court	91838	Police vs. AAIB	Southern highway accident	Trial is on
8	Civil Appeal High Court	WP/HCCA/COL/302 & 312	Bank Of Ceylon vs. AAIB	Investments and Investment Interest	The appeal was dismissed with costs

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
FOR THE 31st DECEMBER 2016

NOTE 1 - NON CURRENT ASSETS

											Rs. Cts.
	Cost as at 31.12.2015	Cost Addition	Cost of Write back Assets	Disposal Assets 31.12.2016	Cost as at 31.12.2016	Accum.Dep as at 31.12.2015	Disposal Assets Accum.Deprn 31.12.2016	Dep For the Year	Dep of the Write back Assets	Accum.Dep as at 31.12.2016	W.D.V as at 31.12.2016
ASSETS											
FURNITURE & FITTINGS	9,461,937.83	468,315.00		21,405.00	9,908,847.83	7,862,226.48	21,405.00	359,856.19		8,200,677.67	1,708,170.16
OFFICE EQUIPMENTS	11,103,793.88	659,832.50		139,065.00	11,624,561.38	9,587,613.79	139,065.00	445,767.96		9,894,316.75	1,730,244.63
MOTOR VEHICLE	65,415,174.13		170,775.00		65,585,949.13	39,151,097.01		5,893,336.18	170,775.00	45,215,208.19	20,370,740.94
WELFARE EQUIPMENTS	553,636.00	37,900.00		12,745.00	578,791.00	373,800.54	11,380.00	43,071.33		405,491.87	173,299.13
COMPUTER EQUIPMENTS	9,973,160.89	1,609,634.66		9,500.00	11,573,295.55	6,283,182.63	7,045.83	1,108,434.63		7,384,571.43	4,188,724.12
TELEPHONE	1,655,617.50				1,655,617.50	1,600,116.83		16,574.00		1,616,690.83	38,926.67
MOTOR BICYCLE	146,300.00				146,300.00	146,300.00				146,300.00	
BUILDING	5,639,880.28	2,000,000.00			7,639,880.28	3,704,712.63		240,720.09		3,945,432.72	3,694,447.56
PUBLICITY EQUIPMENTS	1,925,248.12	207,069.57		47,799.36	2,084,518.33	1,607,447.14	27,882.96	102,010.48		1,681,574.66	402,943.67
BICYCLE	121,227.95				121,227.95	117,510.62		2,788.00		120,298.62	929.33
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	
	106,447,486.43	4,982,751.73	170,775.00	230,514.36	111,370,498.80	70,885,517.52	206,778.79	8,212,558.86	170,775.00	79,062,072.59	32,308,426.20

Note

Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs. 63,513,946.48 as at 31st December 2016

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
FOR THE 31st DECEMBER 2016			
		31.12.2016	31.12.2015
		Rs. Cts.	Rs. Cts.
<u>NOTE 2 - CURRENT ASSETS</u>			
<u>Note 2.1 - Stock</u>			
Printing Materials		2,862,437.14	3,278,877.60
Stationary		667,415.92	420,275.57
		3,529,853.06	3,699,153.17
<u>Note 2.2 - Receivables</u>			
Staff Loans & Advance		38,758,195.64	33,180,006.84
Motor cycle loan		128,898.45	150,435.47
Salary Receivables		342,023.38	342,023.38
Staff Special Loan - 2004		4,800.00	4,800.00
Life insurance premium Receivable		176,242,010.00	163,187,680.00
Sundry Debtors		51,542.75	51,542.75
Receivables from C. W. E		256,520.00	256,520.00
Motor cycle Expenses (Staff) -		2,566.70	2,566.70
Farmers Pension Scheme (Admin)		85,512,905.66	88,590,184.58
Fisheries Pension Scheme		21,842,501.57	17,143,233.96
Farmers Pension Scheme (Capital)		1,877,357.56	1,961,460.94
Farmers Pension Advance		365,724,524.46	331,963,805.45
Provision for bad debtors		(1,937,909.78)	(1,659,000.34)
Vehicle Sale proceeds		-	1,535,000.00
		688,805,936.39	636,710,259.73
<u>Note 2.3 Receivable Premium</u>			
Paddy		5,611,950.30	13,721,397.60
Subsidiary Crop		3,733,887.35	4,971,862.80
Livestock		1,133,227.00	1,133,227.00
Suwasettha and Personal		360,756.80	1,532,809.53
		10,839,821.45	21,359,296.93
<u>NOTE 2.4 - Deposits & Pre Payment</u>			
Deposit - (Fuel)		100,000.00	100,000.00
Deposit - (Transport)		5,000.00	5,000.00
Insurance		-	4,246.57
Rent		4,462,672.00	4,052,672.00
		4,567,672.00	4,161,918.57

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
FOR THE 31st DECEMBER 2016			
		31.12.2016	31.12.2015
		Rs. Cts.	Rs. Cts.
<u>Note 2.5 - Advances</u>			
Traveling Advance		8,000.00	8,000.00
Fuel Advance		95,919.70	62,060.45
Salary Advance		50,261.41	50,261.41
Miscellaneous Advance		1,035.00	1,035.00
Capital Advance		565,800.00	1,565,800.00
District Admin.acct		709.13	709.13
		721,725.24	1,687,865.99
<u>Note 2.6 - Financial Instruments Held to Maturity</u>			
Treasury Bills		813,479,039.13	381,981,745.65
		813,479,039.13	381,981,745.65
<u>Note 2.7 - Cash at Bank</u>			
B. O C A/C -164811		7,778.79	360,440.55
B.O.C A/C - 164667		925,773.42	595,747.05
B.O.C A/C -164693		289,589.71	683,855.31
B.O.C A/C -1622		508,140.37	150,509.38
B.O.C A/C -1616		7,695,970.17	2,581,491.65
B.O.C A/C -8600879		321,597.68	455,092.93
B.O.C A/C -8600818		289,119.69	295,128.48
P.B A/C -112352		260,705.40	525,617.25
P.B. A/C -112343		99,206.27	118,981.61
P.B A/C - 100440112349		941,578.88	743,719.51
P.B A/C - 100260112349		-	77,586.70
P.B A/C - 100350112349		-	39,324.52
P.B A/C - 100170112349		735,143.69	988,237.35
P.B A/C -335100190008791		13,035.46	18,623,778.56
P/B A/C - 335100280008791		60,005.61	52,994.24
P/B A/C - 100530112349		74,785.02	3,567,070.77
RDB A/C- 134010103277		7,076,366.04	386,549.19
		19,298,796.20	30,246,125.05

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
<u>FOR THE 31st DECEMBER 2016</u>			
		31.12.2016	31.12.2015
		Rs. Cts.	Rs. Cts.
<u>NOTE 3 - A.A.I.B. ACCUMULATED SURPLUS</u>			
B / F Balance		(15,014,976.36)	(1,766,817.31)
Prior Year Adjustment		-	(22,006,327.64)
Adjusted Balance on 31.12.2015		(15,014,976.36)	(23,773,144.95)
Less:			
Surplus(Deficit) for the year		339,904,758.44	8,758,168.59
Balance as at 31.12.2016		324,889,782.08	(15,014,976.36)
<u>NOTE 4 - CAPITAL</u>			
Govt. Grant For Capital			
Balance as at 01.01.2016		10,360,425.10	9,038,545.41
Add:			
Grant for the year		4,000,000.00	4,000,000.00
Amortizations Gov. Grant		(3,156,572.07)	(2,678,120.31)
Balance as at 31.12.2016		11,203,853.03	10,360,425.10

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
FOR THE 31st DECEMBER 2016			
		31.12.2016	31.12.2015
		Rs. Cts.	Rs. Cts.
<u>NOTE 5 - A.I.B. RESERVE FUND</u>			
Balance as at 01.01.2016		20,228,458.84	18,231,729.70
Add:			
Provision for the year		18,885,837.46	1,996,729.14
Balance as at 31.12.2016		39,114,296.31	20,228,458.84
<u>NOTE 6 - FARMERS DEATH GRATUITY FUND</u>			
Balance as at 01.01.2016		758,129,705.36	709,386,616.19
Add :			
Death Gratuity Premium		14,907,330.00	27,011,280.00
Interest Income		44,277,238.38	27,499,809.17
		59,184,568.38	54,511,089.17
Less :			
Death Gratuity Payment		1,754,000.00	5,502,000.00
Disablement Gratuity Payment		99,000.00	266,000.00
		1,853,000.00	5,768,000.00
Balance as at 31.12.2016		815,461,273.74	758,129,705.36

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
FOR THE 31st DECEMBER 2016			
		31.12.2016	31.12.2015
		Rs. Cts.	Rs. Cts.
<u>NOTE 7 - CURRENT LIABILITIES</u>			
<u>Note 7.1 - Pre - Premium Receipts</u>			
Pre - Premium - Livestock		2,272,548.45	1,614,809.73
Pre - Premium - Kethata Aruna		-	64,652,940.19
		2,272,548.45	66,267,749.92
<u>Note 7.2 - Other Payables</u>			
Provision for Employee Allowance		1,550,000.00	750,000.00
Payable LECO		-	876,333.33
Payable Abans		-	84,000.00
Refundable Tender deposits		840,000.00	390,000.00
Payable PAYE		-	2,550.00
Payable EPF & ETF		13,358,010.81	21,729,892.05
NITF		40,598,098.85	
		56,346,109.66	23,832,775.38
<u>Note 7.3 - Accrued Expenses</u>			
Admin. Expenses	7.3.1	3,950,634.25	6,485,216.88
Incentive - Crop Insurance		1,615,550.50	1,539,299.52
		5,566,184.75	8,024,516.40
<u>Note 7.4 - Provision For Indemnity</u>			
Paddy		150,000,000.00	46,192,500.00
Livestock		8,000,000.00	8,000,000.00
Suwasetha and Agri Equipment		1,000,000.00	900,000.00
Subsidiary Crops		35,000,000.00	23,362,000.00
Kethata Aruna		37,801,963.32	71,500,000.00
		231,801,963.32	149,954,500.00

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE ACCOUNTS			
FOR THE 31st DECEMBER 2016			
		31.12.2016	31.12.2015
		Rs. Cts.	Rs. Cts.
<u>Note 7.3.1 - Accrued Expenses</u>			
Electricity		213,858.82	198,087.50
Security Charges		70,700.00	67,150.00
Rent		989,906.00	1,112,587.92
Maintenance of Motor Vehicles		276,169.00	237,409.75
Traveling & Subsistence		301,934.00	664,009.00
Salaries		975,499.21	1,155,462.38
E.P.F		-	84,258.50
E.T.F		-	21,064.63
Overtime		-	211,510.00
Daily Pay		-	36,383.00
Publicity		-	-
Stationary		-	267,840.61
Telephone		325,823.83	244,733.26
Water Bill		13,885.41	27,385.83
Audit Fees		500,000.00	1,094,935.00
Fuel		-	55,505.00
Uniform		1,800.00	7,200.00
Welfare		-	2,538.00
Labour Charges		11,000.00	1,000.00
Payable Computer Expenses		-	19,640.00
Transport Expenses		-	2,100.00
Translation Fees		-	1,250.00
Payable Main Building		37,189.00	275,100.00
Payable Printing		-	525,100.00
Payable Postage		-	8,860.00
Sundry Creditors		165,130.03	161,213.00
Payable Office Equipment		7,708.95	-
Payable Entertainment		-	2,893.50
Payable Newspapers		60,030.00	
		3,950,634.25	6,485,216.88

AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE INCOME STATEMENT			
FOR THE 31st DECEMBER 2016			
		31.12.2016	31.12.2015
		Rs. Cts.	Rs. Cts.
<u>NOTE 8 - REVENUE</u>			
<u>Note 8.1 - Premium - (Insurance)</u>			
Paddy		64,746,711.93	79,873,594.43
Livestock		10,568,714.03	9,008,734.09
Suwasetha Insurance/ Personal Accidents		15,614,578.28	16,430,597.23
Subsidiary Crops		30,093,579.76	24,719,145.41
Agri equipments		7,807,272.71	1,087,327.77
Tractor Sales Commission		11,619.69	-
Kethata Aruna		602,796,526.19	1,006,393,825.67
		731,639,002.59	1,137,513,224.60
Kethata Aruna -Operational Income		5,400,172.83	-
		737,039,175.42	1,137,513,224.60
<u>Note 8.2- Interest Income</u>			
Interest - Treasury bills (Crops & Other)		43,699,039.50	17,117,426.75
- Loans to employees		1,470,822.14	1,442,868.06
		45,169,861.64	18,560,294.81
<u>NOTE 9 - OPERATIONAL EXPENDITURE</u>			
<u>Note 9.1 - Indemnity - Insurance</u>			
Paddy		182,796,108.00	139,394,443.33
Livestock		5,995,774.79	7,562,341.49
Suwasetha Insurance		803,121.81	423,748.50
Subsidiary Crops		41,593,690.15	43,589,285.00
Kethata Aruna		163,353,001.67	913,238,082.78
		394,541,696.42	1,104,207,901.10
<u>Note 9.2 - Other Operational Expenses</u>			
Insurance Incentive		7,668,585.93	8,325,661.42
Admin. Allowances		16,560.00	15,660.00
Crop Assessment		407,039.00	1,406,454.99
Livestock		1,858,406.47	2,183,259.01
		9,950,591.40	11,931,035.42
<u>NOTE 10 - OTHER INCOME</u>			
Disposal of Fixed assets		(11,980.57)	5,613,057.50
Amortization of Government Grant		2,319,222.69	1,910,660.45
Sundry Income		204,396.91	200,487.65
Provision of Bad Debts		-	83,641.66
		2,511,639.03	7,807,847.26

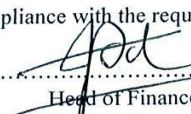
AGRICULTURAL & AGRARIAN INSURANCE BOARD			
AGRICULTURE INSURANCE SCHEME			
NOTES TO THE INCOME STATEMENT			
FOR THE 31st DECEMBER 2016			
		31.12.2016	31.12.2015
		Rs. Cts.	Rs. Cts.
<u>NOTE 11 - ADMINISTRATIVE EXPENSES</u>			
Salaries & Wages		77,547,719.23	72,189,216.38
Contribution E.P.F.		6,734,940.08	6,304,833.15
Contribution E.T.F.		1,683,759.96	1,576,208.28
Traveling & Subsistence		2,628,395.50	1,718,054.58
Overtime		948,634.64	2,583,437.39
Daily Pay		90,347.00	245,841.50
Medical Expenses		644,334.00	641,468.00
Allowance to Board Members		344,074.80	184,080.00
Gratuity		4,753,247.82	3,756,213.74
Welfare		1,886,477.37	652,651.84
Allowance to employees		1,347,500.00	1,370,750.00
Fuel		4,918,327.75	4,405,683.75
Stationery		1,857,632.64	2,036,735.99
Entertainment Allowance		345,180.97	228,246.36
Legal Fees		166,803.00	38,460.00
Transport		264,216.60	583,196.00
Printing		1,470,839.22	2,969,016.86
Publicity & Training		4,888,403.27	4,585,678.14
Uniform		147,637.50	272,558.65
Rent		8,075,198.31	7,038,773.53
Telephone		1,967,667.03	1,243,784.40
Postage		639,629.60	491,842.52
Water		211,032.57	208,892.34
News paper & Advertisement		348,083.00	715,872.50
Security		767,575.01	692,737.51
Electricity		1,919,857.27	1,435,703.08
Maintenance - Motor Vehicles		7,146,460.61	4,896,620.60
Maintenance - Buildings		140,530.36	774,765.18
Maintenance - Office Equipments		732,093.22	229,493.07
Labour Charges		299,265.00	240,726.75
Translation Fees		160,958.50	106,034.00
Computer Expenses		8,955.00	197,973.75
Miscellaneous Expenses		8,070.00	15,388.50
Depreciation		8,212,558.87	4,186,968.77
Audit Fees		330,139.00	400,000.00
Foreign Travelling		100,000.00	1,838,906.77
		144,015,454.14	131,056,813.88
<u>NOTE 12 - FINANCE CHARGES</u>			
Bank Charges		387,633.47	917,074.11
		387,633.47	917,074.11

Financial Statements as at 31 December 2016
Farmers' Pension and Social Security Benefits Scheme

AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2016

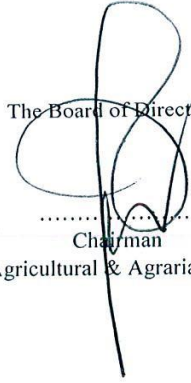
<u>ASSETS</u>	<u>Note</u>	<u>31.12.2016</u>		<u>31.12.2015</u>	
		Rs.	Cts.	Rs.	Cts.
<u>Non - Current Assets</u>					
Plant, Property & Equipment	1	1,877,356.52		1,961,459.90	
		<u>1,877,356.52</u>		<u>1,961,459.90</u>	
<u>Held to maturity Investment</u>					
Treasury Bond		1,089,638,590.88		1,105,827,499.92	
		<u>1,089,638,590.88</u>		<u>1,105,827,499.92</u>	
<u>Current Assets</u>					
Stock	2	1,930,676.59		2,214,372.58	
Receivables	3	24,141,665.20		36,376,027.20	
Held to maturity Investment	4	45,418,691.69		47,567,075.86	
Receivable Income	5	3,901,242.60		4,885,853.00	
Cash at Bank	6	2,704,569.21		2,862,558.17	
		<u>78,096,845.29</u>		<u>93,905,886.81</u>	
TOTAL ASSETS		<u><u>1,169,612,792.69</u></u>		<u><u>1,201,694,846.63</u></u>	
<u>EQUITY & LIABILITIES</u>					
<u>Capital & Reserves</u>					
Farmer's Pension Fund	7	-64,075,011,808.80		-60,714,518,840.20	
Govt. Grant for Capital	8	1,877,357.56		1,961,460.94	
F.A.O Grant		547,885.14		547,885.14	
Group Insurance Contribution		1,000,000.00		1,000,000.00	
		<u>-64,071,586,566.10</u>		<u>-60,711,009,494.12</u>	
<u>Non - Current Liabilities</u>					
Pension Liability		59,572,164,879.00		56,279,695,153.00	
Government Grant on Treasury Bond		1,081,488,000.00		1,081,488,000.00	
Provision for Staff Gratuity		35,547,037.43		39,495,968.47	
		<u>60,689,199,916.43</u>		<u>57,400,679,121.47</u>	
<u>Current Liabilities</u>					
Current Payables	9	4,532,366,039.40		4,486,255,008.07	
Accrued Expenses	10	19,633,402.96		25,770,211.21	
		<u>4,551,999,442.36</u>		<u>4,512,025,219.28</u>	
TOTAL EQUITY & LIABILITIES		<u><u>1,169,612,792.69</u></u>		<u><u>1,201,694,846.63</u></u>	

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

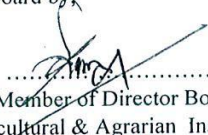


 Head of Finance

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



 Chairman
 Agricultural & Agrarian Insurance Board



 Member of Director Board
 Agricultural & Agrarian Insurance Board

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
STATEMENT OF COMPREHENSIVE INCOME					
FOR THE YEAR ENDED 31ST DECEMBER 2016					
		31.12.2016		31.12.2015	
		Rs.	Cts.	Rs.	Cts.
<u>REVENUE</u>	<u>Note</u>				
Interest Income		95,553,480.81		101,600,293.98	
Farmers Contribution		122,030,545.29		59,804,880.19	
Farmers Contribution for Life Insurance Premium		4,049,850.00		4,757,790.00	
		221,633,876.10		166,162,964.17	
<u>Expenses</u>					
Refund of Contribution		(10,396,491.50)		(9,539,156.00)	
Refund of Net Interest		(5,799,106.31)		(5,701,157.00)	
Disablement Gratuity Payment		(1,372,330.00)		(1,332,928.00)	
Group Insurance Premium		(14,907,330.00)		(27,011,280.00)	
Pension Payments & Commission					
- Pension Payments		(2,611,078,145.00)		(2,380,815,023.66)	
- Commission Payments		(9,470,212.00)		(7,817,180.00)	
Total Expenditure		(2,653,023,614.81)		(2,432,216,724.66)	
Operating Surplus/(Deficit)		(2,431,389,738.71)		(2,266,053,760.49)	
Government Grant-Recurrent		2,450,000,000.00		2,090,000,000.00	
		18,610,261.29		(176,053,760.49)	
Amortization of Govt. Grant		837,349.38		767,459.86	
		19,447,610.67		(175,286,300.63)	
<u>INCOME - for Administration</u>					
Farmer's Contribution for Admin. Expenses		2,024,925.00		2,378,895.00	
Govt. Grant for Admin Expenses		120,000,000.00		93,000,000.00	
Other Income	11	18,890.00		24,670.00	
		122,043,815.00		95,403,565.00	
<u>Expenses</u>					
Administration & Establishment Expenses	12	(119,538,084.32)		(113,042,007.94)	
Financial Expenses	13	(95,037,057.11)		(55,934,454.06)	
Commission for Collection Agents		(946,722.00)		(1,111,960.00)	
Total Admin Expenses		(215,521,863.43)		(170,088,422.00)	
		(93,478,048.43)		(74,684,857.00)	
Surplus/Deficit for the year		(74,030,437.76)		(249,971,157.63)	
Other comprehensive income					
Gratuity gains / (losses)		9,346,333.16		3,063,252.25	
Increase in Pension Liability		(3,292,469,726.00)		(3,196,452,064.00)	
		(3,283,123,392.84)		(3,193,388,811.75)	
Net Surplus /Deficit of the Comprehensive income		(3,357,153,830.60)		(3,443,359,969.38)	
(Transferred to Farmer's Pension Fund)					

AGRICULTURAL & AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2016

		Rs.
Description	Farmer's Pension Fund	Govt. Grant for Capital Expenses
Balance as at 01 January 2014	(53,971,641,746)	1,628,268
Additions		1,265,010
Amortization of Govt. Grant		(612,868)
Profit/Loss for the year	(3,281,960,985)	-
Prior Adjustment	4,173,752	
Balance as at 31st December 2014	(57,249,428,979)	2,280,410
Additions	-	448,511
Amortization of Govt. Grant		(767,460)
Prior Adjustment	(21,729,892)	-
Profit/Loss for the year	(3,443,359,969)	-
Balance as at 31st Dec. 2015	(60,714,518,840)	1,961,461
Prior year adjustment	(3,339,138)	-
Adjusted Balance as at 31st Dec. 2015	(60,717,857,978)	1,961,461
Additions		753,246
Amortization of Govt. Grant		(837,349)
Profit/Loss for the year	(3,357,153,831)	-
Balance as at 31st Dec. 2016	(64,075,011,809)	1,877,358

AGRICULTURE & AGRARIAN INSURANCE BOARD		
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME		
CASH FLOW STATEMENT		
FOR THE YEAR ENDED 31ST DECEMBER 2016		
	<u>31.12.2016</u>	<u>31.12.2015</u>
<u>Cash Flows from Operating Activities</u>		
Net Surplus / (Deficit)	(3,357,153,831)	(3,443,359,969)
Adjustment for		
- Depreciation	837,349	767,460
- (Gain) /Loss on sale of Property Plant & Equipment	(1,200)	-
- Adjustments in respect of Prior Year	(3,339,138)	(21,729,892)
-Gain /loss on gratuity	(9,346,333)	(3,063,252)
	(11,849,322)	(24,025,684)
Provision for Retiring Gratuity	5,577,347	4,237,130
Pension Liability	3,292,469,726	3,196,452,064
	3,298,047,073	3,200,689,194
Operating Profit before working capital changes	(70,956,079)	(266,696,460)
(Increase)/ Decrease in Inventories	283,696	(212,981)
(Increase)/ Decrease in Receivables	12,234,362	(3,819,272)
(Increase)/ Decrease in Receivable Income	984,610	1,260,637
Increase / (Decrease) Other Payables	46,111,031	78,228,843
Increase / (Decrease) Accrued Expenses	(6,136,808)	22,226,409
	53,476,891	97,683,636
Cash Generated from Operations	(17,479,188)	(169,012,824)
Retiring Gratuity - Paid	(179,945)	-
Net Cash Flows from Operating Activities	(17,659,133)	(169,012,824)
<u>Cash Flows from Investing Activities</u>		
Investments during the year	2,148,384	152,067,802
Proceeds from the disposal of property, plant and Equipment	1,200	-
Purchases of Property, Plant & Equipment	(753,246)	(448,511)
Net Cash Flows from Investing Activities	1,396,338	151,619,290
<u>Cash Flows from Financing Activities</u>		
Government Grant for Capital Expenditure	753,246	448,511
Amortization for government grant	(837,349)	(767,460)
Government Bond	16,188,909	14,916,465
Government Grant for Treasury Bond	-	-
Net Cash Flows from Financing Activities	16,104,806	14,597,516
Net Increase / (Decrease) in Cash & Cash Equivalents	(157,989)	(2,796,018)
Cash & Bank Balance at the Beginning of the year	2,862,558	5,658,576
Cash & Cash equivalents at the End of the year	2,704,569	2,862,558
Cash & Bank Balance at the end of the year		
Cash at Bank - End of the year	2,704,569	2,862,558

Agricultural and Agrarian Insurance Board
Farmer's Pension & Social Security Benefits Scheme
Significant Accounting Policies
For the Year Ended 31st December 2016

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.30,786,572.48 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 5years on the straight line method.

