Annual Report

2020



Agricultural and Agrarian Insurance Board

No. 117, Subadrarama Road, Gangodawila, Nugegoda

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AGRICULTURAL AND AGRARIAN INSURANCE BOARD

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Secretary,

Ministry of Agriculture,

No. 80/5,

"Govi Jana Mandiraya"

Rajamalwatta Lane

Battaramulla

Annual Report -2020

I submit herewith the Annual Report of the Agricultural and Agrarian Insurance Board which illustrates as to how the administrative, operational and financial activities of the Board were implemented during the year 2020 which also includes all its activities carried out during the year 2020.

Panduka Weerasinghe

Director General

Agricultural and Agrarian Insurance Board

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Message of the Chairman

The Agricultural and Agrarian Insurance Board (AAIB) is fully committed to minimize the risk to lives and properties of the agricultural community to contribute and restore their livelihoods in the wake of such risks and minimize the damages caused to crops and yields in cultivation activities while offering state patronage and protection to agriculturalists and agriculture of Sri Lanka.

As of now we stand ready to offer insurance cover for any type of cultivation cultivated by farmers. Further, under the direction, guidance and leadership of the Minister of Agriculture, Hon. Mahindananda Aluthgamage, enrollments to farmers' pension scheme which remained suspended in recent years have been reactivated. Highly favorable terms and conditions as well as flexible premium schemes together with a pension of their choice are available to farmers and the premium can be paid as one off payment through a bank loan and the AAIB has made arrangements for securing guarantees through an insurance cover. In addition, options are also available to provide protection to the spouse under the new scheme.

Besides, Minister of Agriculture, Hon. Mahindananda Aluthgamage has taken steps to submit a cabinet memorandum with a view to introducing a general insurance scheme with entitlement for indemnity for any type of damage by paying an affordable premium wherethrough action is being pursued for the AAIB to become a fully self-financing entity.

The Board implemented a host of welfare projects in the past year for its staff and the scheme for reimbursing medical expenses of staff members is the prominent amongst them. I must also place on record the unwavering commitment and keen interest demonstrated by all staff members in maintaining our services in robust matter without interruption during the period of Covid-19 pandemic.

Possibly, the greatest accomplishment of the year under review was the continuation of our services without any interruption deploying the staff in strict adherence to safety protocols. Presently, we are heavily dependent upon the third party insurance income for covering salaries, allowances and administrative expenditure which permits us to ground our activities on a self financing base albeit there being certain risks.

This situation has to be streamlined and financial stability should be built by adopting other projects and commercial opportunities. In appreciation of the commitment of the staff for generating third party insurance revenue, action was taken to grant 3% out of the 5% profit margin to the staff as an annual incentive.

During the year 2020 that posed a host of challenges, the Board was able to generate revenue amounting to Rs. 43.6 million from compulsory crop insurance, Rs. 278.9 million from third party insurance schemes and Rs. 21.8 million from other insurance schemes.

The programme for the creation of a database incorporating agrarian information which has been a much talked about and long felt national need is all set to achieve intended goals under the guidance, leadership and direction of the Minister of Agriculture, Hon. Mahindananda Aluthgamage and the contribution of the Ministry of Agriculture whilst optimally managing financial and human resources.

The Agricultural and Agrarian Insurance Board is collectively and single handedly committed to move forward with these activities more successfully and vigorously in harmony with the 'Vistas of Prosperity and Splendour' policy framework of His Excellency the President.

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 of local agriculture

Mission

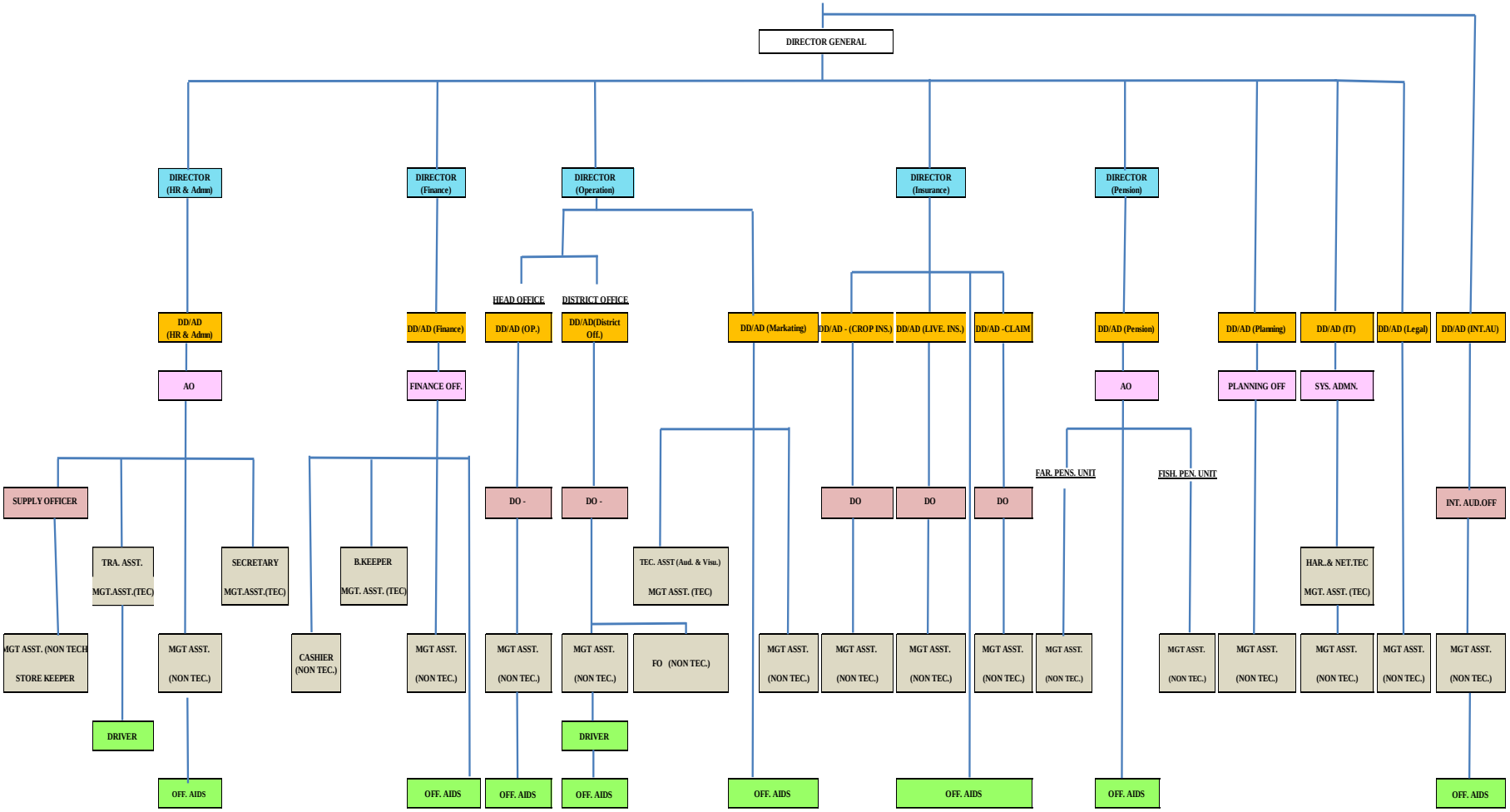
To provide an internationally recognized excellent service through collective efforts and coordination with the relevant institutions for the provision of Agricultural Insurance and benefits

Board of Directors -2020

	Name	Post
01	Mr. Premachandra Epa, Attorney at law Chairman Agricultural & Agrarian Insurance Board	Chairman
02	Mr. W.M.M. B. Weerasekara Commissioner General Department of Agrarian Development	Member
03	Prof. W.M. Weerakoon Director General Department of Agriculture	Member
04	Miss W.H.A. Wimalajeewa Accountant Ministry of Finance, Economic and Policy Development Colombo-01	Member
05	Mrs. Nilakshi N. Gunasekara Additional Secretary (Admin & Human resources) Ministry of Agriculture	Member
06	Mr. V. Yusoof Additional Secretary 9Projects) Ministry of Fisheries and Aquatic Resources New Secretariat	Member
07	Mr. G.G. Dhanajauya Nandasiri Assistant Vice Chairman Branch Manager Matara Branch Development Finance Corporation of Bank of Ceylon	Member
08	Professor C.N.S. Gamage Additional Secretary (Department of Livestock) (State Ministry) State Ministry of Livestock. Farm Promotion and Animal Husbandry and Dairy & Egg Related Industries	Member

ORGANIZATIONAL STRUCTURE

AGRICULTURAL & AGRARIAN INSURANCE BOARD



Foreword

The Agricultural and Agrarian Insurance Board plays a pivotal role in the national drive being implemented for sustainable development of agriculture.

A key component of this is the involvement as an intermediary for the agriculturalist in the risk management. Aside from undertaking the risks associated with crops of agriculturalists, the Board works towards social security of the agriculturalist by offering insurance cover for their vehicles, implements and stores.

The year saw the implementation of the compulsory insurance scheme introduced in the Yala season of 2018 for 06 major crops cultivated abundantly across the country under the programmes for offering incentives and facilities for farmers such as the fertilizer subsidy launched by the government and implemented by the Ministry of Agriculture with the objective of stabilizing and expediting the food production process of the country aimed at sustainable promotion of the agriculturalist and agriculture.

Annual income from 2016 to 2020

Insurance Scheme	**2016 (Rs Mn)**	**2017 (Rs Mn)**	**2018 (Rs Mn)**	**2019 (Rs Mn)**	**2020 (Rs Mn)**
Crop insurance schemes	94.85	95.66	128.01	61.11	**45.89**
Livestock insurance scheme	10.56	13.39	10.59	7.87	**5.78**
Stores, agricultural implements and third party insurance scheme	7.82	42.11	137.85	220.15	**278.94**
Suwasetha and accident insurance scheme	15.61	5.31	6.34	9.42	**13.78**
Fertilizer subsidy insurance scheme	608.19	0.00	-	-	**-**
Total	737.03	156.47	282.79	298.55	**344.39**

Annual Net Profit from 2015 to 2019

	2016 (Rs Mn)	**2017 (Rs Mn)**	**2018 (Rs Mn)**	**2019 (Rs Mn)**	**2020 (Rs Mn)**
Total income	782.20	5735.1	4,398.5	3,365.1	**3,530.40**
Operational expenditure	(404.50)	(5654.2)	(3,253.8)	(2,487.0)	**(2,129.10)**
Operational surplus	377.70	80.9	1,144.7	878.1	**1,401.30**
Government grants and other income	122.50	130.1	4.0	9.1	**8.30**
Total expenditure (including allocations)	(160.30)	168.7	(227.7)	(234.9)	**(255.90)**
Net annual profit/loss	339.90	42.3	921.0	652.3	**1153.70**

The third party vehicle insurance scheme posted an outstanding growth in the year 2019 with the revenue reaching Rs. 278.94 million by the end of the year 2020 as against Rs. 137.85 recorded in the year 2019. This progress was primarily due trust being instilled about

the scheme in agriculturalists thanks to the resolution of legal impediments of the third party insurance scheme and the extensive marketing and promotion campaign conducted at the district level. The income from the scheme served to consolidate the financial stability of the Board.

Under the guidance of the Ministry of Agriculture, activities relating to the introduction of an index based insurance scheme with the technical assistance from the International Finance Company (IFC) affiliated to the World Bank were carried out in several districts of the island and the programme for developing a Cloud based web/mobile application with a Management Information System encapsulating agricultural data too was successfully implemented in the year 2020. Under the programme, mapping of farming lands and entering data on farmers and their lands were carried out in several selected districts.

The total number of subscribers to the Farmers' Pension and Social Security Benefit Scheme, the foremost social security benefit scheme administered by the Agricultural and Agrarian Insurance Board by the end of the year 2020 was 959,254 and the number of farmers provided benefits under the scheme during the year was 163,339.

In addition, the total number of fishermen subscribed to the Fishermen's Pension and Social Security Scheme administered for the wellbeing of fisheries community stood at 69,049 by the end of the year 2020 and monthly pension had been paid 5,036 subscribers.

The total liability of the Farmers Pension and Social Security Benefit Scheme at the end of the year 2020 was Rs. 74.1 billion. This year too, the Board did not receive Rs. 5 billion as per the decision taken at the time to provide treasury bonds to build the Farmers' Pension Fund in order to meet this liability and every year, the provisions required for the payment of farmers' pension are allocated by through the annual budget of the government.

The drafting of a new farmers' pension scheme more beneficial to agriculturalists that would replace the existing one has been finalized by the expert committee appointed for that purpose under the direction of the Ministry of Agriculture and plans are on the drawing board to refer this new scheme to the relevant parties for approval in the year 2020.

The Agricultural and Agrarian Insurance Board as an institution that plays a central role in the overall economic process of the country offering strength to agriculturalists and the national agricultural production process for minimizing the risks making an invaluable contribution to the national agricultural and livestock process discharged its responsibilities with due diligence in the year 2020 as well.

Operations Division

Operations Division -2020

Agricultural and Agrarian Insurance Board operates with the prime objective of increasing local agro-production and protecting the agriculturist by introducing agricultural insurance to local agricultural field as a means of risk management. Agricultural insurance is a viable solution to economic problems faced by agriculturalists due to damages caused by droughts, floods and wild elephants to their cultivations. As a country with agriculture driven economy, the application of agricultural risk management in a practical manner has contributed to stabilize agriculture based domestic economy. The Board administers diverse and high benefit insurance schemes such as crop insurance, livestock insurance, Suwasetha and accident insurance, agricultural implements insurance, stores insurance and third party vehicle insurance.

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

- As the sole public sector institution that provides insurance services in the agricultural sector, the Operations Division took the initiative to operate a slew of insurance schemes island-wide in the year 2020 with the objective of fulfilling its responsibility of uplifting the local agriculture and stabilizing the economy of the agriculturalist to the maximum.

1. Crop insurance schemes
    - Paddy cultivation insurance scheme
    - Maize cultivation insurance scheme
    - Big onion cultivation insurance scheme
    - Potato cultivation insurance scheme
    - Chilli cultivation insurance scheme
    - Soy cultivation insurance scheme
    - Supplementary crops (green gram, peanuts, black gram) cultivation insurance scheme
    - Sugarcane cultivation insurance scheme
    - Export crops cultivation insurance scheme (pepper, cinnamon)
    - Plantation crops insurance scheme (tea cultivation)
    - Coconut cultivation insurance scheme
    - Floriculture insurance scheme
    - Ginger 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 (2)
    - Goat
    - Cattle

5. Accident insurance scheme
6. Suwasetha health insurance scheme
7. Third party vehicle insurance scheme
8. Social security schemes (2)
    - Farmers' pension scheme
    - Fishermen's pension scheme

As a solution to difficulties faced by the farmer community due to damages caused to cultivations by droughts, floods and wild elephants, farmers had to subscribe to a compulsory insurance scheme with contributions from farmers and the government for the cultivations of paddy, maize, potatoes, big onions, soy and chilli and on a policy decision taken by the government, an insurance cover subject to a ceiling of Rs. 40,000 per acre was offered to an acre from the Yala season of 2018. This insurance scheme is implemented island-wide from the Yala season of 2018 with the coordination of all the relevant institutions including the Ministry of Agriculture, Agrarian Services Department, Mahaweli Development Authority, state and non-state banks.

Major programmes implemented by the Operations Division

- The training programme for the training of officers of the Southern Province on the crop cultivation insurance scheme, third party vehicle insurance scheme and livestock insurance was held at the training centre of the Thelijjawila Farm on 07.01.2020. Discussions were held on problems encountered by officials in implementing the above insurance schemes.

- Programmes for promoting the third party vehicle insurance scheme and creating awareness amongst agents of the Gampaha district were conducted at the Gampaha District Secretariat premises on 27.08.2020.

- A special promotional programme for enrolling subscribers from the Badulla District for the Suwasetha Insurance Scheme was held 27 & 28.08.2020.

- A training workshop for raising awareness amongst office bearers of farmer organizations and Agricultural Research Production Assistants of the Kegalle District was held at Samurdhi Hall, Rambukkana on 04.09.2020.

- GIS training programme and a programme for the formulation of the annual plan of the institution for the officers of the head office and district offices were held on 10, 11 & 12.09.2020 at the Polgolla National Cooperative Development Institute.

- Financial contribution required for the construction of a live palmyrah fence for the mitigation of human-elephant conflict was made on 10.11.2020 to the Minipe Divisional Secretariat of the Kandy district.

- Arrangements have been made for the printing of banners, posters and handbills required for the promotion of activities of the third party vehicle insurance in the districts of Kalutara, Matale, Matara, Jaffna, Mannar, Puttalam, Anuradhapura, Monaragala and Badulla.

Insurance Division

Agricultural Insurance Scheme

&

Livestock Insurance Scheme

Insurance Division -2020

The key responsibility of the Insurance Division is to formulate insurance schemes and discharge duties relevant to the release of compensation for liabilities received under insurance schemes with emphasis on crop insurance, livestock insurance and general insurance.

At the beginning of the year itself, action was taken to release provisions for compensation for the appeals of the Maha season of 2018/19 and thereafter the duties relating to the payment of compensation for crop damages in the year 2019 were commenced. Accordingly, the major activities carried out in the year 2019 are as follows.

- **Yala season of 2019**

Compensation was paid in terms of the circular implemented concurrent to the national insurance programme for the Yala season of 2019. Steps were taken to release provisions for compensation through mobile programmes since a large number of appeals had been recommended and referred by the assessment committees for cultivations damaged by flooding in the Matara district during the Yala season of 2019 and due to the need to release compensation expeditiously. Accordingly, action was taken in 2020 to release provisions for compensation for the Yala season of 2019 at the district level as follows. Despite the Covid pandemic situation that prevailed in the country, duties relating to compensation documents were carried out without any delay.

No	Summary report of the payment of compensation of Yala season 2019			
	District	**No: of farmers**	**No: of acres**	**Compensation (Rs)**
1	Ampara	1,904	3,858.01	65,770,238.00
2	Anuradhapura	1427	1,922.98	48,638,070.00
3	Badulla	1,888	2,234.74	40,708,097.00
4	Batticaloa	2,142	4,786.80	96,748,450.00
5	Lime branch	47	43.25	774,900.00
6	Galle	2,924	2,929.47	86,147,283.00
7	Gampaha	4,424	4,189.78	125,344,041.00
8	Hambantota	2,048	2674.18	81,833,990.00
9	in Kalutara	334	366.61	11,000,473.00
10	Kandy	480	366.68	6,407,148.00
11	Kegalle	2,937	1,703.86	32,648,719.00
12	Kurunegala	13,901	10,944.76	250,552,008.00
13	Great	8,007	7,137.23	187,139,305.00
14	Manampitiya	578	568.00	15,061,760.00
15	Mannar	21	41.00	885,600.00
16	Matara	10,282	7,060.00	216,556,829.00
17	Matale	341	301.65	6,935,785.00
18	Monaragala	1,873	2,227.76	55,534,953.00
19	Mullativu	156	149.50	4,768,200.00
20	Nuwara Eliya	23	11.75	314,900.00
21	Polonnaruwa	818	1,381.38	29,961,350.00
22	Puttalam	1,668	2,709.25	60,917,695.00
23	Ratnapura	399	350.39	9,177,550.00
24	Tambuttegama	464	489.63	13,343,986.00
25	Trincomalee	513	885.00	17,359,850.00
26	Vavuniya	76	93.75	1,375,360.00
	Total	**59,675**	**59,427.41**	**1,465,906,540.00**

- **2019/20 Maha Season**

As 0f 30.12.2019, a considerable amount of crop damages in respect of the Maha season of 2019/20 were reported. Accordingly, action was taken to update instructions for duties pertaining to the damaged crops by the beginning of the year 2020. In spite of the Covid situation, all district officers carried out duties relating to crop damages with maximum efficiency and submit final reports to the Head Office without a delay.

Further, in the absence of adequate number of officers for the computation of compensation for the crop damages caused during the Maha season of 2019/20 in the Polonnaruwa district, a mobile programme was conducted to release money required for crop damage compensation through which duties associated with indemnification of Polonnaruwa and Trincomalee districts were executed.

The summary report of the payment of compensation in respect of the Maha season 2019/20 conducted in the year 2020 is as follows.

	Summary report of compensation of Maha season 2019/20			
	District	**No: of farmers**	**No: of acres**	**Compensation (Rs)**
1	Anuradhapura	6,005	8,567.21	148,773,802.00
2	Ampara	6,512	10,333.77	150,892,357.00
3	Badulla	2,361	2,811.36	44,097,715.00
4	Batticaloa	9,615	22,791.03	305,062,051.00
5	Dehiattakandiya	1,261	1,449.35	13,622,150.00
6	Jaffna	597	564.22	9,267,280.00
7	Galle	268	206.73	2,620,930.00
8	Gampaha	217	216.06	2,992,263.00
9	Hambantota	810	899.60	11,223,930.00
10	Kalutara	387	343.04	4,155,468.00
11	Kandy	210	177.01	2,243,918.00
12	Kegalle	159	79.50	1,687,280.00
13	Kilinochchi	57	143.50	2,470,950.00
14	Kurunegala	490	624.45	9,088,618.00
15	Maho	1,270	1,111.92	13,669,171.00
16	Matale	1,629	1,380.28	17,758,017.00
17	Matara	705	458.62	8,679,403.00
18	Manampitiya	3,507	4,023.01	53,976,402.00
19	Mannar	2,808	6,772.85	94,348,520.00
20	Monaragala	5,080	8,148.32	93,028,553.00
21	Mullativu	1,335	2,215.75	35,646,750.00
22	Nuwara Eliya	76	40.81	641,703.00
23	Ratnapura	94	87.75	1,322,700.00
24	Polonnaruwa	3,518	6,747.38	103,815,610.00
25	Puttalam	2,681	4,369.08	66,773,345.00
26	Tambuttegama	2,906	2,754.99	40,716,788.00
27	Trincomalee	5,192	8,259.18	126,427,885.00
28	Vavuniya	151	299.50	4,886,515.00
	Total	**59,901**	**95,876.27**	**1,369,890,074.00**

In addition to the Yala season of 2019 and Maha season of 2019/20, action was taken in the year 2020 to release money for compensation for the appeals of the Yala season of 2018 and Maha season of 2018/19.

Accordingly, the overall release of money for compensation for crop damages in 2020 is as follows.

No.	Crop	No: of farmers	No: of acres	Compensation (Rs)
1	Paddy	132,241	174,825.37	3,285,048,061.00
2	Maize	6,788	11,697.07	147,049,499.00
3	Big onions	35	26.00	422,085.00
4	Chili	185	84.95	1,874,360.00
5	Potatoes	583	570.04	15,423,471.00
6	Soy	6	6.25	91,800.00
	Total	**139,838.00**	**187,209.68**	**3,449,909,276.00**

- **Livestock Insurance**

Under livestock insurance, 1550 animals were insured in the year 2020 and the insurance premia income generated thereby was Rs. 4,405,357.

The summary of the payment of compensation during the year 2020 is as follows. Though special promotion programmes were not conducted due to the Covid situation that prevailed in the country, status quo of duties relating to existing insurance scheme were maintained unchanged and the release of compensation was carried out as follows.

Total compensation 2020								
Month	Cattle		Goat		Kerala		Total	
	Total amount	**No. of animals**	**Total amount**	**No. of animals**	**Total amount**	**No. of animals**	**Total amount**	**No. of animals**
January	221,000.00	3	68,400.00	6	-	-	289,400.00	9
February	254,158.50	4	22,500.00	1	-	-	276,658.00	5
March	592,790.00	7	4,950.00	1	4,000	1	601,740.00	9
April	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-
June	1,131,783.50	16	123,840.00	6	-	-	1,255,623.50	22
July	613,700.00	9	54,000.00	4	-	-	667,700.00	13
August	119,000.00	2	17,100.00	1	-	-	136,100.00	3
September	272,000.00	5	22,500.00	1	-	-	294,500.00	6
October	-	-	-	-	-	-	-	-
November	551,225.00	9	36,000.00	2	-	-	587,225.00	11
December	148,750.00	3	56,700.00	4	-	-	205,450.00	7
Total	**3,904,407.00**	**58**	**405,990.00**	**26**	**4,000**	**1**	**4,314,397.00**	**85**

Compensation was released for 85 insured animals in the year 2020 and total liability is Rs. 4.3 million.

- **Suwasetha/ Accident and Third party vehicle insurance**

Under the Suwasetha Scheme claims for insurance were insignificant and the total liability was less than three hundred rupees. Liabilities have not arisen under the accident insurance scheme during the year.

Medium term measures aimed at improving the performance of insurance activities were implemented as follows

- In the year 2020, 90% of duties relevant to the release of money for crop damages in respect of the year could be finalized during the year itself. Further, duties pertaining to the Yala season of 2020 were commenced.

- Measures were taken to update insurance schemes that existed for pepper, red onions, turmeric, ginger, peanuts, gingelly, finger millet, horse gram, green gram, cowpea, black gram, pineapple, ridged gourd, snake gourd, pumpkin, beans, cinnamon, banana, papaw, capsicum, carrot and sugarcane.

- Further, action has been taken to submit a cabinet paper to seek advice for carrying out crop insurance activities for the ensuing year. As per the instructions to be received therefrom, insurance activities are expected to be planned from the Maha season of 2021.

Pension Division

Farmers' Pension and Social Security Benefit Scheme

Fishermen's Pension and Social Security Benefit Scheme

Farmers' Pension Division

Farmers' Pension and Social Security Benefit Scheme

The total number of farmers subscribed to the Farmers' pension and social security benefit scheme established by the Farmers' Pension and Social Security Benefit Scheme Act No. 12 of 1987 by the year 2020 was 959,254. The number of farmers to be provided with benefits under this scheme by the year 2020 was 163,339.

The fund of the Farmers' Pension and Social Security Benefit Scheme became zero by mid 2010 as result of the increase of the pension paid to those over 60 years from Rs 200/- which was the amount prescribed under the provisions laid down for higher age categories at the introduction of the scheme to Rs 1000/- on the basis of two separate cabinet decisions, payment of pension to the surviving spouse from the date of the death of the pensioner until the age of 80 of the pensioner had he lived, and the extension of two year period for those in the age category of 46 years to 59 years to join the scheme until the year 2007. Nevertheless the Board continued to pay pension entitlements using the provisions allocated by the Treasury and other funds maintained by the Board until December 2011. However, due to exhaustion of funds, pension entitlements could not be paid from January 2012 to December 2013. Still, the death and disablement benefits were paid continually to subscribers.