2.3 Inventories

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

2.4 Financial Assets

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

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

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

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

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

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

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

(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.

1-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.

2-Prior Year Adjustments

The details of the prior year adjustments are as follows.

Outstanding Postage charges on distribution of Pension Payment vouchers to Postal Department from 2014-2015 Rs. 3,339,138.00

3-Contingencies

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

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

NOTES TO THE FINANCIAL STATEMENTS

NOTE-01

PLANT, PROPERTY & EQUIPMENT AS AT 31ST DECEMBER 2016

DESCRIPTION	MOTOR VEHICLE	OFFICE EQUIPMENT	WELFARE EQUIPMENT	FURNITURE & FITTINGS	AIR CONDITIONERS	COMPUTERS	PUBLICITY EQUIPMENT	COMPUTER SOFTWARE	TOTAL
COST AS AT 1 ST JANUARY 2016	2,102,060.70	1,620,558.04	22,330.75	1,059,088.53	527,397.74	26,054,431.74	422,837.14	1,475,000.00	33,283,704.64
ADDITION		14,400.00	-	480,246.00	199,800.00	58,800.00	-	-	753,246.00
LESS: DISPOSAL	-	-	-	-	-	(534,776.24)	-	-	(534,776.24)
TOTAL COST	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
DEPRECIATION RATE %	20%	10%	10%	10%	20%	20%	10%	20%	
ACCUMULATED DEP : AS AT 1st JANUARY 2016	2,102,060.70	1,619,348.04	20,430.75	808,379.59	361,530.46	24,807,658.06	422,837.14	1,180,000.00	31,322,244.74
LESS: DISPOSAL						(534,776.24)			(534,776.24)
DEPRECIATION FOR THE YEAR 2016	-	1,715.00	950.00	61,551.33	46,772.22	431,360.83	-	295,000.00	837,349.38
TOTAL DEPRECIATION	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
NET VALUE	-	13,895.00	950.00	669,403.61	318,895.06	874,212.85	-	-	1,877,356.52

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

NOTES TO THE FINANCIAL STATEMENTS

	<u>31.12.2016</u>		<u>31.12.2015</u>	
	Rs.	Cts.	Rs.	Cts.
<u>NOTE 02 - STOCKS</u>				
Printing Materials	1,928,010.81		2,125,022.06	
Stationary Stock	2,665.78		89,350.52	
	<u>1,930,676.59</u>		<u>2,214,372.58</u>	
<u>NOTE 03 - RECEIVABLES</u>				
Receivables from Collection Agents	686,979.20		686,979.20	
Receivable from Postal Department	23,454,686.00		35,689,048.00	
	<u>24,141,665.20</u>		<u>36,376,027.20</u>	
<u>NOTE 04 - HELD TO MATURITY INVESTMENT</u>				
Treasury Bills - P.B	45,418,691.69		47,567,075.86	
	<u>45,418,691.69</u>		<u>47,567,075.86</u>	
<u>NOTE 05- RECEIVABLE INCOME</u>				
Farmer's Contribution	3,278,802.60		4,077,203.00	
Farmer's Contribution for Life Insurance Premium	414,960.00		539,100.00	
Farmer's Contribution for Admin. Income	207,480.00		269,550.00	
	<u>3,901,242.60</u>		<u>4,885,853.00</u>	
<u>NOTE 06 - CASH AT BANK</u>				
A/C No.100150112345 - P/B Union Place	1,660,942.90		1,541,453.62	
A/C No. 100180112344 - P/B Union Place	252,901.91		370,525.91	
A/C No. 100130112351 - P/B Union Place	307,798.33		314,440.14	
A/C No. 100110112347 - P/B Union Place	411,755.57		600,887.40	
A/C No. 8403704 - B.O.C Union Place	68,003.50		24,684.10	
Collection Accounts	3,167.00		10,567.00	
	<u>2,704,569.21</u>		<u>2,862,558.17</u>	
<u>NOTE - 07- FARMER'S PENSION FUND</u>				
Balance B/F	(60,714,518,840.20)		(57,249,428,978.77)	
Prior Year Adjustment	(3,339,138.00)		(21,729,892.05)	
	<u>(60,717,857,978.20)</u>		<u>(57,271,158,870.82)</u>	
<u>Add/ (Less)</u>				
Total Revenue over Expenditure	(3,357,153,830.60)		(3,443,359,969.38)	
	<u>(64,075,011,808.80)</u>		<u>(60,714,518,840.20)</u>	

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
NOTES TO THE FINANCIAL STATEMENTS					
		<u>31.12.2016</u>		<u>31.12.2015</u>	
		Rs.	Cts.	Rs.	Cts.
<u>NOTE - 8 - GOVT. GRANT FOR CAPITAL EXPENDITURE</u>					
Balance B/F		1,961,460.94		2,280,409.68	
Add / (Less):					
Amortization of Govt. Grant		(837,349.38)		(767,459.86)	
Addition during the year		753,246.00		448,511.12	
Balance C/F		<u>1,877,357.56</u>		<u>1,961,460.94</u>	
<u>NOTE 9 - PAYABLES</u>					
Agency Commission		96,824.00		125,790.00	
Staff Security Deposit		152,100.00		154,600.00	
A.A.I.B. Current A/C		85,512,905.66		88,590,184.58	
Pension Payment		3,241,125,668.00		3,260,216,029.00	
Pension Commission		14,001,380.00		13,694,665.00	
Group Insurance Premium		176,242,010.00		163,187,680.00	
Loan for Pension Payment					
- Fisheries Pension Scheme		649,510,627.28		628,322,254.04	
- AAIB		365,724,524.46		331,963,805.45	
		<u>4,532,366,039.40</u>		<u>4,486,255,008.07</u>	
<u>NOTE 10- ACCRUED EXPENSES</u>					
Provision for Printing Charges		651,771.16		531,771.16	
Accrued Expenses		1,991,590.00		126,517.00	
Staff ETF & EPF Payable		13,358,010.80		21,729,892.05	
Provision for Audit fees					
- Previous year		3,382,031.00		3,132,031.00	
- Current year		250,000.00		250,000.00	
		<u>19,633,402.96</u>		<u>25,770,211.21</u>	

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT S SCHEME			
NOTES TO THE FINANCIAL STATEMENTS			
		31.12.2016	31.12.2015
		Rs. Cts.	Rs. Cts.
<u>NOTE 11 - OTHER INCOME</u>			
Sundry Income		17,690.00	24,670.00
Disposal Income		1,200.00	-
		18,890.00	24,670.00
<u>NOTE 12 - ADMINISTRATION EXPENSES</u>			
Salaries & Wages		75,596,720.81	72,189,216.37
E.P.F.		6,734,940.09	6,304,833.14
E.T.F.		1,683,759.96	1,576,208.28
Traveling & Subsistence		2,024,527.50	1,718,954.58
Over Time		1,144,528.65	2,916,614.56
Daily Pay		115,379.25	284,940.50
Medical Expenses		644,334.00	641,468.00
Gratuity		5,577,347.12	4,237,129.83
T.A.C. Allowances		-	-
Staff welfare		1,886,477.37	652,651.83
Legal Fees		250,204.50	57,690.00
Staff Uniform		138,276.00	261,656.29
Allowance to Board Members		229,383.20	168,620.00
Consultation Fees		64,200.00	112,000.00
Labour Charges		-	5,000.00
Rent		4,433,008.22	5,119,108.03
Telephone		957,105.00	904,570.47
Postage		3,022,057.70	941,760.46
Security		166,980.00	184,730.00
Electricity		1,085,192.46	1,044,147.69
Water Bill		133,281.27	151,921.71
Audit Fees		250,000.00	250,000.00
Translation Fees		-	-
Fuel		2,122,675.48	2,047,609.01
Awareness & Training		1,670,000.83	2,129,189.53
Printing		1,315,086.25	1,026,979.26
Stationery & Consumables		1,958,772.06	1,995,681.77
Entertainments		233,390.64	157,426.24
Main. of Motor Vehicle		4,621,494.36	3,436,224.98
Main. of Building		48,110.80	563,465.60
Main. of Office Equipment		191,113.42	61,198.15
Main. of Computer & Software		402,388.00	1,133,551.80
Depreciation		837,349.38	767,459.86
		119,538,084.32	113,042,007.94
<u>NOTE 13 - FINANCE & OTHER</u>			
Loan Interest		94,949,092.25	55,865,248.65
Bank Charges		87,964.86	69,205.41
		95,037,057.11	55,934,454.06

**Financial Statements as at 31 December 2016
Fishermen's Pension and Social Security Benefit
Scheme**

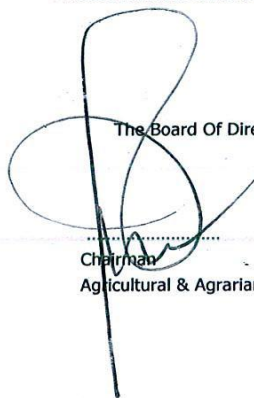
**AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2016**

	<u>Note</u>	<u>31.12.2016</u>		<u>31.12.2015</u>	
		Rs.	Cts.	Rs.	Cts.
<u>ASSETS</u>					
<u>Non - Current Assets</u>					
Plant , Property & Equipment	1	33,350.62		38,519.62	
		<u>33,350.62</u>		<u>38,519.62</u>	
<u>Current Assets</u>					
Stock	2	191,245.12		191,083.33	
Receivables	3	651,060,627.28		629,872,254.04	
held to Maturity Investment	4	11,210,577.22		22,677,475.96	
Cash at Bank	5	661,258.18		1,416,310.83	
		<u>663,123,707.80</u>		<u>654,157,124.16</u>	
TOTAL ASSETS		<u>663,157,058.42</u>		<u>654,195,643.78</u>	
<u>EQUITY & LIABILITIES</u>					
<u>Capital & Reserves</u>					
Fishermen's Pension Fund	6	(2,418,370,198.12)		(2,174,633,659.27)	
Death Gratuity Fund	7	24,012,849.70		22,780,199.70	
		<u>(2,394,357,348.42)</u>		<u>(2,151,853,459.57)</u>	
<u>Non - Current Liabilities</u>					
Pension Liability		3,030,671,473.87		2,784,156,361.14	
Provision for Staff Gratuity		991,497.90		1,182,885.23	
		<u>3,031,662,971.77</u>		<u>2,785,339,246.37</u>	
<u>Current Liabilities</u>					
Total Payables	8	23,763,410.07		18,871,831.98	
Accrued Expenses	9	2,088,025.00		1,838,025.00	
		<u>25,851,435.07</u>		<u>20,709,856.98</u>	
TOTAL EQUITY & LIABILITIES		<u>663,157,058.42</u>		<u>654,195,643.78</u>	

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


Head of Finance

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


Chairman
Agricultural & Agrarian Insurance Board


Member of Director Board
Agricultural & Agrarian Insurance Board

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
<u>STATEMENT OF COMPREHENSIVE INCOME</u>					
<u>FOR THE YEAR ENDED 31ST DECEMBER 2016</u>					
		31.12.2016		31.12.2015	
		Rs.	Cts.	Rs.	Cts.
	<i>Note</i>				
Interest Income		63,046,647.85		38,040,716.65	
Fishermen's Contribution		928,732.00		1,030,292.00	
		63,975,379.85		39,071,008.65	
Less:					
Interest Income trf. to Admin Exp.		(3,500,000.00)		(3,500,000.00)	
Total Revenue for Fund		60,475,379.85		35,571,008.65	
<u>Less: EXPENDITURE</u>					
Refund of Net Contribution		(778,647.00)		(412,085.00)	
Refund of Net Interest		(907,875.00)		(475,881.00)	
Incentive Payment		(63,361.00)		(65,604.00)	
Group Insurance Premium		(1,761,650.00)		(1,763,390.00)	
Pension Payments & Commission					
- Pension Payments		(53,821,700.00)		(47,418,578.00)	
- Commission for Pension Payments		(636,915.00)		(562,740.00)	
Total Expenditure		(57,970,148.00)		(50,698,278.00)	
Operational Surplus/ Deficit		2,505,231.85		(15,127,269.35)	
<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		-		-	
		5,000,000.00		5,000,000.00	
		7,505,231.85		(10,127,269.35)	
<u>Less: Expenses</u>					
Admin: & Establishment Expenses	10	5,077,139.86		5,015,930.43	
Finance Charges	11	7,500.00		4,093.00	
Total Admin Expenses		5,084,639.86		5,020,023.43	
Profit/ (loss) for the year		2,420,591.99		(15,147,292.78)	
<u>Other Comprehensive Income</u>					
Gratuity gains/ (loss)		357,981.89		28,657.88	
Increase of Pension Liability		(246,515,112.73)		(228,488,809.14)	
		(246,157,130.84)		(228,460,151.26)	
Total Comprehensive Income For the year		(243,736,538.85)		(243,607,444.04)	

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
STATEMENT OF CHANGES IN EQUITY			
FOR THE YEAR ENDED 31ST DECEMBER 2016			
	Fishermen's Pension Fund	Death Gratuity Fund	Total
Balance as at 31 st December 2014	(1,930,371,414.21)	21,525,809.70	(1,908,845,604.51)
Prior year Adjustment	(654,801.02)	-	(654,801.02)
Balance as at 31 st Dec. 2014	(1,931,026,215.23)	21,525,809.70	(1,909,500,405.53)
Additions during the year - 2015			
Net Surplus	(243,607,444.04)		(243,607,444.04)
Income Over Expenditure - life Insurance	-	1,254,390.00	1,254,390.00
Balance as at 31 st Dec. 2015	(2,174,633,659.27)	22,780,199.70	(2,151,853,459.57)
		-	-
Adjusted Balance as at 31 st Dec. 2015	(2,174,633,659.27)	-	(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 31st Dec 2016	(2,418,370,198.12)	24,012,849.70	(2,394,357,348.42)

AGRICULTURAL AND AGRARIAN INSURANCE BOARD				
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME				
CASH FLOW STATEMENT				
FOR THE YEAR ENDED 31ST DECEMBER 2016				
	31.12.2016		31.12.2015	
	Rs.	Cts.	Rs.	Cts.
Cash flows from Operating actives				
Net Surplus	(243,736,538.85)		(243,607,444.04)	
Adjustments For				
Depreciation	5,169.00		4,032.38	
Adjustments in respect of Prior Year	-		(654,801.02)	
Deficit/ Gain on Gratuity	(357,981.89)		(28,657.88)	
Increase Pension Liability	246,515,112.73		228,488,809.14	
Provision for Retiring Gratuity	166,594.56		123,667.53	
Operating profit before working capital changes	2,592,355.55		(15,674,393.89)	
(Increase) / Decrease in Inventories	(161.79)		(1,877.06)	
(Increase) / Decrease in Receivables	(21,188,373.24)		16,420,155.43	
(Increase) / Decrease in Other Payables	4,891,578.09		3,850,451.60	
(Increase) / Decrease in Accrued expenses	250,000.00		247,000.00	
	(16,046,956.94)		20,515,729.97	
Cash Generated from operation Activities	(13,454,601.39)		4,841,336.08	
Retiring Gratuity - Paid	-		-	
Net Cash Flows from Operating Activities	(13,454,601.39)		4,841,336.08	
Cash Flows from Investing Activities				
Financial Instrument	11,466,898.74		(6,027,521.94)	
Purchases of Property, Plant & Equipment	-		(41,720.00)	
Contribution for group insurance scheme	1,761,650.00		1,763,390.00	
Benefits during the year	(529,000.00)		(509,000.00)	
Net Cash flows from Investing Activities	12,699,548.74		(4,814,851.94)	
Cash Flows from financing Activities				
	-		-	
Net Cash Flows from Financing Activities	-		-	
Net Increase / (Decrease) in cash & Cash Equivalents	(755,052.65)		26,484.14	
Cash & Cash equivalents at Beginning of the year	1,416,310.83		1,389,826.69	
	661,258.18		1,416,310.83	
Cash& Bank balance at the end of the year				
Cash at Bank - 31.12.2016	661,258.18		1,416,310.83	

Agricultural and Agrarian Insurance Board
Fisherman's Pension & Social Security Benefits Scheme
Significant Accounting Policies
For the Year Ended 31st December 2016

1-General Policies

1-1Reporting Entity

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

1-2Principal Activities and Nature of Operations

Operating a pension and social security benefits scheme for fishermen.

1-3Basis 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

2-1Property, 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%

2-2Intangible 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.

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

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

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

(j) Loans & Receivables

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

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

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

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

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

(I) Available-for-Sale Financial Investment

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

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

2-5 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 to.

3-3 Capital Commitments and Contingent Liabilities

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

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

3-4 Liability of Fishermen's Pension Fund

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

4-Statement of Comprehensive Income

4-1 Revenue

c) The revenue of the scheme represents the income from Pension Premium, Interest Income from Treasury Bills and other miscellaneous income.

d) All income from collection of premier has been recognized on as cash basis.

4-2 Revenue Recognition

d) Pension premier revenue is recognized at the time of enrollment.

e) The above revenue is on cash basis and matched with the related expenditure.

f) Interest income is accrued on a time basis.

4-3 Accounting for Government Grants

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

4-4 Expenditure

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

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

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

5-Cash Flow Statement

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

6-Events After the Reporting Date

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

7. 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.

8. Contingencies

Receivable Interest

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

The details as follows.

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

The Appeal was dismissed with costs.

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

NOTES TO THE FINANCIAL STATEMENTS

Note - 01

PLANT, PROPERTY & EQUIPMENT AS AT 31ST DECEMBER 2016

Description	Office Equipment	Welfare Equipment	Furniture & Fittings	Computers	Total
Cost of as at 1 st Jan. 2016	383,978.50	1,325.00	78,876.92	269,485.00	733,665.42
Add. Addition	-	-	-	-	-
Less. Disposals	-	-	-	-	-
Total Cost as at 31st Dec. 2016	383,978.50	1,325.00	78,876.92	269,485.00	733,665.42
Depreciation Rate	10%	10%	10%	20%	
Accumulated Dep. As at 1 st January 2016	380,877.46	1,325.00	52,514.42	260,428.92	695,145.80
Less. Disposals	-	-	-	-	-
Depreciation for the year	325.00		2,850.00	1,994.00	5,169.00
Total Depreciation	381,202.46	1,325.00	55,364.42	262,422.92	700,314.80
Net Value	2,776.04	-	23,512.50	7,062.08	33,350.62

Property Plant & Equipment include fully depreciated assets that are still in use having a historical cost amounts to 691,945.42 as at 31st December 2016.

AGRICULTURAL AND AGRARIAN INSURANCE BOARD			
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME			
<u>NOTES TO THE FINANCIAL STATEMENTS</u>			
<u>AS AT 31.12.2016</u>			
		<u>31.12.2016</u>	<u>31.12.2015</u>
<u>NOTE 02 - STOCKS</u>		Rs. Cts.	Rs. Cts.
Printing Materials		191,245.12	191,083.33
		<u>191,245.12</u>	<u>191,083.33</u>
<u>NOTE 03 - RECEIVABLES</u>			
Farmers Pension Loan		649,510,627.28	628,322,254.04
Receivable -Department of FSH		1,500,000.00	1,500,000.00
Death Gratuity Advance		50,000.00	50,000.00
		<u>651,060,627.28</u>	<u>629,872,254.04</u>
<u>NOTE 04 -</u>			
<u>FINANCIAL INSTRUMENTS HELD TO MATURITY</u>			
Treasury Bills - B.O.C		11,210,577.22	22,677,475.96
		<u>11,210,577.22</u>	<u>22,677,475.96</u>
<u>NOTE 05 - CASH AT BANK</u>			
A/C No. 164790 BOC Union Place		200,411.11	241,298.20
A/C No. 164795 BOC Union Place		416,512.07	711,493.63
Collection Accounts		44,335.00	463,519.00
		<u>661,258.18</u>	<u>1,416,310.83</u>
<u>NOTE 06 - FISHERMEN'S PENSION FUND</u>			
Balance B/F		(2,174,633,659.27)	(1,930,371,414.21)
PV of Pension Liability - Up to 2009			
Previous Year Adjustment		-	(654,801.02)
		(2,174,633,659.27)	(1,931,026,215.23)
<u>Addition during the year</u>			
Total Surplus/(Deficit) for the year		(243,736,538.85)	(243,607,444.04)
		(2,418,370,198.12)	(2,174,633,659.27)
		<u>(2,418,370,198.12)</u>	<u>(2,174,633,659.27)</u>

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
<u>NOTES TO THE FINANCIAL STATEMENTS</u>					
<u>AS AT 31.12.2016</u>					
		<u>31.12.2016</u>		<u>31.12.2015</u>	
		Rs.	Cts.	Rs.	Cts.
<u>NOTE 7 - DEATH GRATUITY FUND</u>					
Balance B/F		22,780,199.70		21,525,809.70	
<u>Add:</u>					
Contribution for the year		1,761,650.00		1,763,390.00	
<u>Less:</u>					
Death Gratuity Payments		(529,000.00)		(509,000.00)	
		(529,000.00)		(509,000.00)	
		<u>1,232,650.00</u>		<u>1,254,390.00</u>	
		<u>24,012,849.70</u>		<u>22,780,199.70</u>	
<u>NOTE 08 - PAYABLES</u>					
Payable - Pension Payment		762,063.00		491,037.00	
Payable - Agricultural Insurance scheme		21,842,501.57		17,143,233.96	
Payable - Refundable Contribution		242,839.00		191,473.00	
Payable - Death Gratuity		180,000.00		150,000.00	
Payable - Disable Gratuity		-		-	
Payable - Incentivemen		12,636.00		15,686.00	
Payable - Refund interest on Contributions		190,799.00		225,601.00	
Payable - EPF / ETF		532,571.50		654,801.02	
		<u>23,763,410.07</u>		<u>18,871,831.98</u>	
<u>NOTE 9 - ACCRUED EXPENSES</u>					
Printing Charges		465,000.00		390,000.00	
Legal Fees		17,000.00		17,000.00	
Provision for Audit Fees		1,606,025.00		1,431,025.00	
		<u>2,088,025.00</u>		<u>1,838,025.00</u>	

AGRICULTURAL AND AGRARIAN INSURANCE BOARD					
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME					
<u>NOTES TO THE FINANCIAL STATEMENTS</u>					
<u>AS AT 31.12.2016</u>					
		<u>31.12.2016</u>		<u>31.12.2015</u>	
		Rs.	Cts.	Rs.	Cts.
<u>NOTE 10 - ADMINISTRATION EXPENSES</u>					
Salaries & Wages		2,166,131.75		2,118,216.77	
Contribution E.P.F.		205,316.51		207,527.72	
Contribution E.T.F.		51,279.22		51,881.93	
Over Time		37,229.00		110,972.28	
Allowance to TAC Members		-		-	
Special Allowances		521,928.00		506,928.00	
Gratuity		166,594.56		123,667.53	
Daily Pay		21,656.75		29,851.00	
Fuel		144,656.70		129,578.93	
Stationery		74,305.31		81,469.44	
Printing		153,338.21		102,122.94	
Staff Uniform		5,761.50		10,902.35	
Rent		554,126.03		639,888.50	
Telephone		119,638.13		113,071.31	
Postage		79,953.70		61,480.32	
Water Bill		16,660.16		18,990.21	
Security		41,745.00		46,182.50	
Electricity		135,649.06		130,518.46	
Main. of Motor Vehicle		346,612.08		257,716.87	
Main. of Building		6,013.85		70,433.20	
Main. of Office Equipment		47,778.34		15,299.54	
Computer Expenses		597.00		13,198.25	
Depreciation		5,169.00		4,032.38	
Audit Fees		175,000.00		172,000.00	
		5,077,139.86		5,015,930.43	
<u>NOTE 11 - FINANCE CHARGES</u>					
Bank Charges		7,500.00		4,093.00	
		7,500.00		4,093.00	



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கணக்காய்வாளர் தலைமை அ்திபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } ඒපීඑල්/ඊ/ඒපීඅයිබී/1/16/18 }
 எனது இல. } உமது இல. }
 My No. } Your No. }

දිනය } 2017 ජූලි 31 දින }
 திகதி } Date }

සහාපති,
 කෘෂිකාර්මික හා ගොවිජන රක්ෂණ මණ්ඩලය.