A restructuring of the scheme was implemented under the guidance of the Ministry of Finance and Planning, offering a sustainable solution to the financial crisis of the scheme while ensuring the continuity of same. Consequently, necessary measures were taken as per the budget proposals of 2014 to enact this scheme as a new scheme with enhanced benefits and to resume the payment of pension from January 2014 with enhanced benefits corresponding to the new scheme.

By the end of the year 2020, the current liability of the Farmers Pension Scheme was approximately Rs. 74.1 billion. Though it was proposed to provide Rs 5 billion from the budget of 2015 in terms of the decision to offer treasury bonds to build the Farmers' Pension Fund in order to meet this liability, the Board did not receive the said funds. Every year, the funds required for the payment of farmers' pension is allocated through the national budget.

Further, on account of the Covid pandemic situation, a special allowance of Rs. 5000 was paid to all pensioners who have been receiving in the months of April and May.

Payment of Pension
January to December 2020

S. No	District Office	No. of Pensioners	amount paid
1	Ampara	4,174	112,080,155
2	Anuradhapura	8,071	208,996,240
3	Badulla	7,025	188,315,756
4	Batticaloa	1,196	31,598,473
5	Colombo	5,332	155,885,509
6	Galle	14,505	421,885,705
7	Gampaha	11,505	320,878,581
8	Hambantota	9,019	241,784,759
9	Jaffna	2,604	72,182,171
12	Kalutara	8,984	255,318,076
10	Kandy	16,311	460,190,991
11	Kegalle	10,405	278,320,197
13	Kurunegala	19,961	530,666,427
15	Mannar	99	2,351,965
14	Matale	5,046	133,660,715
17	Matara	10,056	287,446,245
16	Monaragala	5,635	148,495,433
18	Mullativu	136	3,972,830
19	Nuwaraeliya	3,223	87,726,245
20	Polonnaruwa	5,230	143,303,357
21	Puttalam	5,705	152,698,198
22	Ratnapura	7,589	209,943,453
23	Trincomalee	947	25,206,821
24	Vavuniya	581	14,981,310
	Total	**163,339**	**4,487,889,612**

Payment of pension relevant to the Kilinochchi District is carried out through the Vavuniya District

Payment of death and disability gratuity
January – December 2020

	District Office	No. of deaths	Amount paid (Rs)	No of disabled	Amount paid (Rs)	Total deaths/disabilities	Total amount
1	Galle	19	432,104	-	-	19	432,104
2	Matara	7	137,796	-	-	7	137,796
3	Hambantota	8	170,197	-	-	8	170,197
4	Monaragala	11	237,718	-	-	11	237,718
5	Gampaha	8	160,604	-	-	8	160,604
6	Badulla	10	205,696	-	-	10	205,696
7	Ratnapura	5	91,506	-	-	5	91,506
8	Kalutara	7	139,085	-	-	7	139,085
9	Ampara	3	54,887	-	-	3	54,887
10	Colombo	4	98,935	-	-	4	98,935
11	Embilipitiya	1	28,224	-	-	1	28,224
12	Manampitiya	6	146,327	-	-	6	146,327
13	Kegalla	9	214,378	-	-	9	214,378
14	Kandy	23	435,840	-	-	23	435,840
15	Kurunegala	12	229,023	-	-	12	229,023
16	Maho	8	192,337	-	-	8	192,337
17	Anuradhapura	7	611,001	-	-	7	611,001
18	Polonnaruwa	6	127,816	-	-	6	127,816
19	Puttalam	8	181,978	-	-	8	181,978
20	Thambuttegama	6	116,407	-	-	6	116,407
21	Nuwaraeliya	12	224,423	-	-	12	224,423
22	Jaffna	13	237,219	-	-	13	237,219
23	Trincomalee	1	32,716	-	-	1	32,716
24	Matale	3	64,826	-	-	3	64,826
25	Vavuniya	4	75,625	-	-	4	75,625
	Total	**201**	**4,646,668**	**-**	**-**	**201**	**4,646,668**

Fishermen's Pension and Social Security Benefit Scheme

The Fishermen's Pension and Social Security Benefit Scheme was established by Act No.23 of 1990 and implemented in terms of the regulations published in Extraordinary Gazette of 09th September 1996. This is a social security benefit scheme for fishermen who makes his living by fishing or fish farming, whether in the sea, lagoons or inland bodies of water.

The objects of the Scheme

The objects of the Scheme are:

(a) to provide social security to fishermen during their old age or disability ;

(b) to provide relief to the dependents of fishermen upon the death of such fishermen ;

(c) to encourage fishermen to continue in their occupation ;

(d) to attract young persons to the fishing industry ; and

(e) to inculcate the habit of saving and to promote thrift among the fishermen.

The total number of fishermen to whom subscription has been granted by the end of the year 2020 was 69,049. Rs 109,283,648/= was paid as pension to 5,036 pensioners. These payments are disbursed through 390 post offices.

Rs. 197,000/= was paid as death gratuity for 18 subscribers of the Fishermen's pension scheme who passed away during the year 2020.

Report on the payment of pension			
January- December 2020			
	District Fisheries Extension Division	**No. of subscribers receiving pension**	**Total amount**
1	Kalutara	116	2,549,853.00
2	Galle	135	2,894,137.00
3	Mahawewa	416	9,151,628.00
4	Matara	319	6,848,082.00
5	Colombo	61	1,344,913.00
6	Tangalle	279	6,035,455.00
7	Puttlam	67	1,569,783.00
8	Negombo	625	13,405,068.00
9	Batticaloa	504	10,992,416.00
10	Trincomalee	111	2,449,821.00
11	Mannar	472	10,056,141.00
12	Kalmunai	376	8,349,075.00
13	Mulativu	72	1,496,564.00
14	Kilinochchi	400	8,809,905.00
15	Jaffna	1,019	21,912,279.00
	Freshwater reservoirs		
1	Nuwaraeliya	7	146,670.00
2	Polonnaruwa	2	44,000.00
3	Ratnapura	3	63,690.00
4	Monaragala	-	-
5	Kurunegala	3	64,500.00
6	Anuradhapura	4	86,040.00
7	Matale	5	106,480.00
8	Kandy	10	200,162.00
9	Kegalle	-	-
10	Badulla	5	107,170.00
11	Vavuniya	1	39,372.00
12	Batticaloa-Freshwater	24	560,444.00
	Total	**5036**	**109,283,648.00**

Subscription of members 2020

	District Fisheries Extension Division	Subscribers according to the age (Years)						Total number of contributors 2020
		18-29	30-35	36-45	46-50	51-54	55-59	
1	Kalutara	1,213	721	772	197	105	59	3,067
2	Galle	1,082	676	840	221	118	95	3,032
3	Mahawewa	3,253	1,702	2,036	613	256	240	8,100
4	Matara	1,750	980	1,232	346	201	164	4,673
5	Colombo	576	360	478	140	63		1,655
6	Tangalle	2,514	1,389	1,629	412	201	169	6,314
7	Puttlam	2,167	1,156	1,222	255	107	61	4,968
8	Negombo	2,538	1,599	2,167	735	419	378	7,836
9	Batticaloa	2,248	1,390	1,630	555	272	266	6,361
10	Trincomalee	654	516	550	129	81	78	2,008
11	Mannar	2,066	1,227	1,343	429	222	257	5,544
12	Kalmunai	1,565	1,109	1,515	479	244	207	5,119
13	Mulativu	88	79	141	50	27	44	429
14	Kilinochchi	519	340	540	250	185	183	2,017
15	Jaffna	2,185	1,117	1,444	668	402	617	6,433
Freshwater reservoirs								
1	Nuwaraeliya	29	28	47	7	1	3	115
2	Polonnaruwa	45	35	27	11	2	1	121
3	Ratnapura	27	15	9	1	3	-	55
4	Monaragala	17	14	10	1	-	-	42
5	Kurunegala	45	24	24	1	-	2	96
6	Anuradhapura	169	81	84	17	7	5	363
7	Matale	31	14	23	5	2	3	78
8	Kandy	13	12	25	5	3	3	61
9	Kegalle	1	1	2	-	-	-	4
10	Badulla	59	33	33	3	-	3	131
11	Vavuniya	59	33	41	15	4	-	152
12	Batticaloa-Freshwater	84	52	67	27	20	25	275
	Total	**24,997**	**14,703**	**17,931**	**5,572**	**2,945**	**2,863**	**69,049**

Payment of death and disability benefits

January – December 2020

	District Fisheries Extension Division	No of subscribers	Amount Rs.
1	Kalutara	2	30,000.00
2	Galle	1	15,000.00
3	Mahawewa	2	18,000.00
4	Matara	1	8,000.00
5	Colombo	-	-
6	Tangalle	1	8,000.00
7	Puttlam		
8	Negombo	1	6,000.00
9	Batticaloa	1	8,000.00
10	Trincomalee		
11	Mannar	4	53,000.00
12	Kalmunai		
13	Mulativu		
14	Kilinochchi		
15	Jaffna	5	51,000.00
	Freshwater reservoirs		
1	Nuwaraeliya		
2	Polonnaruwa		
3	Ratnapura	-	-
4	Monaragala	-	-
5	Kurunegala	-	-
6	Anuradhapura	-	-
7	Matale	-	-
8	Kandy	-	-
9	Kegalle	-	-
10	Badulla	-	-
11	Vavuniya	-	-
12	Batticaloa-Freshwater	-	-
	Total	**18**	**197,000.00**

Administrative

&

Human Resources Division

Administrative and Human Resources Division- 2020

Staff

The staff of the Agricultural and Agrarian Insurance Board was as follows as at 31.12.2020.

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	25	20
Junior Management				
JM	**Administrative Officer**	2	-	2
	Systems Administrator	1	-	1
	Financial Officer	1	-	1
	Planning Officer	1	-	1
Associated Officer				
ASS.O	**Development Officer**	55	28	27
	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
	Hardware & Networking Technician	1	1	-
	Technician (Audio/Visual)	1	-	1
Management Assistant (Non-technical)				
MA – Non Tech	**Management Assistant**	220	151	69
Primary (Technical)				
PL - Skilled	**Driver**	38	26	12
Primary (Non Technical)				
PL - Non Skilled	**Office Assistant**	42	31	11
		421	**267**	**154**

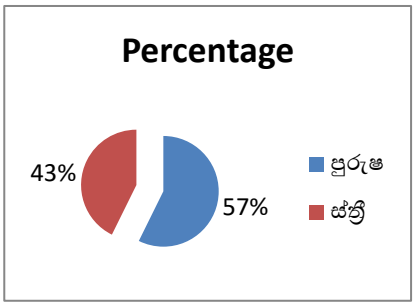
Until officers are recruited for the continuation of functions assigned to the Board, officers have been deployed on contract basis for the following posts in the Head Office and district offices for highly essential posts which currently remain vacant.

Contract Basis		
HM	Director	1
MM	Deputy/Assistant Director	4
ASS.O	Development Officer	4
MA - NonTech	Management Asst/Field	1
PL - Skilled	Driver	1
PL - Non Skilled	Office Assistant	2
	Office Assistant (Sanitary Labourer)	2
	Total	**15**
Casual Basis		
MA - NonTech	Management Assistant	30
PL - Non Skilled	Office Assistant	10
	Total	**40**

Analysis of Staff as at 31.12.2020

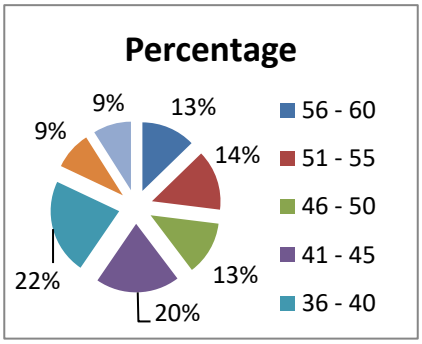
Staff- Gender Analysis

Male -153
Female - 114
Total - 267



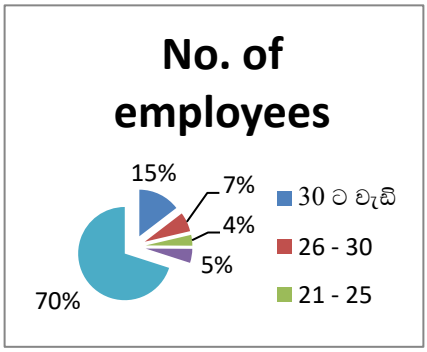
Age analysis

Age group	No of employees	Percentage
56 - 60	34	13%
51 - 55	38	14%
46 - 50	34	13%
41 - 45	53	20%
36 - 40	60	22%
31 - 35	24	9%
Less than 30	24	9%
Total	**267**	**100%**



Analysis as per period of service

Years	No of employees	Percentage
More than 30	39	15%
26 - 30	18	7%
21 - 25	10	4%
16 - 20	13	5%
Less than 15	187	70%
Total	267	100%



Retirement, deaths and vacation of posts in 2020

During the year 2020, of the officers in the service of the Board, 15 left the service due to following reasons.

	Designation	Number	Reason for vacating the post
1	Assistant Director	05	Retirement
2	Development Officer	03 01	Retirement Death
3	Management Assistant	04 01	Retirement Resignation
4	Office Assistant	01	Retirement

Recruitment and promotions in the year 2020

On the service requirement for the posts of Management Assistant approved by the Department of Management Services for the year 2020, action was taken to recruit 30 Management Assistants on casual basis on two occasions.

In addition, since there were vacancies of Karyala Karya Sahayakas in most of the divisions of the Board and in district offices, action was taken to recruit 10 workers on casual basis on two occasions for the posts of Karyala Karya Sahayakas approved by the Department of Management Services.