කෘෂිකාර්මික හා ගොවිජන රක්ෂණ යෝජනා ක්‍රමයේ 2016 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 2017 ජූලි 13 දිනැති ලිපියට යොමුවේ.

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


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අතිරේක විගණකාධිපති
 විගණකාධිපති වෙනුවට.

- පිටපත් : 1. ලේකම් - කෘෂිකාර්ම අමාත්‍යාංශය
 ලේකම් - මුදල් හා ජනමාධ්‍ය අමාත්‍යාංශය



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } AGL/E/AAIB/1/16/18
எனது இல. }

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உமது இல. }

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திகதி }

13 July 2017

The Chairman,
Agricultural and Agrarian Insurance Board

Report of the Auditor General on the Consolidated Financial Statements of the Agricultural and Agrarian Insurance Scheme for the year ended 31 December 2016 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Agricultural and Agrarian Insurance Scheme for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 28 of the Agricultural and Agrarian Insurance Act, No. 20 of 1999. My comments and observations which I consider should be published with the annual report of the Board in terms of Section 14 (2) (c) of the Finance Act, appear in this report. A detailed Report in terms of Section 13(7)(a) of the Finance Act, was furnished to the Chairman of the Board on 23 May 2017.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform



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

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

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

1.4 **Basis for Qualified Opinion**

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

2. **Financial Statements**

2.1 **Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Agricultural and Agrarian Insurance Scheme as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 01

- (i) The loan amounting to Rs.365,724,524 granted to the Farmers' Pension Scheme and the loans amounting to Rs.85,512,906 and Rs.21,842,502 granted to the Farmers' and the Fishermen's Pension Schemes respectively for incurring administration expenditure out of the funds of the Agricultural and Agrarian Insurance Scheme in the years 2010 and 2011 had not been settled within a period of 12 months. Nevertheless, it had been shown under the current assets in the statement of financial position.
- (ii) Although a sum of Rs.100,000,000 had been granted to the Fund of the Agricultural and Agrarian Insurance Scheme by the National Insurance Trust Fund to pay the compensation to the paddy farmers during the year under review, it had not been revealed by the notes to the accounts.

(b) Sri Lanka Accounting Standard 16

As the useful life of the non-current assets had not been reviewed annually, 14 motor vehicles costing Rs.20,999,567 were further being used despite being fully depreciated. Accordingly, action had not been taken to revise the estimated error in terms of the Sri Lanka Accounting Standard 8.

(c) Sri Lanka Accounting Standard 24

The disclosures required to be made had not been made in terms of the Sections 17,18 and 19 of the Standard on the related party transactions with the Farmers' Pension Scheme and the Fishermen's Pension Scheme.

(d) Sri Lanka Accounting Standard 37

Although provisions amounting to Rs.14,907,330 had been made for the Farmers' Death Gratuity Fund during the year under review, an actuarial assessment had not been made on the actual farmer contributors.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Although the accrued expenditure of the year under review had been stated as Rs.3,950,634 in the account, it was established as Rs. 4,118,005 in the examination of the payment vouchers on the sample basis. Accordingly, the accrued expenditure had been understated by Rs.167,371.
- (b) As the audit fees amounting to Rs.925,074 paid for auditing the Farmers' Pension Scheme and the Fishermen's Pension Scheme had been debited to the Payable Audit Fees Account of the Agricultural and Agrarian Insurance Scheme, the payable audit fees had been understated by that amount.
- (c) Fuel advances, the balance of which was Rs.55,700 according to the schedule had been stated as Rs.95,920 under the current assets and as such current assets had been overstated by Rs.40,220.
- (d) Having computed the operating expenditure of 10 per cent in respect of compensation of Rs.16,693,960 not paid even by 12 June 2017 up on the approval granted to obtain 10 per cent in relation to the compensation paid out of the funds of the National Insurance Trust Fund as the operating expenditure of the Scheme, a sum of Rs. 1,669,396 had been brought to account as the income of the Scheme. Therefore, the surplus of the year had been overstated by that amount.



2.2.3 Lack of Evidence for Audit

The schedules for the establishment of the receivable insurance premium valued at Rs.10,839,821 and the payable sundry creditors valued at Rs.165,130 had not been furnished to Audit.

2.2.4 Accounts Receivable and Payable

The following observations are made.

- (a) Employees' loans and advances aggregating Rs. 676,104 had been brought forward in the accounts over a period from 5 to 25 years without being recovered. Action had not been taken to recover those loan balances from the employees' gratuity or the guarantors.

- (b) A receivable balance totalling Rs.708,347 had been brought forward over a period from 5 to 12 years without being settled. .

- (c) In the recovery of contributions of the farmers' pensions by the Farmers' Pension Scheme, although the insurance premium collected at Rs.30 for a season for the insurance should be remitted to the Agricultural and Agrarian Insurance Scheme, it had not been so done. As a result, the insurance premiums totalling Rs.176,242,010 had remained receivable as at the end of the year under review, whereas action had not been taken to obtain that amount to the Scheme.



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

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

Reference to Laws, Rules, Regulation etc.	Non-Compliance
(a) Public Finance Circular No. 03/2015 dated 14 July 2015 Regulation 371	(i) Even though the maximum limit of an ad-hoc imprest was Rs.100,000, it was observed that advances ranging from Rs.140,000 to Rs.198,000 had been granted irrespective of the above limit in 06 instances. (ii) As advances had been obtained without preparing an expenditure estimate, 10 instances were observed where an amount ranging from 36 per cent to 81 per cent out of the advance obtained had been retained idle in hand over a period from 10 to 28 days and settled thereafter.
(b) Management Services Circular No. DMS/34 (ii) dated 30 March 2010.	Contrary to the Circular, Subsistence Allowance subject to a maximum of Rs.2,500 per day had been paid to the Assistant/ Deputy Directors of the Board in engaging in the field duties upon the decision taken at the 414 th Board of Directors meeting held on 29 December 2009.



3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Scheme during the year under review had resulted in a surplus of Rs.355,825,300 as compared with the corresponding surplus of Rs.8,768,542 for the preceding year, thus showing an improvement of Rs.347,056,758 in the financial results of the year under review as compared with the preceding year. The above improvement was mainly attributed to the decrease in the payment of compensation of the Kethata Aruna Fertilizer Subsidy Programme by Rs.749,885,081 and increase in the investment income by Rs.26,609,567.

In analyzing the financial results of the year under review and 04 preceding years, the deficits were revealed in the years 2012 and 2013 and the financial surpluses were revealed in the other years. When taking into consideration the employees' remuneration and the depreciation for the non-current assets, the contribution of the Scheme amounting to Rs.36,411,337 in the year 2012 had become a negative value of Rs.25,696,859 in the year 2013 and thereafter a ceaseless increase was observed up to Rs.442,624,561 by the year 2016.

4 Operating Review

4.1 Performance

The main objectives of the Scheme shall be to establish and operate a comprehensive insurance scheme for the benefit of agriculturists, in respect of crops, including plantation crops, medicinal plants, fisheries, forestry and livestock, agricultural equipment, storage and preservation of agricultural and horticultural produce and the products of medicinal plants and fisheries and forest produce and to operate medical benefits and social security schemes for the benefit of agriculturists.



The following matters were observed on the achievement of these objectives.

(a) Physical and Financial Progress

- (i) The achievement of the physical and financial targets of the Livestock, Stocks, Agricultural Equipment, Suwasetha and the third party insurance schemes had been less than 50 per cent.
- (ii) Attention had not been drawn on facilitating benefits to the farmers through the establishment of insurance schemes for fisheries and forest products.
- (iii) Attention had not been focused on the identification of new competitive insurance schemes requirements and implementation of new insurance schemes.
- (iv) Action had not been taken to introduce more effective insurance schemes by studying the loan schemes granted to the agriculturists by the commercial banks and encourage the farmers to involve in insurance schemes.
- (v) Action should be taken to ensure the stability of the agriculturists by way of insuring storage. Although the expectation was to insure 275 storages during the year under review, only 1 storage had been insured. Hence, the service required to be rendered by the institution had not been properly accomplished.

(b) Third Party Insurance Schemes

Under the scheme of the fulfilment of the third party insurance needs of the agriculturists, although a targeted income of Rs.27,950,000 at Rs. 50,000 per month from each centre was expected from 559 Agrarian Services Centers through the representatives appointed to those centers, the actual income of the year was Rs.8,474,131. Nevertheless, due to the other operating expenditure being high, the net income had been Rs.1,957,342. Accordingly, it was observed that the



benefits were not at an adequate level and the institution had failed to reach the expected targets.

(c) Special Maize Project

As the premium of Rs.1,350 of the Special Maize Project implemented in Anuradhapura District had been revised as Rs.750, the income expected for 5386 farmers had been deprived and the Scheme had to pay indemnity of Rs.3,346,619 exceeding the income.

4.2 Management Activities

Having repaired motor vehicles existed in 12 District Offices, 08 vehicles had been retained in the Head Office as the pool vehicles and only 04 drivers had been assigned therefor. Further, motor vehicles had been obtained on monthly hire basis of Rs.30,000 for the duties of the District Offices on the approval of the Board of Directors and a sum of Rs.4,020,000 had been paid thereon during the year under review.

4.3 Operating Activities

A sum of Rs.1,429,977 had been spent to obtain 1918 hotline to the Agricultural Workforce established in the Ministry of Agriculture in order to inform the hazardous caused to the cultivations of the farmers as a result of unfavourable weather conditions. The institution had received 276 calls during the year under review, whereas the institution had not taken action to maintain records on the steps taken thereon in an updated manner.

4.4 Uneconomic Transactions

The following observations are made.

- (a) As the project for the construction of an office building to the Board had been abandoned, the payment of Rs.565,800 made to the Sri Lanka Land Reclamation & Development Corporation on 04 June 2008 as the drainage charges had become an



uneconomic expenditure. It had been further stated as capital advances under the current assets in the financial statements.

- (b) Two persons who were not the officers of the Scheme had been paid sums totalling Rs.100,000 on the Board of Directors Decision No.474/13 dated 08 July 2016 in respect of participated in the Malaysian tour on agricultural activities from 16 to 25 April 2016 that had been arranged under the sponsorship of a non-governmental organization.

4.5 Identified Losses

The following observations are made.

- (a) A sum totalling Rs.194,604 could not be recovered from the insurance in respect of 4 motor vehicle accidents caused in the year 2015 and 2016. For the damage caused to the road due to Van accident caused on 08 December 2015, a sum of Rs.282,461 had to be paid to the Road Development Authority.
- (b) In the computation of contribution to the Employees Provident Fund and the Employees Trust Fund according to Section 47 of the Employees Provident Fund Act No.15 of 1958 and Section 16 of the Employees Trust Fund Act No.46 of 1980, computations had been made without including the cost of living allowance. Hence, the arrears of the contribution of the employee and the employer from January 2006 to April 2013 amounting to Rs.29,409,723 and the surcharge of Rs.14,704,862 had been paid.

4.6 Idle and Underutilized Assets

An official quarters situated in Ambilipitiya had remained idle over a period of 30 years without carrying out the necessary repairs.



4.7 Staff Administration

The following observations are made.

- (a) There were 424 approved posts of the institution by the end of the year under review and out of that 113 vacancies of 12 designations had not been filled.
- (b) Action had not been taken to obtain the relevant approval of the Department of Management Services for the amended scheme of recruitment and promotion approved by the Scheme on 30 July 2015 by considering the future human resources needs even by 30 May 2017, the date of audit.
- (c) According to the scheme of recruitment approved by the Department of Management Services, the qualifications required for the post of permanent post of Assistant Director (Marketing) had been indicated as the possession of a degree and the age limit of not less than 25 years and not more than 45 years. Nevertheless, an officer of 54 years old had been recruited on contract basis upon the G.C.E. (O.L) results without publishing newspaper advertisements.
- (d) Without obtaining the approval of the Department of Management Services, four officers had been recruited on contract basis to the post of Business Development Manager which was not included in the approved cadre of the Board for the implementation of the Third Party Insurance Scheme. Payments totalling Rs.4,482,919 had been paid during the year under review comprising an allowance of Rs.40,000, vehicle allowance of Rs.35,000, a fuel allowance similar to 250 liters and 0.5 per cent commission of the collected income per month.

5. Accountability and Good Governance

5.1 Corporate Plan

Action had not been taken to consider the weaknesses identified according to the Corporate Plan, 2014-2016 of the Scheme prepared in accordance with the Paragraph 5.1(a) of the Circular No. PFD/RED/01/04 dated 17 February 2014 of the Ministry of



Finance and Planning and to avoid those weaknesses and the Human Resources Development Plan had not been furnished to Audit as required by the Paragraph 5.2 (c).