Employee Training and Academic Activities

Due to the Corona pandemic that prevailed in the year 2020, no employee training programmes or academic activities were conducted nor were officials referred to such programmes.

Employee welfare

The programme of supplying morning and evening tea, the medical insurance scheme for the staff of the Board and granting motorcycle loans to entitled officers continued this year too as was done during the previous year.

Procurement and Transport Section

Supplies Davison

Action was taken to have the following documents printed relating to the insurance schemes administered by the Board.

Under the third Party Insurance Scheme

- Third party applications,
- Third party receipt books**.**
- Third party coverage books,
- Third party cards

Under the licestock insurance

- Livestock insurance applications
- Livestock policies

Under the Suwasetha insurance scheme

- Suwasetha Insurance applications
- Suwasetha policies

Under the Crop cultivation insurance scheme

- Crop insurance application forms,
- Damage reporting documents

Under the Farmers' Pension Scheme

- Farmers' pension payment cards
- Farmers' pension identity cards

Under the Fisheries pension scheme

- Fishermen's pension payment books
- Fishermen's pension identity card

In addition, General receipts books, General 35 forms, leave application forms, documents for transport duties required by the head office and district offices were also printed.

Procurement process was strictly followed in purchasing technical equipment required for district offices and the head office and items of office equipment (desks, chairs, cupboards) required for the district offices were purchased.

As per requests made by various divisions of the head office, stationary was purchased in accordance with the procurement procedure and supplied to the store.

Vehicle Pool

There are 29 vehicles belonging to the Head Office and district offices for carrying out duties and functions of the Board. Of these vehicles, 03 are reserved and other vehicles have been deployed for duty related activities of the Head Office and district offices. They are as follows.

S. No	Vehicle Number	Brand	Year of Registration	Lifetime
01	32-1427	Mitsubishi Pajero	1985	36
02	32-4880	Toyota (Land Crusir)	1988	33
03	32-4850	Toyota (Land Crusir)	1988	33
04	32-4852	Toyota (Land Crusir)	1988	33
05	32-4938	Mitsubishi Pajero	1988	33
06	32-4920	Mitsubishi Pajero	1988	33
07	32-5210	Mitsubishi Pajero	1988	33
08	51-2423	Nissan (Cab)	1990	31
09	32-7718	Dihasthu (Jeep) (Rocky)	1990	31
10	32-7719	Dihasthu (Jeep) (Rocky)	1990	31
11	32-8016	Dihasthu (Jeep) (Rocky)	1990	31
12	53-9447	Mitsubishi (L200)	1992	29
13	53-9446	Mitsubishi (L200)	1992	29
14	58-4436	Mitsubishi (L200)	1996	25
15	58-4437	Mitsubishi (L200)	1996	25
16	HH-6105	Bolero (Jeep)	2003	18
17	KD-3476	Toyota (121)	2006	15
18	KF-2280	Mitsubishi Pajero	1992	29
19	QM-4647	Bajaj (Threewheel)	2007	14
20	KH-5041	Chevrolet (Aveo)	2008	13
21	KI-2554	Nissan (Sunny)	2008	13
22	KP-8706	Maruti (800)	2011	10
23	KP-8723	Maruti (800)	2011	10
24	KQ-0253	Maruti (800)	2011	10
25	NC-4104	Toyota (Hiace)	2015	6
26	NC-4096	Toyota (Hiace)	2015	6
27	CAL-6100	Micro(Rexton)	2015	6
28	CAL-6101	Micro(Rexton)	2015	6
29	TVS	Champ	2008	13

Office Buildings

The Head Office of the Board was maintained at No. 117, Subhadrarama Road, Gangodawila, Nugegoda . The Board maintains 30 Regional Offices and of them 06 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 Division – 2020

For the year 2020, internal audit activities were carried out in accordance with the annual internal audit plan prepared in respect of each division and district office and insurance schemes and social security programmes of the Board currently in operation.

Accordingly, during the year 2020, eleven (11) internal audits centered on each division of the head office and 27 district offices scattered island-wide had been conducted with the limited human resources available by the Assistant Director- Internal Audit, the Audit Officer (Acting) and Development Officer- Audit and a trainee audit officer of the Internal Audit Unit.

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

Audit inquiries were conducted covering the Administrative Division to ascertain whether official vehicle of the Board bearing number KQ 0253 attached to the Gampaha District Office had met with an accident and for the computation of interest for the recovery of interest and penalties - Jayanthi Wijeratne (Hambantota District Office).

In respect of the Affairs of the Finance Division audit inquiries were conducted for the confirmation of non-current assets, inspection of livestock account bearing account number 001622/ cash books and bank reconciliation statements account number, inspection of district office administrative account-Kalutara.

In respect of the activities of the Insurance Division, audit inquiries were conducted under the field of the payment of benefits of Suwasetha Health Insurance Scheme-2019.

Under the special audits inquiries ordered by the Chairman, special inquiry on the misplaced third party insurance cover books, special audit inquiries of district offices- Kegalle District Office, inquiry on the misplacement of general premia receipt book and the inquiry on the broken lock of the office table were conducted and und under the special inquiries ordered by the Director General, audit inquiry on the irregular distribution of insurance cards of the third party insurance scheme- Kandy District Office, report on the allowances payable to to Mr. D. Cyril Dayananda and inquiry on the use of advances granted to the Puttalam District Office for the ceremony to award compensation held at the said district office were conducted.

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

Conducting audit management committee meetings

The Audit Management Committee held 1 committee meeting in respect of the year 2020 (30.07.2020) at which the evaluation of reports of audit inquiries carried out by the Internal Audit Division as per the annual internal audit plan, reviewing of government audit inquiries, reviewing Auditor General's reports relevant to the annual financial statements were carried out. The members of the Audit and Management Committee are as follows.

Members of the Audit and Management Committee dated 26.02.2019

Mrs. W.H.A Wimalajeewa	Chairman of the Committee –Director, Department of Public Finance
Mr. W.M.M.B. Weerasekara	Committee Member –Commissioner General, Department of Agrarian Development
Mr. P.S.K.R. Weerakoon	Committee Member- Additional Secretary, Ministry of Agriculture

Planning Division

Planning Division – 2020

The Planning Division aligning itself with the vision and mission of the AAIB, coordinated with all divisions of the Board in the year 2019 as well and made plans and designed projects and schemes required to achieve objectives and goals, collected data and statistics in chronological order and analyzed same, submitted conclusions and recommendations and conducted research activities.

Coordination amongst divisions, collection of data and information and coordination with external institutions

While maintaining sound relationships with all other divisions of the AAIB throughout the year 2020, the Planning Division was engaged in systematic collection of updated data and statistics relating to primary activities of the Board and having analyzed the data thus collected the monthly, quarterly and yearly progress reports were prepared and submitted to the senior management. Further, in coordination with all institutions involved in the agricultural sector including the Ministry of Agriculture, all reports requested by such institutions in respect of the year 2020 were prepared and submitted to them expeditiously.

The Performance Report of the year 2019 was prepared on the basis of the data and information as to the progress achieved by the Board in the year 2019 and same was forwarded to the line ministry trough the heads of institution.

Implementing project and research activities

Under the guidance of the Planning Division, the following projects exploring as to how new technologies associated with agro insurance can be adopted for Sri Lanka while minimizing the identified issues and irregularities in the process of payment of compensation and optimizing the process of damage assessment and payment of compensation was implemented successfully in the year 2020

- **Project for the introduction of an index based insurance scheme**

The project for the introduction of a weather index based insurance scheme with the technical support from the International Finance Company affiliated to the World Bank was implemented in the Hambantota, Kurunegala, Anuradhapura, Ampara, Gampaha, Kilinochchi and Vavuniya districts in the year 2020.

Under the new scheme, was taken to pay compensation amounting to Rs. 3,134,215.00 was paid for 216.75 acres of farming lands of 85 farmers for the Maha season of 2019/20.

Damages to crops were not reported on account of climatic reasons under this new scheme in the Vavuniya district for the Yala season of 2020 and necessary action was taken to pay compensation amounting to Rs. 3,909,727.08 for 394.5 acres of 168 farmers in the Hambantota District whose crops sustained damages. The payment of compensation in the Gampaha District which was delayed due to the Covid-19 pandemic situation is being carried out now. Compensation is expected to be computed under this scheme for the Maha season of 2020/21 in the major agricultural districts of the island. Having collected the basic data from the Hambantota, Kurunegala, Anuradhapura, Ampara, Gampaha, Kilinochchi and Vavuniya districts, activities pertaining to the formulation of insurance products based on such data were commenced.

- **Programme for developing Agricultural Management Information System (AMIS) and Web/Mobile Application**

In partnership with the Index Based Insurance project, the programme for developing Agricultural Management Information System (AMIS) and Web/Mobile Application containing agricultural data was successfully implemented in the year 2020 under the patronage of the Ministry of Agriculture.

Based on experiences of the pilot projects centered on the Gampaha and Badulla districts, measures were taken to enter data and information of farmers and farming lands of the Hambantoda district, identify farming lands using geospatial information and to map farming lands.

Awareness programmes for field level officers involved in agriculture were conducted at the Divisional Secretariat and Agrarian Service Centre levels in the Hambantota district. Similarly, training workshops were conducted with the participation of GeoEDGE Limited which developed the software for officers involved in feeding data and mapping of farming lands.

With the support of the Agricultural Research and Production Assistants thus trained, activities pertaining to the mapping of farming lands entering data of farmers and farming lands were carried out by data entry officers till the end of the year 2020.

Under the first phase of the Hambantota district project, activities pertaining to the mapping of all paddy lands at the plot level of the Netolpitiya and Beliatta agrarian service centres were finalized. Under the second phase, the mapping of paddy fields of all agrarian service centres at the track level was completed. A basic awareness programme regarding the use of the mobile application was conducted under the programme for mapping dry lands.

Pre-awareness programme on the project for all officers involved in agriculture in the Anuradhapura district was concluded in the year 2020.

Further, the development of web/mobile application of this project was carried out throughout the year 2020. Activities pertaining to the development of the above application to suit the needs and processes of the Board were performed conducting regular meetings with the GeoEDGE officers.

Formulating plans for the next five years including 2021

Arrangements for drawing up plans for the activities to be carried out in the year 2021 by the AAIB for the attainment of corporate objectives were commenced under the patronage of the Planning Division during the tail end of the year 2020. Accordingly, meetings for discussing the future plans were organized with the involvement of all divisions of the Board and officers of leading agricultural districts. Based on the matters discussed at these meetings, the Annual Action Plan of 2021 and Corporate Plan 2021-2025 were drafted. The drafts were forwarded to the upper management and heads of divisions for amendments, if any. In addition, activities pertaining to the formulation of actions plans for the year 2021 in respect of government funded development programmes.

Finance Division

Financial Summary

The agricultural Insurance scheme of the Board posted a net profit of Rs 1153.7 million in the year 2020, and the operational profit made during the year was Rs 1401.3 million.

In terms of the budget proposals of 2018, the compulsory insurance scheme for six major crops i.e. paddy, maize, big onions, potatoes, soy and chilies was implemented this year too. It was proposed to offer a cover subject to a ceiling of Rs. 40,000 per acre.

Taking into consideration the severe drought that lasted several cultivation seasons and the impact of changes in climatic and weather patterns, it was decided not to charge the hitherto charged premium from farmers and instead the government paid the premia which amounted to Rs. 1950 million.

Other insurance schemes have achieved a rapid growth during the year which amounted to year on year increase of 26%.

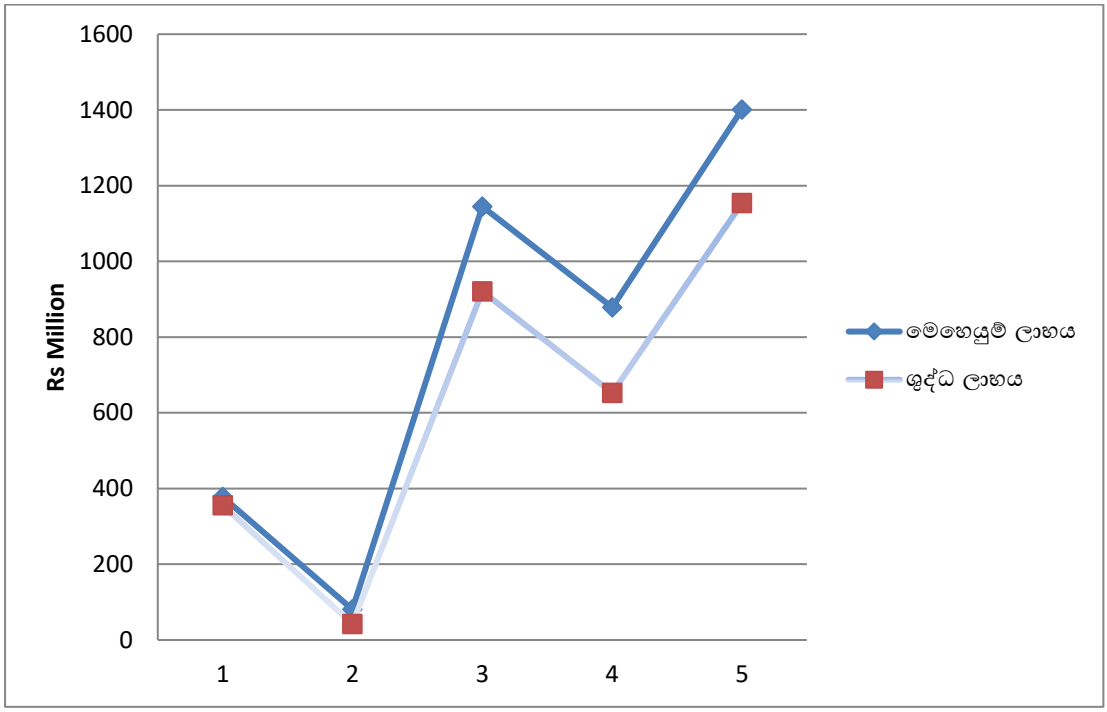
During the year 2020, the compulsory crop insurance indemnity liability of the AAIB was approximately Rs. 1,900 million.