5.2 Budgetary Control

A variance ranging from 23 per cent to 78 per cent was observed between the budgeted and actual figures of the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.3 Unresolved Audit Paragraphs

Although it had been informed by the Letter No. PE/IN/AAIB/COPE/2016 dated 31 August 2016 of the Department of Public Enterprises in terms of 13th minutes of the Committee on Public Enterprises held on 26 February 2016 that the officers of the Scheme cannot obtain other allowance in addition to the salaries and allowances entitled to the relevant post, contrary to that directive, a sum of Rs.521,928, Rs.772,550 and Rs.9,950,591 had been paid as Fishermen's Pension Special Allowance, Famers' Pension Special Allowance and insurance commission and incentives respectively in the year 2016.

6. Systems and Controls

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

Areas of System and Control	Observations
(a) Accounting	Weaknesses in the recognition of income
(b) Control of Income	(i) Non-compliance of the methodology of collecting income with the approved system. (ii) Weaknesses in the recovery of receivable balances.



- | | |
|-----------------------|---|
| (c) Assets Management | Underutilization of assets. |
| (d) Staff Management | Unapproved appointments and the delays in filling vacancies. |
| (e) Financial Control | (i) Payment of advances exceeding the limits.
(ii) Grant of advances without considering whether advances obtained had been settled. |

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M.Gamimni Wijesinghe
Auditor General



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } ඒපීඑල්/ඊ/එස්පීඑස්/1/16/06
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ගොවි විශ්‍රාම වැටුප් හා සමාජ ආරක්ෂණ ප්‍රතිලාභ ආදායමක් 2016 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 2017 මැයි 31 දිනැති ලිපියට යොමුවේ.

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


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



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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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Date }

31 May 2017

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 2016 in term of Section 14(2)(c) of the Finance Act, No. 39 of 1971

The audit of financial statements of the Farmer's Pensions and Social Security Benefit Scheme for the year ended 31 December 2016, comprising the statement of financial position as at 31 December 2016 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(4) of the Farmer's Pensions and Social Security Benefit Scheme Act No. 12 of 1987. My comments and observations which I consider should be published with the Annual Report of the Corporation 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 on 17 April 2017.

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

+94-11-2887028-34

+94-11-2887223

oaggov@sltnet.lk

www.auditorgeneral.gov.lk



1.3 Auditor's Responsibility

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

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

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



2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in Paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Farmers Pensions and Social Security Benefit Scheme as at 31 December 2016 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 Treasury Contribution to the Scheme

The farmers contribution income in the years 2015 and 2016 amounted to Rs.22.3 million and Rs.35.2 million respectively, whereas the farmers pension expenditure amounted to Rs.2,380 million and Rs.2,611 million respectively. The payment of pensions as against the contributions in the years 2015 and 2016 had increased by 10,572 per cent and 7,318 per cent respectively and as such the Treasury had spent sums of Rs.2,090 million and Rs.2,450 million in the years 2015 and 2016 respectively for the payment of pensions. Accordingly, it was observed in audit that without Treasury contributions the Scheme could not be operated.

2.2.2 Sri Lanka Accounting Standards (SLAS)

(a) Sri Lanka Accounting Standard 01

- (i) Even though loans and interest thereon amounting to Rs.649,510,627 and Rs.365,724,524 obtained from the Fisheries Pensions Fund and the Agricultural Insurance Fund in the years 2010 and 2011 respectively were not settled within 12 months, they had been shown under current liabilities.



(ii) Additional information on items relating to the comprehensive income statements should be disclosed by notes to the accounts, action in respect of a sum of Rs.92,907,000 deducted in making payments of pensions of farmer contributors which had been included in the balance of Rs.122,030,545 taken into income, had not been taken accordingly.

(iii) A payable pension totalling Rs.3,033,329,200 for the years 2012 and 2013 had been included in the accounts without being settled even by the end of the year under review. This had not been disclosed by notes to accounts.

(b) **Sri Lanka Accounting Standard 16**

As the useful life of non-current assets is not reviewed annually. Motor vehicles costing Rs.2,102,060 and the Publicity equipment, costing Rs.422,187 had been fully depreciated but still being used. Accordingly, the estimated error had not been revised in terms of Sri Lanka Accounting Standard 08.

(c) **Sri Lanka Accounting Standard 20**

The capital grants of Rs.547,885 received from an institution prior to the year 1989 had not been amortized in terms of Section 26 of the standard.

(d) **Sri Lanka Accounting Standard 24**

Sufficient information in respect of the value of Rs.176,242,010 payable to the Agricultural Insurance Fund for the group life insurance had not been disclosed by notes to accounts in terms of Section 12 to 18 of the standard.

(e) **Sri Lanka Accounting Standard 37**

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, employees turnover, 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.

2.2.3 Accounting Deficiencies

Instead of crediting the unpaid pensions in the year under review totalling Rs.84,242,398 to the Pensions Payable Account, it had been credited to the payment of pensions account and as such the payment of pensions account had been understated by that amount. As the interest receivable on Treasury Bills amounting to Rs.176,430 had been omitted, the interest income and investments had been under accounted by that amount.

2.2.4 Lack of Evidence for Audit

Copies of agreements which included interest recovered on loans of Rs.518,000,000 and Rs.295,230,441 granted to the farmers Pensions Fund in the year 2010 and 2011 by the Fisheries Pensions Fund and the Agricultural Insurance Fund respectively and other conditions were not made available for audit.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Audit fees totalling Rs.3,632,031 payable had been continuously brought forward in the accounts without being settled for more than a period of 10 years.
- (b) The balance payable on loans granted to the Farmers Pensions Scheme from the Agricultural Insurance Fund as at 31 December 2016 amounted to Rs.365,724,524. Action had not been taken to repay the loan since the year 2012. After adjusting the interest accumulated due to non-payment of the loan for 4 years, that loan had increased by Rs.110,494,083 or 43 per cent as at 31 December 2016.



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

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances
<hr/>	
<u>Farmers Pensions and Social Security Benefit Scheme Act No.12 of 1987.</u>	
(a) Section 15	In terms of the provisions of the Act, the cancellation of membership of members who evaded the payment of installments 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.
(b) Section 20	Although the consultation committee should consists of 12 members, only 9 members had been appointed for the year 2016.

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.74,030,438 as compared with the deficit of Rs.249,971,158 for the preceding year thus indicating an improvement of Rs.175,940,720 in the financial results in the year under review as compared with the preceding year. Being the total abatements deducted in making payments of pensions to farmer contributors amounting to Rs.92,907,000 growing up the farmers contribution, increase



of government contribution by Rs.360,000,000 and the increase of government grants for administrative expenses by Rs.27,000,000 had mainly attributed to this improvement.

4. Operation Review

4.1 Performance

It was stated as the key objective of the establishment of the Scheme that the payment of an allowance as an economically support to farmers engaged in farming, when they become partially disability or total disability resulting that they can not do their occupation, payment of a dead donation at a demise and a payment of a pension in terms of the period when completed the age of 60 years. The following observations are made in this regard.

- (a) Even though it was planned to enroll 1025 farmers in 25 districts for this Scheme in terms of the annual action plan, that plan had not been implemented.
- (b) In the year under review 117, farmers had resigned from the Scheme and the membership of 1,483 farmers had been rescinded from the Scheme on non-payment of installments in the year under review. As action had not been taken to inform the members about the cancellation of membership, certain members had paid installments again. Although the rescinded membership had not been renewed again, life insurance premium of Rs.30 had also been recovered from them.
- (c) As the personal details of farmer's and the contributions received from farmers were not properly updated in granting benefits in the computer system, information to review the progress of the Scheme could not be ascertained.



- (d) Installment money received had not been input to the Computer System neither in the Head Office not in District Officers. Even though certain farmers had paid the 30th installments, only the 12th installments had been recorded in the Scheme last time. Action had not been taken to computerize the installments received after the year 2012.
- (e) Net installment applications received by the Farmers Pensions Division from District Officers had not been documented. According to the information obtained by audit, 757 net installment applications had been sent to the Scheme from 13 District Offices during the period from January to September 2016. However, payments for those applications had not been made up to October 2016.
- (f) In terms of Paragraph 13(2)(b) of the extra ordinary gazette No.1853/49 dated 14 March 2014, a sum of Rs.50 had been deducted each month from the monthly pensions paid to the pensioner. As a result, the pension payable to the farmers had decreased by Rs.50. Action taken in respect of this money had not been revealed by the gazette notification.

4.2. Financial Management

The following observations are made.

- (a) According to the letter of the Deputy Director (Finance) dated 12 June 2013, farmer contributions should be remitted to Head Office within one week. Nevertheless, a test check carried out observed that cash had been remitted by District Offices with delays ranging from 01 month to 11 months.



- (b) According to the Farmers Pensions Circular No.75 dated 20 June 2008, cheques relevant to unclaimed pensions should be sent to the Board on the first day of the ensuing month. However, as District accounts offices of Colombo, Gampaha, Kandy and Matara had not taken action accordingly and as such cash amounting to Rs.15,518,159 belonged to the Board had remained idle in those accounts office for more than 3 months.

4.3. Management Activities

The following observations are made.

- (a) According to the gazette extraordinary No.1853/49 of 14 March 2014, the new pensions had been paid according to the new scheme should be implemented since 01 January 2014. Although pensions had been paid according to the new scheme, the recoveries had been made in terms of old pensions scheme. Accordingly, pensions of Rs.5,047,717,835 had been paid during the period from January 2014 to December 2016 and only a sum of Rs.63,061,562 had been recovered as contributions.
- (b) The Board had not taken to follow an adequate and proper methodology to improve the membership by enrolling new members to the scheme from the year 2012 to 2016.

4.4. 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 11 District Offices out of 25 Districts, despite the information of members of the new pensions scheme implemented since January 2014, required to be up dated.



which should be given to the fisher folk efficiently, effectively from the Fishermen's Pension and Social Security Benefit Scheme .

5. Accountability and Good Governance

5.1 Budgetary Control

Significant variances from 30 per cent to 133 per cent were observed between the budgeted and actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

<u>Area of Systems and Control</u>	<u>Observations</u>
(a) Unpaid Pensions	Action not taken to call up unpaid pensions timely.
(b) Management Information System	Due to Non-updating of the system, inability of having required reports to the management.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M. Gamini Wijesingha
 Auditor General



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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


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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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திகதி } 22 May 2017
Date }

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 2016 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 2016 comprising the statement of financial position as at 31 December 2016, 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(4) of the Fishermen's Pension and Social Security Benefit Scheme Act, No. 23 of 1990. 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 was issued to the Chairman of the Board in terms of Section 13(7) (a) of Finance Act on 30 March 2017.

1.2 Management's Responsibility for the Financial Statements

The 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, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

+94-11-2887028-34

+94-11-2887223

oaggov@sltnet.lk

www.auditorgeneral.gov.lk



1.3 Auditor's Responsibility

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

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

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Fishermen's Pension and Social Security Benefit Scheme as at 31 December 2016 and its



financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Going Concern of Pension Scheme

The provision made available to the income for the pension liability amounting to Rs. 3,030,671,474 and it had been an increase of 8.85 per cent more than to the preceding year. As a result of that the negative net asset position of the Scheme as at 31 December 2016 was increased to Rs. 2,394,357,348. Accordingly, there was a possibility to increase this provision in future years too and it would be adversely affected to the going concern of the Scheme.

2.2.2 Sri Lanka Accounting Standards

The following non-adhering with Sri Lanka Accounting Standards are observed in audit.

(a) Sri Lanka Accounting Standard 01

Even though the loan granted to the Division of Farmers' Pension amounting to Rs. 649,510,627 and the loan amounted to Rs.21,842,502 taken from the Agricultural Insurance Board also had not been settled within 12 months, it had been presented as current assets and liabilities.

(b) Sri Lanka Accounting Standard 37

The assessment of actuarial should be timely carried out for the liabilities of pensions of active contributors and fishermen pensioners, it had not been done after the year 2007. Therefore, Even though the number of pensioners and the active members had been decreased by 39 per cent in the year 2007 the provision relevant to that period had been increased by 144 per cent. Accordingly, it had not been considered about the matters which could be considerably attributed basic



components such as interest rate, recruitments, resignations, deaths, disabilities while making provision for the liabilities for pensions and the changes in active contributors and the fishermen pensioners.