During the year 2020, a net amount of Rs. 4,502 million was paid as pension to 163,091 farmers under the farmers' pension scheme and the amount paid as pension under the Fishermen's Pension Scheme to 5,036 fishermen was Rs 112 million.

Financial Information of the five preceding years

Profitability

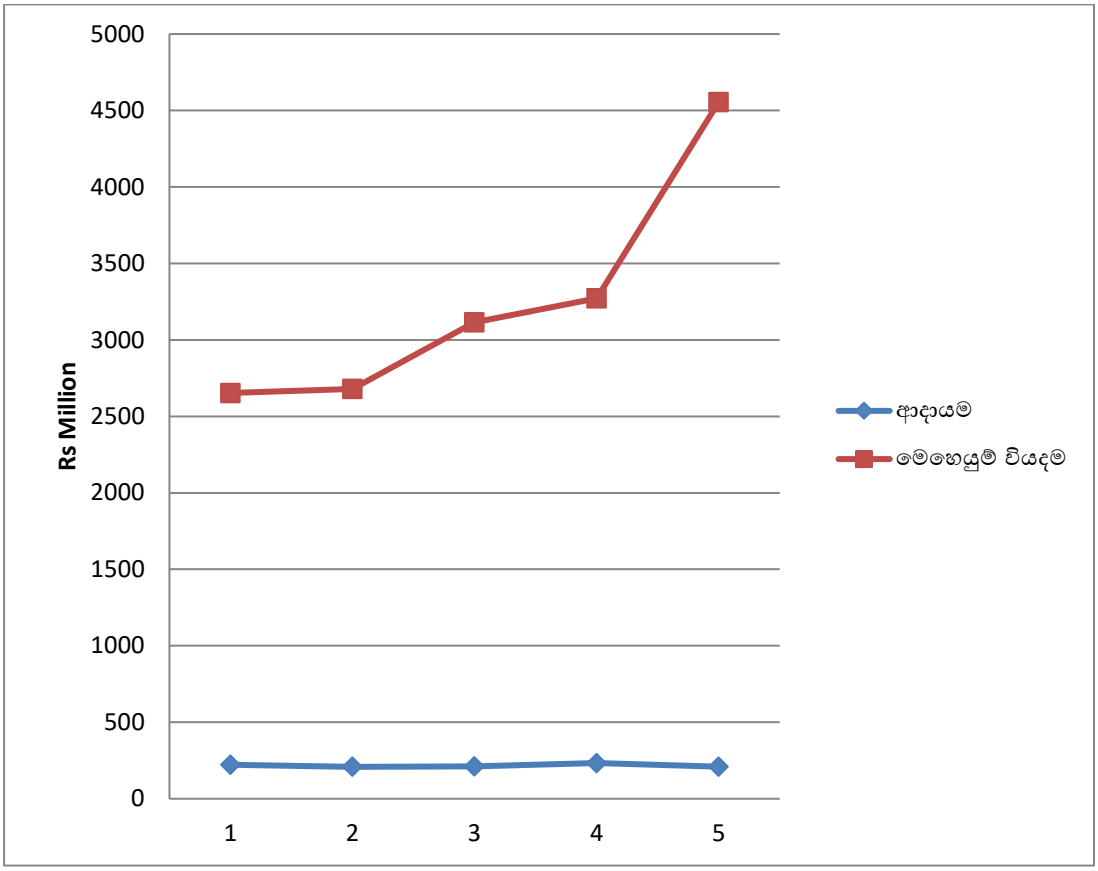
- **Agricultural Insurance Scheme**



	1 2016	2 2017	3 2018	4 2019	5 2020
Operational profit (Rs Mn)	377.7	80.9	1,144.7	878	1,401.3
Net profit (Rs Mn)	355.8	42.3	921	652.3	1,153.7

In the year 2020, a net profit of Rs. 1153.7 million was earned through the Agricultural Insurance Scheme which denotes am incline of 76.95% in comparison to 2019. The key contributory factor for this decline was the increase in the insurance compared to the previous year and the decrease in operational expenditure including the payment of compensation. Accordingly, the total insurance income of the Board in the year 2019 was 2,038 million and in the year 2020 it was Rs. 2294 million thus signifying an increase of 13%. In addition, the third party insurance scheme and other insurance schemes administered by the Board recorded impressive gains compared to the previous year. The income generated by the Board from these insurance schemes in the year 2020 was Rs 298.5 million which was a growth of 26% compared to year 2019. Accordingly, the Board was able to achieve the expected progress from all insurance schemes during the year 2020.

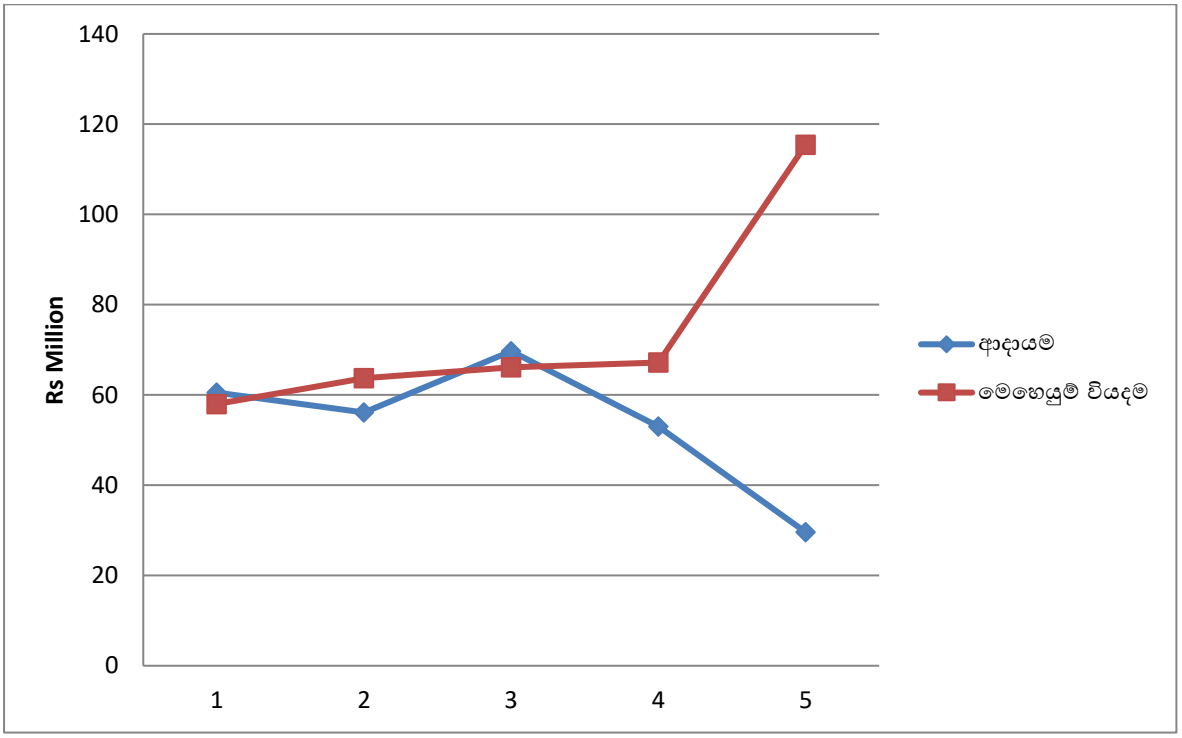
- **Farmers Pension Scheme**



	1 2016	2 2017	3 2018	4 2019	5 2020
Income (Rs Mn)	221.6	208.4	211.9	233.4	209.8
Operational expenditure (Rs Mn)	2,653	2,679	3,114	3,271	4,555

Under the new Farmers' Pension Scheme introduced in year 2014, a net pension amounting to Rs. 4,502 million was paid to 163,091 farmers in 2020. The total operational expenditure of the Farmers' Pension Scheme during the year was Rs 4,555 million and as in the previous year, this year too, the Treasury allocated Rs 4,450.94 million as provisions for the payment of pension.

- **Fishermen's Pensions Scheme**



	1 2016	2 2017	3 2018	4 2019	5 2020
Income (Rs Mn)	60.5	56.1	69.7	53	29.6
Operational expenditure (Rs Mn)	58	63.7	66.1	67.2	115.4

During the year 2020, the amount paid as pension to fishermen was Rs 112 million and the funds available with the Board and a sum of Rs. 48.68 million received from the Treasury was used for this purpose.

Consolidated Financial Statements for overall schemes

2020

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2020

	Scheme As at 31-12-2020			Group	
	AIS	**FPS**	**FIPS**	**31-Dec-20**	**31-Dec-19**
ASSETS					
Non Curent Assets					
Plant, Property & Equipment's	58,804,681	3,086,591	107,624	61,998,896	76,588,172
Held to maturity Investment					
Treasury Bond	-	1,050,288,368	-	1,050,288,368	1,055,048,183
	58,804,681	**1,053,374,959**	**107,624**	**1,112,287,264**	**1,131,636,355**
Current Assets					
Stocks	7,552,991	1,347,762	95,619	8,996,372	8,438,783
Receivables	1,141,689,593	28,158,180	338,999,572	264,902,837	1,167,872,706
Receivable Premium	1,949,677,184	2,811,953	-	1,952,489,137	2,116,415,761
Deposits & Pre Payments	5,308,902	-	-	5,308,902	5,599,152
Advances	671,901	-	-	671,901	682,399
Financial Instruments Held to Maturity	2,795,687,100	186,912,687	332,715,857	3,315,315,644	2,180,673,884
Cash at Bank	15,260,940	2,811,325	1,223,681	19,295,947	54,684,464
	5,915,848,610	**222,041,908**	**673,034,730**	**5,566,980,740**	**5,534,367,149**
TOTAL ASSETS	**5,974,653,292**	**1,275,416,867**	**673,142,354**	**6,679,268,004**	**6,666,003,503**
EQUITY & LIABILITIES					
Capital & Reserve					
AIB Accumulated (Deficit) / Surplus	3,094,309,645	-	-	3,094,309,645	1,940,626,652
Government Grant Capital	3,169,323	-	-	3,169,323	5,291,886
Initial Capital Contributed by the Treasury	50,000,000	-	-	50,000,000	50,000,000
Pension Fund	-	(79,283,851,683)	(3,675,902,450)	(82,959,754,133)	(78,722,253,838)
Death Gratuity Fund	1,077,622,157		29,500,355	1,107,122,512	1,056,736,458
F.A.O. Grant	-	-		-	-
Group Insurance Contribution	-	1,000,000	-	1,000,000	1,000,000
Staff Medical Insurance Fund	8,678,452	-	-	8,678,452	7,049,619
Product Promotion And Incentive Fund	17,595,272	-	-	17,595,272	11,755,982
Other Fund					
AAIB Reserve Fund	214,367,761		-	214,367,761	147,150,959
Kethata Aruna Compulsory Insurance Fund	706,503,600	-	-	706,503,600	706,503,600
Revaluation Reserve	58,129,167	2,850,000	-	60,979,167	58,129,167
	5,230,375,377	**(79,280,001,683)**	**(3,646,402,095)**	**(77,696,028,401)**	**(74,738,009,515)**
Non-Current Liabilities					
Pension Liability	-	74,155,908,494	4,261,454,710	78,417,363,204	74,168,438,850
Government Grant on Treasury Bond	-	1,081,488,000	-	1,081,488,000	1,081,488,000
Provision For Gratuity	40,491,283	67,904,481	3,030,564	111,426,328	95,311,245
Farmer's Trust Fund - Loan	-	-			
	40,491,283	**75,305,300,975**	**4,264,485,273**	**79,610,277,532**	**75,345,238,095**
Current Liabilities					
Provision For Printing	1,086,048	1,026,760	602,489	2,715,297	2,518,107
Pre Premium Receipts	34,653,447	-	-	34,653,447	25,893,007
Other Payables	75,508,321	5,246,471,167	52,710,896	4,130,745,875	3,974,986,149
Accrued Expenses	17,520,354	2,619,648	1,745,791	21,885,793	22,034,035
Provision For Indemnity	575,018,461	-	-	575,018,461	2,033,343,626
	703,786,631	**5,250,117,575**	**55,059,176**	**4,765,018,874**	**6,058,774,924**
TOTAL EQUITY & LIABILITIES	**5,974,653,292**	**1,275,416,867**	**673,142,354**	**6,679,268,004**	**6,666,003,504**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31st DECEMBER 2020

	Notes	Scheme As at 31-12-2020			Group	
		AIS	FPS	FIPS	31-Dec-20	31-Dec-19
REVENUE						
Insurance Premium	5	344,395,090	-	-	344,395,090	298,553,291
Insurance Premium-Treasury Contribution		1,950,000,000	-	-	1,950,000,000	1,739,880,000
Grants for Indemnities - NITF Crop Levy		1,099,070,813	-	-	1,099,070,813	1,201,617,885
Grants for Indemnities - Treasury		-	-	-	-	-
Farmer 's Contribution for Pension		-	99,002,319	90,148	99,092,468	114,775,520
Interest Income		136,947,307	110,806,428	33,093,265	256,233,401	249,149,386
		3,530,413,210	**209,808,748**	**33,183,413**	**3,748,791,771**	**3,603,976,082**
Less : Operating Expenditure						
Indemnity - AAIB	6	(1,914,086,373)	-	-	(1,914,086,373)	(2,173,895,081)
Claims recoverable from Reinsurer		(163,619,152)	-	-	(163,619,152)	312,000,000
Operational expenses	7	(51,371,640)	(1,138,804)		(52,510,444)	(49,963,770)
Pension payments & commission		-	(4,516,147,514)	(112,923,420)	(4,629,070,934)	(3,294,702,104)
Group Insurance Premium		-	(18,320,374)	(1,759,740)	(20,080,114)	(20,785,234)
Reinsurance Premium		-	-	-	-	(576,361,848)
Refund of Contribution &Net Interest		-	(19,602,799)	(724,189)	(20,326,988)	(21,755,298)
		(2,129,077,165)	**(4,555,209,491)**	**(115,407,349)**	**(6,799,694,005)**	**(5,825,463,335)**
Operational surplus / (Deficit)		**1,401,336,045**	**(4,345,400,744)**	**(82,223,936)**	**(3,050,902,234)**	**(2,221,487,253)**
Amortization Of Gov: Grant						
ADD:						
Govt. Grant for Pension Payments			4,450,949,000	48,685,000	4,499,634,000	3,065,000,000
Govt. Grant for Admin Expenses		-	150,000,000	-	150,000,000	138,000,000
Farmers Contribution for Admin Exp.		-	1,263,090	-	1,263,090	1,387,845
Grant for Admin: Expenses - FSH		-	-	1,500,000	1,500,000	1,500,000
Admin Expenses - FSH					-	-
Other Income		8,293,807	390,536	220	8,684,563	9,628,446
		8,293,807	**4,602,602,626**	**50,185,220**	**4,661,081,653**	**3,215,516,291**
		1,409,629,853	**257,201,882**	**(32,038,716)**	**1,610,179,419**	**994,029,038**
Less : Expenses						
Admin Expenses	8	(179,606,788)	(139,844,725)	(8,242,675)	(327,694,188)	(328,159,487)
Finance & Others	9	(159,411)	(49,460,045)	(500)	(25,006,356)	(38,873,813)
		(179,766,199)	**(189,304,770)**	**(8,243,175)**	**(352,700,544)**	**(367,033,300)**
NET SURPLUS /(DEFICIT)		**1,229,863,654**	**67,897,112**	**(40,281,891)**	**1,257,478,876**	**626,995,738**
Less : Provision for A.A.I.B Reserve fund		(70,066,802)	-	-	(70,066,802)	(43,902,996)
Life Insurance Fund						
Net Surplus (deficit) After Provision		**1,159,796,852**	**67,897,112**	**(40,281,891)**	**1,187,412,073**	**583,092,742**
Other comprehensive income						
Gratuity gains / (losses)		(6,113,859)	(15,396,284)	(702,246)	(22,212,390)	(19,049,362)
Increase in Pension Liability			(3,903,039,382)	(345,884,972)	(4,248,924,354)	(4,069,346,251)
		(6,113,859)	**(3,918,435,666)**	**(346,587,218)**	**(4,271,136,743)**	**(4,088,395,613)**
Net Surplus /Deficit of the Comprehensive income		**1,153,682,993**	**(3,850,538,554)**	**(386,869,109)**	**(3,083,724,670)**	**(3,505,302,871)**

Financial Statements as at 31 December 2020

Agricultural Insurance Scheme

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020

	Notes	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
ASSETS			
Non- Current Assets			
Property, Plant & Equipment	1	58,804,681.11	73,003,497.28
		58,804,681.11	73,003,497.28
Current Assets			
Stocks	2.1	7,552,990.81	5,911,638.92
Receivables	2.2	1,141,689,592.97	2,014,704,148.35
Receivable Premium	2.3	1,949,677,184.30	2,114,102,797.50
Deposits & Pre Payments	2.4	5,308,901.80	5,599,152.20
Advances	2.5	671,900.59	682,398.69
Financial Instruments Held to Maturity	2.6	2,795,687,099.69	1,878,869,760.35
Cash at Bank	2.7	15,260,940.29	51,451,163.43
Total current Assets		5,915,848,610.45	6,071,321,059.44
TOTAL ASSETS		**5,974,653,291.56**	**6,144,324,556.72**
EQUITY & LIABILITIES			
Capital & Reserve			
Initial Capital Contributed by the Treasury		50,000,000.00	50,000,000.00
A.A.I.B. Accumulated Fund	3	3,094,309,644.75	1,940,626,652.11
Government Grant - Capital	4	3,169,323.27	5,291,885.94
A.A.I.B Reserve Fund	5	214,367,760.92	144,300,958.65
Farmer's Death Gratuity Fund	6	1,077,622,157.13	1,028,673,843.49
Staff Medical Insurance Fund		8,678,452.29	7,049,618.74
Kethata Aruna Compulsory Insurance Fund		706,503,600.00	706,503,600.00
Revaluation Reserve		58,129,166.66	58,129,166.66
Product Promotion and Incentive Fund		17,595,272.04	11,755,982.24
		5,230,375,377.06	3,952,331,707.83
Non - Current Liabilities			
Provision For Gratuity		40,491,283.33	38,564,522.82
		40,491,283.33	38,564,522.82
Current Liabilities			
Provision For Printing		1,086,047.96	971,151.30
Pre Premium Receipts	7.1	34,653,446.81	25,893,006.64
Other Payables	7.2	75,508,320.60	77,240,875.60
Accrued Expenses	7.3	17,520,354.48	15,979,666.54
Provision For Indemnity	7.4	575,018,461.32	2,033,343,626.00
Total Current Liabilities		703,786,631.17	2,153,428,326.08
TOTAL EQUITY & LIABILITIES		**5,974,653,291.56**	**6,144,324,556.73**

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

.....
Head of Finance

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

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

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

AGRICULTURAL & AGRARIAN INSURANCE BOARD

AGRICULTURE INSURANCE SCHEME

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

		31.12.2020	31.12.2019
REVENUE	**Notes**	**Rs. Cts.**	**Rs. Cts.**
Premium - Insurance	8.1	344,395,090.13	298,553,291.45
Insurance Premium-Treasury Contribution		,950,000,000.00	1,739,880,000.00
Grants for Indemnities - NITF Crop Levy		1,099,070,812.53	1,201,617,885.00
Grants for Indemnities - Treasury		-	-
Interest	8.2	136,947,307.26	125,022,572.80
TOTAL REVENUE		**3,530,413,209.92**	**3,365,073,749.25**
OPERATING EXPENSES			
Indemnity	9.1	(1,914,086,372.63)	(2,173,895,081.29)
Reinsurance Premium		-	(576,361,848.14)
Claims recoverable from Reinsurer		(163,619,151.86)	312,000,000.00
Operating Expenses	9.2	(51,371,640.08)	(48,756,893.82)
		(2,129,077,164.57)	**(2,487,013,823.25)**
OPERATING SURPLUS/(DIFICIT)		**1,401,336,045.35**	**878,059,926.00**
Govt. Grant for Admin Expenses		-	-
Other Income	10	8,293,807.37	9,143,187.78
		8,293,807.37	**9,143,187.78**
		1,409,629,852.72	**887,203,113.78**
EXPENSES			
Administrative Expenses	11	(179,606,787.71)	(184,265,833.87)
Finance & Other Expenses	12	(159,410.80)	(750,367.41)
TOTAL EXPENSES		**(179,766,198.51)**	**(185,016,201.28)**
NET SURPLUS/ (DEFICIT)		**1,229,863,654.21**	**702,186,912.50**
Provision For A.A.I.B Reserve Fund		(70,066,802.27)	(43,902,996.30)
NET SURPLUS/ (DEFICIT) AFTER PROVISION		**1,159,796,851.94**	**658,283,916.20**
OTHER COMPREHENSIVE INCOME			
Gratuity Gain/(Loss)		(6,113,859.30)	(5,943,980.20)
		(6,113,859.30)	(5,943,980.20)
NET SURPLUS/ (DEFICIT) AFTER OTHER COMPREHENSIVE INCOME		**1,153,682,992.64**	**652,339,936.00**

AGRICULTURE & AGRARIAN INSURANCE BOARD

AGRICULTURE INSURANCE SCHEME

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

Description	Initial Capital Contributed by the Treasury Rs.	Accumulated Surplus/ (Deficit) Rs.	Govt. Grant for Capital Rs.	AAIB Reserve Fund Rs.	Farmer's Death Gratuity Fund Rs.	Staff Medical Insurance Fund Rs.	Kethata Aruna Compulsory Insurance Fund	Revaluation Reserve Rs.	Product Promotion and Incentive Fund Rs.	Total Rs.
Balance as at 01 January 2019	**50,000,000**	**1,288,286,716**	**9,956,994**	**100,397,962**	**956,861,045**	**5,752,936**	**706,503,600**	-	-	3,117,759,253
Addition during the year:	-	-	-	43,902,996	19,016,134	1,296,682	-	-	-	64,215,813
Interest Income	-	-	-	-	54,776,415	-	-	-	-	54,776,415
Amortization Gov. Grant	-	-	(4,665,108)	-	-	-	-	-	-	(4,665,108)
Transferred cost from motor vehicle	-	-	-	-	-	-	-	(58,832,592)	-	(58,832,592)
Accumulated Depreciation of motor vehicle	-	-	-	-	-	-	-	49,341,759	-	49,341,759
Transferred revaluation value to motor vehicle	-	-	-	-	-	-	-	67,620,000	-	67,620,000
Benefit paid	-	-	-	-	(1,979,750)	-	-	-	-	(1,979,750)
Net Surplus /(Deficit)	-	652,339,936	-	-	-	-	-	-	-	652,339,936
Balance as at 31 December 2019	**50,000,000**	**1,940,626,652**	**5,291,886**	**144,300,959**	**1,028,673,843**	**7,049,619**	**706,503,600**	**58,129,167**	**-**	**3,940,575,726**
Staff Incentive & Promotion Fund Transferred from Current Liabilities	-	-	-	-	-	-	-	-	11,755,982	11,755,982
Balance as at 01 January 2020	**50,000,000**	**1,940,626,652**	**5,291,886**	**144,300,959**	**1,028,673,843**	**7,049,619**	**706,503,600**	**58,129,167**	**11,755,982**	**3,952,331,708**
Addition during the year:	-	-	2,423,020	70,066,802	18,320,374	2,503,383	-	-	13,946,967	107,260,547
Interest Income	-	-	-	-	31,763,039	383,593	-	-	-	32,146,633
Amortization Gov. Grant Farmers Pension	-	-	(4,545,583)	-	-	-	-	-	-	(4,545,583)
Benefit paid	-	-	-	-	(1,135,100)	(1,258,143)	-	-	(6,107,677)	(8,500,920)
COVID – 19 Healthcare and Social Security Fund	-	-	-	-	-	-	-	-	(2,000,000)	(2,000,000)
Net Surplus /(Deficit)	-	1,153,682,993	-	-	-	-	-	-	-	1,153,682,993
Balance as at 31 December 2020	**50,000,000**	**3,094,309,645**	**3,169,323**	**214,367,761**	**1,077,622,157**	**8,678,452**	**706,503,600**	**58,129,167**	**17,595,272**	**5,230,375,377**

AGRICULTURAL & AGRARIAN INSURANCE BOARD

AGRICULTURE INSURANCE SCHEME

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	31.12.2020	31.12.2019
	Rs. Cts.	Rs. Cts.
Cash Flows from Operating Activities		
Net Surplus / (Deficit)	1,153,682,992.64	652,339,936.00
Adjustment for		
Depreciation	17,799,003.97	17,768,835.96
Provision For A.A.I.B Reserve Fund	70,066,802.27	43,902,996.30
Gratuity Gain/Loss	6,113,859.30	5,943,980.20
	93,979,665.54	**67,615,812.46**
Profit / loss on disposal of Property, Plant & Equip.	(26,850.19)	-
Non Cash proceeds from sale of Property, Plant & Equipment		
Provision for Retiring Gratuity	4,143,168.71	4,540,217.82
Operating Surplus before working capital changes	**1,251,778,976.70**	**724,495,966.28**
(Increase)/ Decrease in Inventories	(1,641,351.89)	(814,940.48)
(Increase)/ Decrease in Receivables	873,014,555.38	(963,524,780.81)
(Increase)/ Decrease Receivable Premium	164,425,613.20	(350,359,745.41)
(Increase)/ Decrease in Deposits & Prepayments	290,250.40	427,265,647.36
(Increase)/ Decrease in Advances	10,498.10	(10,966.20)
Increase /(Decrease) Provision For Indemnity	(1,458,325,164.68)	892,867,903.00
Increase /(Decrease) Provision For Printing	114,896.66	55,092.50
Increase /(Decrease) Pre-premium advance	8,760,440.17	(4,381,263.39)
Increase /(Decrease) Other Payables	(1,732,555.00)	4,409,645.00
Increase /(Decrease) Accrued expenses	1,540,687.94	1,341,450.27
	(413,542,129.72)	**6,848,041.84**
Cash Generated from Operations	**838,236,846.98**	**731,344,008.12**
Retiring Gratuity - Paid	(8,330,267.50)	(4,885,944.09)
Net Cash Flows from Operating Activities	**829,906,579.48**	**726,458,064.03**
Staff Incentive & Promotion Fund		
Cash Flows from Investing Activities		
Medical Fund	1,628,833.55	1,296,682.39
Farmer's Death Gratuity Fund	48,948,313.64	71,812,798.56
Staff Incentive & Promotion Fund	5,839,289.80	11,755,982.24
Investments during the year	(916,817,339.34)	(786,947,839.90)
Purchases of Property, Plant & Equipment	(3,628,122.60)	(7,229,505.30)
Proceeds from sale of Property, Plant & Equipment	54,785.00	-
Net Cash Flows from Investing Activities	**(863,974,239.95)**	**(709,311,882.01)**
Cash Flows from Financing Activities		
Government Grant for Capital expenditure	2,423,020.00	-
Amortization of Government Grant	(4,545,582.67)	(4,665,107.63)
Net Cash Flows from Financing Activities	**(2,122,562.67)**	**(4,665,107.63)**
Net Increase / (Decrease) in Cash & Cash Equivalents	**(36,190,223.14)**	**12,481,074.39**
Cash & cash equivalents at the beginning of the year	**51,451,163.43**	**38,970,089.05**
Cash & cash equivalents at the end of the year	**15,260,940.29**	**51,451,163.44**

Agricultural and Agrarian Insurance Board

Agriculture Insurance Scheme

Significant Accounting Policies

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 & Third Party insurance for vehicle who owned by the 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. 29,996,812.74 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) Revaluation

After recognition as an asset, lands and buildings whose fair value can be measured reliably, have been carried at revalued amount at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are being performed to ensure that the fair value of a revalued asset does not materially differ from its carrying amount as at the reporting date.