2.2.3 Non-availability of Evidence for Audit

The copies of agreement had not been furnished to audit including the conditions in respect of those cash settlement and collecting interest for the loans granted to the Farmers' Pension Fund From Fishermen's Pension Fund amounting to Rs.649,510,627.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) The audit fees payable amounted to Rs.1,267,697 had been continuously carried forward without being recovered for many years.
- (b) Out of the loan granted for the Scheme of Farmers' Pension and Social Security Benefit in several instances from the year 2007, a balance of Rs. 649,510,627 (loan and interest) as at 31 December 2016 had been carried forward in the financial statements and the progress of recovering of those loans was at a very weak level.



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

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

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

Fishermen's Pension and Social Security Benefit Scheme Act, No. 23 of 1990

(a) Section 16

Action had not been taken to cancellation of the membership of members who had defaulted the payment of membership fee in terms of the Act and due to that reason the right to the contributor for re-validation of a cancelled certificate had been disentitled.

(b) Section 20

Although the Committee of Consultants should be consist of 12 members ,only 09 members had been appointed for that Committee for the year 2016.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operation of the Scheme for the year under review had resulted in a surplus of Rs. 2,420,592 as against the deficit of Rs.15,147,293 for the preceding year, thus indicating an improvement of Rs. 17,567,885 or 116 per cent in the financial results in the year under review compared to the preceding year.



The increase of the interest income by Rs. 25,005,931 during the year under review had mainly attributed to this improvement in the financial results .

3.2 Analytical Financial Review

The following observations are made.

- (a) The payment of pensions to the Scheme beyond the total contribution for the year under review was Rs. 52,892,968 or 5.697 per cent. The contribution of the fishermen in the year under review had been decreased by 10 per cent and the total payment of pensions by 14 per cent and the liability of pensions by 8.9 per cent had been increased when compared with the preceding year.
- (b) The interest receivable on loan granted to the Scheme was Rs. 61,188,373 and it was 97 per cent from the total interest income. The interest income on Treasury Bills was only 03 per cent.

4. Operating Review

4.1 Management Activities

The following observations are made.

- (a) Even though out of the pensions sent to the post offices monthly the amount un paid should be brought back from those offices as soon as possible after the time lapsed, it had not been done so by the Board.
- (b) Due to non- maintenance of Bio-data reports in respect of the contributors, names of the dead persons had been included in the registers of monthly pension payment. Hence the possibility of frauds and errors would have been occurred by purposely or by negligence at the instances of monthly pensions are being paid.



- (c) It had been mentioned in the Report of Meeting of Consultancy Committee on 30 November 2016 that the recruitment of fishermen , payment of pensions, gratuity for deaths and disability and the balance of the Fund only up to the month of October in the year under review. Even though it had been identified that the Fishermen's Pension Fund was being reached to a financial crisis from the year 2014 it had not been mentioned in the report that any matter such as what were the recommendations of the Consultancy Committee to face that crisis and the progress of implementation of them.
- (d) Even though it had been mentioned under the terms and privileges of the Deed Certificate issued to a contributor and under the instructions of pass book of installment payment the contribution money would not be accepted from a contributor who had disintitled for the benefits after as at the date , installments had been undertaken by the institution from the contributors who had disintitled for the benefits even after the date. Accordingly, a sufficient method for the achievement of the term enacted had not been implemented within the institution and infringement of foresaid terms had been done by the institution itself .

4.2 Performance

The Fishermen's Pension and Social Security Benefit Scheme had been established to the accomplishment of objectives such as to provide social security for fisher folk during old age or disability to them, to provide relief to dependents in the event of death of fishermen, encouraging the fishermen to continue in their livelihood, to attract young persons to the fishing industry , induce the habit of saving and promote thrift among fishermen. The following observations are made with regard to this.

- (a) Even though it had been lapsed 03 years after identifying the commencement of the circumstance of decline the Fund from the year 2014 consequently, and it would become zero in 2020 and also should be reorganized at the instance of preparation of the Corporate Plan 2014-2016, the institution had failed to carry out any reorganizing activity.



- (b) Even though it should be prepared an Action Plan for the year under review recruitment of fishermen and recover of contribution money had only been prepared. Despite there was a critical circumstance being occurred, a plan had not been prepared to face the possibility of such circumstance and to improve the Scheme identifying the strengths and weaknesses.
- (c) The attention of the Scheme had not been paid in respect of the achievement of the objectives such as stimulation of fishermen for engaged in livelihood themselves continuously, refer the youth towards the fisheries industry, induce of savings habit among the fishermen and improvement of thrift.
- (d) Even though it had been expected to charge contribution money amounting Rs.3,275,000 from the members during the year, the actual contribution money received was Rs. 928,732.
- (e) According to the Budget Estimate it was estimated that to recruit 150 new contributors to the Scheme during the year under review , only 86 contributors had been recruited. That was a decrease of 86 per cent as compared to the year 2012. Similarly, the number of 109 contributors had left the Scheme during the year under review. This circumstance had affected the going concern of the Fund adversely.
- (f) Even though the entire contribution to the Scheme for the year under review was Rs.1,251,221, due to the payment of entire pension amounting Rs.50,320,018, payment of net installment Rs.1,655,836 and payment of death and disability beneficiaries also Rs.441,000 , payment of Rs. 51,165,033 had been made from the Fund over the received contribution.
- (g) According to the matters such as the delay in payment of benefits for contributors, disentanglement of benefits unexpectedly the fishermen expected from the Scheme, non-updating of the information in respect of the contributors and less trend in encouraging due to the decline in recruitment in to the industry and diminishing in the habit of saving; a circumstance of non-accomplishment as expected the service



which should be given to the fisher folk efficiently, effectively from the Fishermen's Pension and Social Security Benefit Scheme .

5. Accountability and Good Governance

5.1 Budgetary Control

Significant variances from 30 per cent to 133 per cent were observed between the budgeted and actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

<u>Area of Systems and Control</u>	<u>Observations</u>
(a) Unpaid Pensions	Action not taken to call up unpaid pensions timely.
(b) Management Information System	Due to Non-updating of the system, inability of having required reports to the management.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M. Gamini Wijesingha
 Auditor General



காசிகார்திக தா தாைசத ரக்தலா தல்திடலத
கமத்ததாழில் மற்றும் கமநலக கார்ப்புறுதிச சபை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

லிடில சலலிட } ரக்தலா
தந்தி } ரக்தலா
Telegrams } Rakshana

267, ஸூகிண சலலிட, கலலூ 2.
267, யூனியன் இடம், கலலூ 2.
267, UNION PLACE, COLOMBO 2.
கல. சல. 21, த. ஡ெ. 21 **P.O. Box 21**

தரே ஂகலத
எமது இலககம்
My Ref. No.

2016/4/5/ஂ/ச/2

தரே ஂகலத
உமது இலககம்
Your Ref. No.

தலத
திகதி
Date } 2017-06-06

Audit Superintendent
Auditor General's Department
Colombo

Answering to Report 14 (2) (c) of the Year 2016 presented in respect of Agricultural Insurance Scheme

Answers for the Auditor General's report as regards the Agricultural Insurance Scheme for the year 2016 are submitted herewith as per Section 14(2) (c).

.....
Chairman
Agricultural and Agrarian Insurance Board

தரகலத
ததாலை஡ேசு
Telephones
லகக
஡ெககஸ்
Fax

சலலசு
தலலவர்
Chairman
448693 / 448694
449316

கலலதலகலக
஡ெது ஡ுகாமையாளர்
General Manager
438607
438607

஡லத காரலலத
தலலமையகம்
Head Office
448691-2 / 438606 / 430058

Answers for the Report of the Auditor General as per section 14(2) (c) of Finance Act No.38 of 1971 on the financial statements of the Agricultural Insurance Scheme for the year ended 31 December 2016

2. Financial Statements

2.1 Qualified Opinion

2.2 Comments on the financial statements

2.2.1 Sri Lanka Accounting Standards

(a) Sri Lanka Accounting Standards

- (i) Action will be taken to bring this loan into accounts as a loan receivable under the long term assets next year.
- (ii) This amount given to the Agricultural Insurance Fund from the National Insurance Trust Fund cannot be considered as a related party transaction and the amount to be paid to the National Insurance Trust Fund after the payment of compensation as at 31.12.2016 has been disclosed through Note 7.2.

(b) Sri Lanka Accounting Standard 16

As per Sri Lanka Accounting Standard 16, the policy of accounting the fixed assets of the Board is to account fixed assets on the value of the cost. Accordingly, these motor vehicles have been accounted on the cost basis.

(c) Sri Lanka Accounting Standard 24

Policies in respect of related parties have been disclosed under Note 07 and action will be taken for a detailed disclosure in the coming year.

(d) 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 11.

2.2.2 Accounting deficiencies

- (a) All accrued income that could be identified as at 31.12.2016 have been duly accounted.

- (b) Action will be taken to correct this in the next accounting year.
- (c) Action will be taken during the next accounting year to correct the debiting of fuel advances amounting to Rs. 40,220/- to the fuel account.
- (d) This compensation and the operational expenditure thereto payable as at 31.12.2016 have been correctly accounted.

2.2.3 Lack of evidence for the audit

Information in respect of receivable insurance premium was presented to the audit through cashbooks and receipts of 2017.

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 fund has become zero as of now and the provisions for the payment of farmers' pension is provided by the Treasury. The farmers pension fund is expected to be restructured to maintain it on a self-financing basis in future and steps will also be taken to recover the insurance premiums due to the Agricultural Insurance Fund.

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

- (a) All these imprests are special imprests provided for meals and accommodation of officers who were assigned to travel to other districts to execute the duties of the Board. Especially, these advances have been paid to groups of officers from the head office who visit district offices in instances where damages are caused to crops due to natural disasters for the prompt settlement of claims to indemnity and engage in duties over a long period of time.

- (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.

3. Financial Summary

3.1.1 Financial Outcome

4. Operational Review

4.1 Performance

(a) Physical and Financial Progress

- (i) Though the Board failed to achieve the progress planned during the year in respect of livestock, stocks, agricultural implements, Suwasetha and Third Party insurance schemes operated by the Board in addition to agricultural insurance activities, the income from these schemes has registered a growth of 28% compared to the year 2015. Through the expansion of the agents' network of the Board, action will be taken to enhance the progress of schemes such as the Third Party insurance scheme.
- (ii) The Board has paid serious attention on the introduction of new insurance schemes for the insurance of fishing boats and fishing gear and new insurance schemes are expected to be formulated in future in discharging the responsibilities entrusted to the Board by the Agricultural Insurance Act.
- (iii) Action is being pursued subsequent to agreement with the International Monetary Institution of the World Bank for the introduction of an index based insurance scheme. Under this programme, establishing Automated Weather Stations island-wide for obtaining weather and climatic data, formulating criteria required for the determination of the impact on various cultivations across the country due to the changes in weather patterns on the basis of data thus obtained, providing local and foreign training for the officials of the Board regarding this technology, designing the required computer systems and other related activities are now in progress.
- (iv) 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.
- (v) Necessary measures are to be taken in future for the expansion of the stores insurance scheme.

(b) Third-party insurance scheme

The third party insurance scheme launched in June 2015 earned an income of Rs. 8,474,131.10 during year 2016 indicating a year on year growth of 396.55%. During the first quarter of 2017 alone, a sum of Rs. 3,484,066/= was earned through this scheme and the expected targets are expected to be achieved through further expansion of the agents' network.

(c) This special project of maize cultivation for the Maha season of 2015/16 was implemented in the Anuradhapura district under the national food production programme of His Excellency the President.

This project was launched with the primary objective of granting relief to the farmer community. As a special concession in levying the insurance premium, a reduced premium was levied. Approval for this was secured through Board Paper No. 407/02.

This is a social security based project operated by the institution with no intention of making profits.

4.2 Management Activities

The management has already paid its attention on the existing driver vacancies in the Board and measures are to be taken in future to gradually fill these vacancies.

4.3 Operational Activities

This telephone hotline was put into operation by the Board for speedy gathering of details regarding the damages swiftly for the use of the Agricultural Task Force established by the Ministry of Agriculture for the prompt provision of relief to farmers affected by severe floods during the mid 2016.

All calls received from farmers were categorized and computerized and forwarded without delay to the said Task Force. Further, damages caused to tanks and anicuts were brought to the Ministry of Disaster Management.

Even now, various services are provided to farmers over this hotline and arrangements were made for farmers to obtain information about the payment of compensation by the government due to prolonged drought during the Maha season of 2016/117 by calling this number. Arrangements have been made to provide a speedy service through this hotline in future.

4.4 Non-economical transactions

- a. 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. 585,800/= 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.