On revaluation of motor vehicle, any increase in the revaluation amount is credited to the revaluation reserve in equity unless it off sets a previous decrease in value of the same asset that was recognized in the Statement of profit or loss. A decrease in value is recognized in the Statement of profit or loss where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

(d) 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 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.

(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 2020.

Insured Subject	Provision for Indemnity (Rs.)
Kethata Aruna	532,000,000.00
Livestock	6,000,000.00
Suwasetha and Agri Equipment	500,000.00
Subsidiary Crops	1,850,000.00
Moveable Property	34,668,461.32
	575,018,461.32

Provision for third party Insurance indemnity

Third party provision is recognized weighted average rate of 15% from three consecutive year's income. Out of 15% rate proportionated 7%, 5%, 3% for current year income, previous year income and year after previous year respectively.

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 Capital Commitments and Contingent Liabilities

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

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

4. Statement of Comprehensive Income

4.1 Revenue

1. The revenue of the board represents the income from insurance premium and interest income from treasury bills, fixed deposit and loans of employees, and other miscellaneous income.

2. All income has been recognized on accrual basis.

3. Insurance Premium have been received from the Government as subsidy on behalf of the farmers.

4. Government Grants received for capital expenditure has been recognized as income on systematic basis.

4.2 Revenue Recognition

1. Insurance premium revenue has been recognized based on the time of insured.

2. The above revenue is on accrual basis & matched with related expenditure.

3. Interest income is accrued on time basis.

4.3 Accounting for Government Grants

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

4.4 Expenditure

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

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

Expenditure	Rates
Salaries, EPF, ETF, Gratuity	50%
Medical Expenses	50%
Consultancy Fees	60%
Welfare	50%
Uniform	50%
Entertainment	60%
Printing	60%
Legal Fees	40%
Allowances to B/Members	60%
Rent	55%
Telephone	55%
Postage	40%
Electricity	55%
Travelling, Over Time	50%
Water Bill	55%
Daily Pay	50%
Security	75%
Main Office Equipment	75%
Main. Vehicle	57%
Computer Expenses	75%
Fuel Expenses	68%
Stationery	50%
Main. Building	55%
Publicity & Training	80%

4.3 Surplus

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

4.4 Reserve Fund

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

4.5 Pre-Premium

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

5. Statement of Cash Flows

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

6. Events After the Reporting Date

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorized for issue. All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective Notes to the Financial Statements.

7. Related Party Transactions

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

8. Prior Year Adjustments

No prior year adjustments in reporting period.

9. Re insurance Payment

Reinsurance coverage for 2019 yala season had been Obtain from National Insurance Trust Fund amounting Rs. 312 million but it was not received and they have refunded Rs. 148,380,848.14 premium amount paid for above season. Board have not obtained any reinsurance coverage here after.

10. Contingencies

Eight 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	Workers Compensation Court Anuradhapura	WC/NF/1149/2019 (ANU)	Mr. M.M. Senavirathne Banda vs. AAIB	Action file Against the board claiming insurance money for the accident that occurred during office hours.	The case is being heard
2	High Court Anuradhapura	HC/233 & HC/234	Police vs. Ms. Sandagomi Maheshika	Fraud of money which need to be given farmers and forgery	The case is being heard
3	Anuradhapura Magistrate Court	B/2171/2002	Police vs. Mr.K.A.Heenbandara	Fraud of money which need to be received to the board	Keep down the case since 2005
4	Anuradhapura Magistrate Court	HC 7/2018	Police vs. Mr. K.G. Sudath Bandara	Fraud of money which need to be received to the board	The case is being heard
5	Anuradhapura Magistrate Court	61467	Police vs. Mr. T.A.Rathnasiri & Mr. Kamal Uduwana	Central Bank of Sri lanka filed an action against our officers due to conducting an illegal pyramid scheme	Both of officers have been convicted in case before Magistrate court an appeal to high court against mc's decision
6	Colombo High Court	3/8/2 මෝ.ඇ./2006	Police vs. AAIB	Mavil Aru Cultivation compensation	Case referred to attorney General's Department for further instuction
7	Magistrate Court Elpitiya	91838	Police vs. Mr. P.M.D. Dammika Chandranath	Road accident in southern highway	The case was closed on 2019.09.29

REPORT OF LEGAL CASES FILE AGAINST THE BOARD REGARDING THIRD PARTY INSURANCE SCHEME

	COURT	CASE NO	Plaintiff / Defendant	Cause of Action	Current Situation
1	Court of Appeal Colombo	CA(writ) 269/2019	Ceylinco Insurance VS AAIB	Action file against issuance of 3rd party insurance policy for people who are not coming under farmers category according to the Agricultural And Agrarian Insurance Act	Next step for argument
2	Kuliyapitiya District court	/6084M) D(	Mr. W. Somakumara Bandara VS AAIB	Damage claims under 3rd party insurance	The case is being heard
3	Kuliyapitiya District court	6560/D, 6561/D, 6562/D, 6563/D	Ms. B.M.K. Samanlatha VS AAIB	Damage claims under 3rd party insurance	The case is being heard
4	Kurunegala District court	/142MD	Ms. S.M.Gnanawathi VS AAIB	Damage claims under 3rd party insurance	The case is being heard
5	Kurunegala District court	/224MD /225MD	Ms. W.D.W. Indrani Nishshanka VS AAIB	Damage claims under 3rd party insurance	The case is being heard

6	Mawanella District court	/2556M	Ms. R.D.Madusha Samaraweera VS AAIB	Damage claims under 3rd party insurance	The case is being heard
7	Mawanella District court	/2436D	Ms. T.M.W.Kumuduni Thennakoon VS AAIB	Damage claims under 3rd party insurance	The case is being heard
8	Kegalle District court	M20/10946/	Mr. W.S.L.C. Sanka Manawapurawa VS AAIB	Damage claims under 3rd party insurance	The case is being heard
9	Warakapola District court	M20/863/	Ms. K.M. Kelawathi VS AAIB	Damage claims under 3rd party insurance	First hearing in the court is on 30th March 2021
10	Galle District court	M / 11799	Ms. K.M.Nilmini Priyankara VS AAIB	Damage claims under 3rd party insurance	The case is being heard

11	Balapitiya District court	/6547M	Mr. A. H. Pathmasiri VS AAIB	Damage claims under 3rd party insurance	The case is being heard
12	Matara District court	M/ 17873	Mr. H.D.R. Lakmal VS AAIB	Damage claims under 3rd party insurance	The case is being heard
13	Mathugama District court	MR/4671/20	Ms. P. Hemalatha VS AAIB	Damage claims under 3rd party insurance	The case is being heard
14	Kekirawa District court	/2076M	Mr. M. Karunarathne VS AAIB	Damage claims under 3rd party insurance	The case is being heard
15	Hingurakgoda District court	/241D20/	Mr. D.D.S. Ruwan Bandara VS AAIB	Damage claims under 3rd party insurance	The case is being heard

16.	Matara District court	/18710 MR	Mr. C.Pujitha Gunawardane VS AAIB	Damage claims under 3rd party insurance	First hearing in the court is on 02nd March 2021
17	Dehiattakandiya District court	M20/114 /	Ms. R.D.Chandralatha VS AAIB	Damage claims under 3rd party insurance	The case is being heard

AGRICULTURAL & AGRARIAN INSURANCE BOARD

AGRICULTURE INSURANCE SCHEME

NOTES TO THE ACCOUNTS

AS AT 31 DECEMBER 2020

NOTE 1 - PROPERTY, PLANT & EQUIPMENT

ASSETS	Cost/Valuation as at 01.01.2020	Disposal	Cost Addition	Balance as at 31.12.2020	Accum.Dep as at 01.01.2020	Disposal	Dep For the Year	Accum.Dep as at 31.12.2020	W.D.V as at 31.12.2020
FURNITURE & FITTINGS	13,357,432.86	(359,924.00)	27,390.00	13,024,898.86	9,271,108.18	(341,780.00)	554,526.60	9,483,854.78	3,541,044.08
OFFICE EQUIPMENTS	12,384,661.90	(224,928.01)	585,423.10	12,745,156.99	9,999,571.58	(216,449.28)	443,112.90	10,226,235.20	2,518,921.79
MOTOR VEHICLE	68,019,310.00	-	-	68,019,310.00	13,570,586.17	-	13,603,862.00	27,174,448.17	40,844,861.83
WELFARE EQUIPMENTS	717,481.00	(11,750.00)	11,289.50	717,020.50	507,330.21	(10,437.92)	32,637.07	529,529.36	187,491.14
COMPUTER EQUIPMENTS	20,753,520.30	(110,826.36)	3,004,020.00	23,646,713.94	12,402,812.36	(110,826.36)	2,876,871.50	15,168,857.50	8,477,856.44
TELEPHONE	1,510,807.50		-	1,510,807.50	1,510,807.50	-	-	1,510,807.50	-
MOTOR BICYCLE	146,300.00		-	146,300.00	146,300.00	-	-	146,300.00	-
BUILDING	8,079,299.28		-	8,079,299.28	4,720,215.03	-	250,143.73	4,970,358.76	3,108,940.52
PUBLICITY EQUIPMENTS	2,012,819.29	(12,820.00)	-	1,999,999.29	1,875,168.81	(12,820.00)	30,665.17	1,893,013.98	106,985.31
BICYCLE	156,764.20	(9,900.00)	-	146,864.20	130,999.20	(9,900.00)	7,185.00	128,284.20	18,580.00
CROP CUTTING EQUIPMENTS	60,371.00		-	60,371.00	60,371.00	-	-	60,371.00	-
LOSS PREVENTIVE EQUIP:	41,280.00		-	41,280.00	41,280.00	-	-	41,280.00	-
SURVEY EQIPMENTS	4,399.00	(300.00)	-	4,099.00	4,399.00	(300.00)	-	4,099.00	-
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	-
	127,589,906.17	**(730,448.37)**	**3,628,122.60**	**130,487,580.41**	**54,586,408.89**	**(702,513.56)**	**17,799,003.97**	**71,682,899.30**	**58,804,681.11**

Note

Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs.29,996,812.74 as at 31st December 2020

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
AS AT 31 DECEMBER 2020

	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
NOTE 2 - CURRENT ASSETS		
Note 2.1 - Stock		
Printing Materials	5,782,352.48	4,967,197.32
Stationary	1,770,638.33	944,441.60
	7,552,990.81	**5,911,638.92**
Note 2.2 - Receivables		
Staff Loans & Advance	35,982,348.01	40,707,858.26
Motor cycle loan	1,504,605.36	1,904,604.84
Salary Receivables	228,015.38	342,023.38
Staff Special Loan - 2004	4,800.00	4,800.00
Life insurance premium Receivable	246,671,018.20	229,485,744.00
Sundry Debtors	51,542.75	51,542.75
Receivables from C. W. E	256,520.00	256,520.00
Agri Nerve Center-Agriculture Ministry	463,375.80	1,947,160.40
National Insurance Trust Fund -NITF Crop levy	200,000,000.00	793,310,000.00
Reinsurance Claim	-	312,000,000.00
Motor cycle Expenses (Staff) -	2,566.70	2,566.70
Farmers Pension Scheme (Admin)	104,930,222.61	115,174,191.83
Fisheries Pension Scheme	47,553,691.90	40,070,084.52
Farmers Pension Scheme (Capital)	1,376,591.94	1,178,329.84
Farmers Pension Advance	504,463,411.72	480,304,114.75
Provision for bad debtors	(1,799,117.40)	(2,035,392.92)
	1,141,689,592.97	**2,014,704,148.35**
Note 2.3 Receivable Premium		
Livestock	58,032.30	392,480.50
Suwasetha and Personal	-	91,165.00
Insurance Premium-Treasury Contribution	1,949,619,152.00	2,113,619,152.00
	1,949,677,184.30	**2,114,102,797.50**
NOTE 2.4 - Deposits & Pre Payment		
Deposit - (Fuel)	150,000.00	150,000.00
Deposit - (Transport)	5,000.00	5,000.00
Insurance	-	688,949.63
Rent	5,113,901.80	4,755,202.57
Office Maintanance	40,000.00	
	5,308,901.80	**5,599,152.20**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
AS AT 31 DECEMBER 2020