- b. One of the officers who was paid for foreign training accordingly currently serves as a member of the Board of Directors and as Chairman of the All Ceylon Farmers' Association he provides consultancy services as regards insurance activities of the Board at district agricultural committees and cultivation season committees. Similarly, the other committee member participated representing the Ministry of Agriculture is an officer who makes a significant contribution to the National Food Production Programme 2016-2018 implemented by the Ministry. He has also contributed to the expansion of insurance schemes operated by the Board in the Anuradhapura District.

Expanding the scope of the damage assessment methodology employed by the Board for damage assessment, arrangements are being put in place now to introduce an index based damage assessment system which uses data relating to weather. By giving an international level training experience to those involved in damage assessment on the use of such technically advanced system, the accomplishment of relevant tasks would be made easier.

Therefore, by extending this patronage, it will be possible to obtain their productive contribution for the future activities of our institution.

4.5 Identified losses

(a) All these accidents have taken place while being engaged in official duties and the Board has taken all possible measures to obtain the maximum amounts of compensation from the relevant insurance companies. For example, the van bearing number WP-NC 4104 which met with a serious accident at the southern expressway has not been brought back to running condition.

(b) Since, proper instructions had not been received regarding the inclusion of the cost of living in computing the contribution of the Employees' Provident Fund when the cost of living was paid for the first time in year 2006, the CoL was not included for the computation of the EPF and subsequently as per the instructions of the Commissioner of Labour, the CoL was included in the computation of the contribution of EPF. Having sought advice from the Treasury, action was taken to pay the amounts in arrears.

4.6 Idle and underutilized assets

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

4.7 Staff Administration

- (a) (b) Necessary action is expected to be taken to gradually fill these vacancies in these posts.
- (c) (d) The Board launched the Third party Insurance Scheme with the objective of providing insurance cover to movable property of agriculturalists. Since there is a massive demand for such an insurance scheme, the Board has faced a stiff challenge from the private sector insurers dominating this sector in penetrating the third party insurance market.

Since it is imperative that the Board is equipped with a formidable market network in entering such oligopolistic market, measures were taken to build an external agency network.

Accordingly, since the Board was did not have qualified professionals to market its general insurance schemes, there was a need to recruit a group of experienced officers thorough with the marketing activities of the insurance sector. Thus, this group of officers highly experienced in marketing in the private sector insurance was recruited to the posts of Assistant Director-Marketing and Business Development Manager on contract basis with the approval of the Board of Directors.

Through this external marketing network, the Board was able to generate Rs 8.4 million in year 2016 and Rs 3.4 million during the first quarter of 2017. It was due to the contribution and commitment of these officers that the Board was able to achieve such a rapid progress in the Third Party insurance scheme. Through further expansion of the marketing agents' network of the Board, it is expected to boost the marketing of other insurance schemes as well in future.

5 Accountability and Good Governance

5.1 Corporate Plan

Overcoming deficiencies in the 2014-2016 Corporate Plan, the Corporate Plan in respect of 2016-2020 has now been prepared with guidance and direction to steer the Board towards a new path.

5.2 Budget documentary control

Expected income targets could not be achieved owing to unexpected changes in the circumstances that prevailed during the preparation of the plans and budgetary reports for year 2016. In particular, the changes in the procedure of operating the 'Kethata Aruna' insurance scheme had a direct impact on this situation.

5.3 Unresolved audit paragraphs

Since the AAIB in 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.

6. 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.



காசீகாரீக தா ஸாஸீசன ரகசஸ மஸ்திஸ
கமத்தொழில் மற்றும் கமநலக் காப்புறுதிச் சபை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

வீதிலு சஸிஸிவ } ரகசஸ
தந்தி } ரகசஸ
Telegrams } Rakshana
267, ஸுதிலன் சேரேச, கோலும் 2.
267, யூஸியன் இடம், கொழும்பு 2.
267, UNION PLACE, COLOMBO 2.
நட. சே. 21, த. பெ. 21 **P.O. Box 21**

மஸத ஂகஸ
எமது இலக்கம்
My Ref. No.

2016/4/5/ஸு/ஸா/2

ஸஸி ஂகஸ
உமது இலக்கம்
Your Ref. No.

ஂஸ
திகதி
Date

2017-05-04

Audit Superintendent
Auditor General's Department
Colombo

Answers to Report 14 (2) (c) of the Year 2016 presented in connection with Farmers' Pension Scheme

Answers for the Auditor General's report as regards the Farmers' Pension Scheme for the year 2016 are submitted herewith as per Section 14(2) (c).

.....
Chairman
Agricultural and Agrarian Insurance Board

ஂரகஸ
தொஸஸபேசி
Telephones
ஸகஸ
பெக்ஸ்
Fax

ஸஸசகி
தஸஸவர்
Chairman
448693 / 448694
449316

ஸஸஸஸஸிஸர்
பொது முகாஸஸயாளர்
General Manager
438607
438607

ஸஸஸ கார்ஸஸ
தஸஸஸஸகம்
Head Office
448691-2 / 438606 / 430058

Answers for the Report of the Auditor General as per section 14(2) (c) of Finance Act No.38 of 1971 on the financial statements of the Farmers' Pension Scheme for the year ended 31 December 2016

2. Financial Statements

2.1 Qualified Opinion

2.2 Comments on the financial statements

2.2.1 Contribution of the Treasury for 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 Sri Lanka Accounting Standards (SLAS)

(a) Sri Lanka Accounting Standard 01

- (i) Action will be taken to bring this loan into accounts as a loan payable under the long term assets next year.
- (ii) This amount has been accounted through Journal Note No.33 and details thereof have been submitted to the audit.
- (iii) Since more benefits are accrued on the farmer under the new pension scheme, action will be taken to set off those amounts.

(b) Sri Lanka Accounting Standard 16

The policy of accounting the fixed assets of the Board is to account fixed assets on the value of the cost. Accordingly, these motor vehicles have been accounted on the cost basis.

(c) Sri Lanka Accounting Standard 20

This is not a government grant but financial aid extended by the Food and Agriculture Organization of the United Nations and action will be taken to amortize it next year.

(d) Sri Lanka Accounting Standard 24

The amounts credited to the said fund in respect of each year for the payment of death and disablement gratuity of farmers have been shown under Journal Note 16 and the relevant details have been submitted to the Audit.

(e) Sri Lanka Accounting Standard 37

The pension liability has been accounted on the basis of the actuarial assessment carried out in year 2017 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.

2.2.4 Accounting deficiencies

Since the pensions not claimed due to the death of the subscriber during the year or for some other reason are not brought into account as a pension expenditure, they have been credited to the pension account. The actual expenditure incurred is shown in the accounts and measures have been taken to suspend the pensions of subscribers who do not claim them regularly. Action will be taken in the coming year to correct the error of omitting the interest receivable for treasury bills.

2.3 Accounts receivable and payable

- (a) Measures have been taken for the gradual payment of audit fees.
- (b) This amount has been obtained from Agricultural Insurance Scheme on the reimbursement basis as decided at the discussion held at the Treasury on the financial crisis of the pension scheme.

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

Section 15

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

The remaining three members are expected to be appointed in due course.

3. Financial Review

3.1 Financial Result

4 Operational Review

4.1 Performance

- (a) 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. It is expected to operate a new pension scheme with financial feasibility and carry out new enrollments.
- (b) In paying net premiums and interest upon reaching 60 years of age to subscribers whose subscription has expired and if such subscribers had paid any premium after the date of

expiry of the subscription, action is taken to pay the entire premium without deducting Rs. 30/-.

- (c) It is expected to take necessary measures to computerize all information regarding subscribers and upgrade the computer system.
- (d)(e) By upgrading the existing computer system, it is hoped to computerize all details of farmers and render them more efficient and speedy service.
- (f) As per extraordinary gazette notification No. 1853/49 in relation to farmers' pension scheme, where the benefits payable to subscribers who receive benefits under the farmers' pension scheme of 2014, having paid premiums under the 1987 farmers pension scheme are less than the arrears of contributions to be paid by the subscriber, instructions have been given to deduct Rs 50/- from each month from the monthly pension paid to the subscriber.

4.2 Financial Management

- (a) All bank managers of branches in which collection accounts are maintained have been instructed to remit the money collected to the collection account of the head office once a week. In the future it is expected to draw up a programme in consultation with banks whereby the premium can be directly deposited at the account maintained in the head office.
- (b) Measures have already been taken to swiftly bring back unpaid pensions and even reminders are sent where necessary.

4.3 Management Activities

- (a), (b) Though pensions were paid in terms of the special gazette notification No. 1853/49 dated 14 March 2014, the premium to be paid under this scheme was of higher value. Therefore a request was made from the Secretary of the Ministry of Finance to provide necessary instructions for the operation of this scheme as per the instructions given at discussions held in this regard and accordingly, the enrollment of members for the scheme had to be postponed. Subsequently, a cabinet paper was submitted for the implementation of a new pension scheme and instructions have been received to submit it to a special committee.

4.4 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.

5. Accountability and Good Governance

5.1 Action Plan

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 in future to submit a comprehensive Action Plan in implementing a new pension scheme with financial feasibility.

5.2 Budget control

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

6. Systems and Controls

(a), (b) 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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கமத்தொழில் மற்றும் கமநலக் காப்புறுதிச் சபை
AGRICULTURAL AND AGRARIAN INSURANCE BOARD

විදුලි පණිවිඩ } රක්ෂණ
தந்தி } ரக்ஷண
Telegrams } Rakshana
267, ඉනියන් පෙලෙස, කොළඹ 2.
267, யூனியன் இடம், கொழும்பு 2.
267, UNION PLACE, COLOMBO 2.
வ. ப. 21, த. பெ. 21 **P.O. Box 21**

මගේ අංකය } 2016/4/5/මු/බ/2
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உமது இலக்கம் }
Your Ref. No. }

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திகதி }
Date }

Audit Superintendent
Auditor General's Department
Colombo

Answers to Report 14 (2) (c) of the Year 2016 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 2016 are submitted herewith as per Section 14(2) (c).

.....
Chairman
Agricultural and Agrarian Insurance Board

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

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

කාමරාජ්‍යාධිකාරී }
பொது முகாமையாளர் }
General Manager }
438607 }
438607 }

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தலைமையகம் }
Head Office }
448691-2 / 438606 / 430058 }

Answers for the Report of the Auditor General as per section 14(2) (c) of Finance Act No.38 of 1971 on Financial statements of Fishermen’s Pension and Social Security Benefit Scheme for the year ended 31 December 2016

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 liability.

2.2.2 Accounting Policies

(a) Sri Lanka Accounting Standard -01

Action will be taken in the coming year to account the loan granted to the Farmers’ Pension Division as a long term receivable loan and to account the loan payable to the Agricultural Insurance Scheme as a non-current liability.

(b) Sri Lanka Accounting Standard -37

The pension liability has been accounted on the basis of the actuarial assessment carried out in year 2017 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 amount was given to the Farmers’ Pension Scheme on the basis of reimbursement as decided at the discussion held at the Treasury as regards the financial crisis in the pension

scheme. Measures were taken during the year 2016 to recover Rs. 40 million from the Farmers' Pension Scheme and the balance too is due to be recovered gradually.

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

(a) 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.

(b) Section 20

The three remaining members are expected to be appointed in due course.

3 Financial Review

3.1 Financial Results

3.2 Analytical Financial Review

4. Operational Review

4.1 Management Activities

- (a) District accountants' offices have been instructed to return unpaid pensions by cheques after the expiry of the relevant period and action has also been taken to send reminders when necessary.
- (b) Measures necessary to upgrade computer system by computerizing all information pertaining to subscribers.
- (c) The crisis in the Fishermen's Pension Scheme has been discussed time and again at the Consultative Committee on Farmers' and Fishermen's Pension. As a result of those discussions, a cabinet paper was prepared on a new pension scheme and submitted to the Cabinet of Ministers. At the Consultative Committee held in November 2016, this matter was further discussed and the relevant report had been prepared.
- (d) Premiums of subscribers are levied through Fisheries Extension Officers and they have been necessary instructions to ascertain whether the subscriber had dropped off from the pension scheme in levying the premium.

If any subscriber whose subscription has expired has continued to pay subscriptions, action will be taken to pay him the net premium and the interest thereon.

4.2 Performance

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

This scheme is operated jointly with the Department of Fisheries and the performance including the enrollment of members is the responsibility of the Department. It is expected to restructure this scheme in future and operate it as a scheme with financial feasibility.

5. Accountability and Good Governance

5.1 Budget documentary control

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

6. Systems and Controls

(a) Unpaid pensions

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.