	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
Note 2.5 - Advances		
Traveling Advance	8,000.00	8,000.00
Fuel Advance	39,570.65	39,570.65
Salary Advance	50,261.41	50,261.41
Miscellaneous Advance	1,035.00	18,561.00
Capital Advance	565,800.00	565,800.00
District Admin.acct	205.63	205.63
Livestock Advance	7,027.90	
	671,900.59	**682,398.69**
Note 2.6 - Financial Instruments Held to Maturity		
Treasury Bills	2,000,084,607.49	1,130,984,036.50
Fixed Deposit-Peoples Bank	164,803,742.48	167,885,723.85
Fixed Deposit-Bank Of Ceylon	580,171,061.36	580,000,000.00
Fixed Deposit-Regional Development Bank	50,627,688.36	-
	2,795,687,099.69	**1,878,869,760.35**
Note 2.7 - Cash at Bank		
Bank Of Ceylon A/C -164811	383,896.59	487,521.99
Bank Of Ceylon A/C -164667	438,151.17	1,131,573.94
Bank Of Ceylon A/C -164693	974,761.66	808,618.31
Bank Of Ceylon A/C -1622	1,281,336.70	33,390.11
Bank Of Ceylon A/C -1616	618,066.52	370,166.52
Bank Of Ceylon A/C -8600879	597,905.85	426,266.27
Bank Of Ceylon A/C -8600818	258,814.16	258,814.16
Peoples Bank A/C -112352	893,041.53	313,564.91
Peoples Bank A/C -112343	361,897.03	86,166.80
Peoples Bank A/C -100440112349	74,505.69	74,505.69
Peoples Bank A/C -100260112349	53,040.00	53,040.00
Peoples Bank A/C -100350112349	27,452.92	27,871.88
Peoples Bank A/C -100170112349	832,774.14	833,594.62
Peoples Bank A/C -335100190008791	2,048,680.88	760,599.03
Peoples Bank A/C -335100280008791	309,951.23	459,062.81
Peoples Bank A/C -100530112349	426,701.36	3,702,675.67
Peoples Bank A/C -335100190112349	841,360.00	
Regional Development Bank A/C- 134010103277	4,838,602.86	41,623,730.72
	15,260,940.29	**51,451,163.43**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
AS AT 31 DECEMBER 2020

		31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
NOTE 3 - A.A.I.B. ACCUMULATED SURPLUS			
B / F Balance		1,940,626,652.11	1,288,286,716.11
Add:			
Surplus(Deficit) for the year		1,153,682,992.64	652,339,936.00
Balance as at 31.12.2020		**3,094,309,644.75**	**1,940,626,652.11**
NOTE 4 - GOVERNMENT GRANT - CAPITAL			
Govt. Grant For Capital			
Balance as at 01.01.2020		5,291,885.94	9,956,993.57
Add:			
Grant for the year -Treasury		1,000,000.00	-
Grant for the year -AIMS	**4.1**	1,423,020.00	-
Less:			
Amortizations Gov. Grant		(4,517,440.00)	(4,665,107.63)
Amortizations Gov. Grant-AIMS		(28,142.67)	
Balance as at 31.12.2020		**3,169,323.27**	**5,291,885.94**
4.1 Govarnmant Grant For Agriculture Management Information System			
Received Funds		7,715,616.89	7,000,000.00
Capital Expenditure- Computer Equipment		1,423,020.00	-
Expenditure			
Daily Pay		286,416.00	3,987,446.53
Computer Rental (Laptop)		371,650.00	1,883,652.50
Meals		755,727.00	1,518,124.60
Accommodation		792,939.00	944,831.00
Awareness		414,528.87	40,000.00
Stationary And Consumables		92,873.00	63,926.00
Fuel & Transport		227,567.00	233,975.29
Telecommunication		1,867,111.42	275,204.48
		6,231,832.29	**8,947,160.40**
Receivable From Agri Ministry		**463,375.80**	**1,947,160.40**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
AS AT 31 DECEMBER 2020

	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
NOTE 5 - A.I.B. RESERVE FUND		
Balance as at 01.01.2019	144,300,958.65	100,397,962.35
Add:		
Provision for the year	70,066,802.27	43,902,996.30
Balance as at 31.12.2019	**214,367,760.92**	**144,300,958.65**
NOTE 6 - FARMERS DEATH GRATUITY FUND		
Balance as at 01.01.2020	1,028,673,843.49	956,861,044.93
Add :		
Death Gratuity Premium	18,320,374.20	19,016,134.00
Interest Income	31,763,039.44	54,776,414.56
	50,083,413.64	73,792,548.56
Less :		
Death Gratuity Payment	863,100.00	1,878,750.00
Disablement Gratuity Payment	272,000.00	101,000.00
	1,135,100.00	1,979,750.00
Balance as at 31.12.2020	**1,077,622,157.13**	**1,028,673,843.49**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
AS AT 31 DECEMBER 2020

		31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
NOTE 7 - CURRENT LIABILITIES			
Note 7.1 - Pre - Premium Receipts			
Pre - Premium - Livestock		1,524,785.19	2,854,241.59
Pre - Premium - Kethata Aruna		33,128,661.62	23,038,765.05
		34,653,446.81	**25,893,006.64**
Note 7.2 - Other Payables			
Provision for Employee Allowance		4,281,250.00	4,500,000.00
Value Added Tax-VAT		-	1,513,805.00
Refundable Tender deposits		426,870.60	426,870.60
Unclaimed Indemnities		70,800,200.00	70,800,200.00
		75,508,320.60	**77,240,875.60**
Note 7.3 - Accrued Expenses			
Admin. Expenses	7.3.1	13,268,117.54	12,380,713.31
Incentive - Crop Insurance		671,833.13	671,833.13
Incentive - Movable Property		3,428,580.63	2,718,751.26
Personal Accident & Suwasetha		53,518.75	76,530.85
Operational Expenditure - Livestock		98,304.43	131,837.99
		17,520,354.48	**15,979,666.54**
Note 7.4 - Provision For Indemnity			
Livestock		6,000,000.00	7,000,000.00
Suwasetha		500,000.00	500,000.00
Movable Property		34,668,461.32	23,559,605.00
Subsidiary Crops		1,850,000.00	2,000,000.00
Kethata Aruna (Compulsory Crop Insurance)		532,000,000.00	2,000,284,021.00
		575,018,461.32	**2,033,343,626.00**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
AS AT 31 DECEMBER 2020

	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
Note 7.3.1 - Accrued Expenses		
Electricity	202,824.27	214,898.10
Security Charges	198,660.00	7,500.00
Rent	1,086,734.35	1,055,516.00
Maintenance of Motor Vehicles	565,235.00	537,145.00
Traveling & Subsistence	931,918.00	1,004,959.00
Salaries	2,430,572.28	1,421,622.02
E.P.F	204,843.17	74,935.09
E.T.F	51,210.79	18,733.77
Publicity	1,250.00	94,500.00
Stationary	162,695.80	218,892.50
Telephone	290,216.07	307,377.49
Water Bill	13,273.85	150.00
Audit Fees	6,068,088.00	5,213,846.00
Fuel	446,279.93	304,340.00
Uniform	-	7,200.00
Welfare	-	4,780.00
Labour Charges	85,775.00	5,750.00
Payable Computer Expenses	11,000.00	-
Transport Expenses	9,305.00	1,600.00
Translation Fees	-	1,085.00
Bank Charges	1,000.00	2,310.00
Payable Main Building	4,830.00	-
Payable Printing	165,000.00	308,594.68
Payable Postage	610.00	36,050.00
Sundry Creditors	163,370.03	162,880.03
Payable Office Equipment	4,158.00	2,500.00
Payable Entertainment	-	5,255.00
Payable Newspapers	-	28,170.00
Payable Legal fees	64,127.00	-
Agri Nerve Project	105,141.00	1,340,123.63
	13,268,117.54	**12,380,713.31**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
AS AT 31 DECEMBER 2020

	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
NOTE 8 - REVENUE		
Note 8.1 - Premium - (Insurance)		
Livestock	5,780,196.18	7,866,194.77
Suwasetha Insurance/ Personal Accidents	13,779,807.96	9,419,321.45
Subsidiary Crops	2,280,055.00	3,046,588.59
Movable Property	278,939,341.16	220,153,223.24
Kethata Aruna (Compulsory Crop Insurance)	43,615,689.83	58,067,963.40
	344,395,090.13	**298,553,291.45**
Note 8.2- Interest Income		
Interest - Treasury bills (Crops & Other)	135,412,589.06	123,164,439.13
- Loans to employees	1,534,718.20	1,858,133.67
	136,947,307.26	**125,022,572.80**
NOTE 9 - OPERATIONAL EXPENDITURE		
Note 9.1 - Indemnity - Insurance		
Livestock	3,018,947.00	5,136,019.50
Suwasetha & Accident Cover	15,156.00	44,690.00
Movable Property	11,108,856.32	11,583,882.00
Subsidiary Crops	40,200.00	2,099,657.00
Kethata Aruna (Compulsory Crop Insurance)	1,899,903,213.31	2,155,030,832.79
	1,914,086,372.63	**2,173,895,081.29**
Note 9.2 - Other Operational Expenses		
Insurance Incentive	1,098,805.99	509,605.41
Movable Property-Third party Insurance Incentive	34,784,568.63	30,729,803.66
Movable Property-Product Promotion and Incentive	13,946,967.06	11,755,982.24
Suwasetha Incentive	227,204.01	153,272.49
Admin. Allowances	-	14,040.00
Crop Assessment	645,156.26	4,355,573.43
Livestock	668,938.13	1,238,616.59
	51,371,640.08	**48,756,893.82**
NOTE 10 - OTHER INCOME		
Disposal Of Fixed Assets	26,850.19	-
Amortization Of Government Grant	4,195,141.97	4,198,249.79
Sundry Income	353,259.69	65,201.52
Bad Debts Over Provision	236,275.52	138,436.47
Service Fees From Bank	3,482,280.00	4,741,300.00
	8,293,807.37	**9,143,187.78**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
AGRICULTURE INSURANCE SCHEME
NOTES TO THE ACCOUNTS
AS AT 31 DECEMBER 2020

	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
NOTE 11 - ADMINISTRATIVE EXPENSES		
Salaries & Wages	85,662,701.47	80,683,797.20
Contribution E.P.F.	9,353,939.39	8,791,903.79
Contribution E.T.F.	2,327,585.79	2,197,974.70
Traveling & Subsistence	4,153,228.62	3,535,580.63
Overtime	2,278,135.75	2,543,693.73
Daily Pay	215,411.50	405,277.40
Medical Expenses	834,380.00	592,911.00
Allowance to Board Members	110,160.00	331,500.00
Gratuity	4,143,168.71	4,540,217.82
Welfare	451,445.82	997,640.24
Allowance to employees	4,081,750.00	7,276,000.00
Fuel	5,811,942.18	5,697,201.70
Stationery	3,829,444.82	3,188,018.48
Entertainment Allowance	168,622.81	210,498.08
Legal Fees	271,295.20	397,349.86
Transport	460,425.10	373,923.33
Printing	10,080,487.04	7,433,058.53
Publicity & Training	530,964.90	5,963,611.81
Uniform	1,800.00	153,324.05
Rent	8,049,738.77	7,800,248.70
Telephone	2,150,613.67	3,101,601.34
Postage	749,445.50	1,070,240.82
Water	265,568.67	253,709.07
Newspaper & Advertisement	841,989.00	235,690.00
Security	1,415,385.00	702,525.00
Electricity	1,625,492.87	1,780,961.29
Vehicles Rent & Maintenance	7,493,103.18	7,315,419.65
Maintenance - Buildings	235,250.26	808,840.54
Maintenance - Office Equipment	789,425.22	315,416.82
Labor Charges	680,031.00	419,916.05
Translation Fees	4,890.00	203,930.00
Computer Expenses	165,112.50	131,906.25
Miscellaneous Expenses	500.00	-
Depreciation	17,799,003.97	17,768,835.96
Audit Fees	2,574,349.00	3,673,402.00
Foreign Travelling	-	3,369,708.03
	179,606,787.71	**184,265,833.87**
NOTE 12 - FINANCE CHARGES		
Bank Charges	159,410.80	750,367.41
	159,410.80	**750,367.41**

Financial Statements as at 31 December 2019

Farmers' Pension and Social Security Benefit Scheme

AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020

ASSETS	Note	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
Non - Current Assets			
Plant, Property & Equipment	1	3,086,590.90	3,458,328.80
		3,086,590.90	**3,458,328.80**
Financial Instruments Held to maturity			
Treasury Bond		1,050,288,368.03	1,055,048,182.56
		1,050,288,368.03	**1,055,048,182.56**
Current Assets			
Stock	2	1,347,762.35	2,421,388.03
Receivables	3	28,158,180.20	19,331,022.20
Held to maturity Investment	4	186,912,686.82	167,887,669.04
Receivable Income	5	2,811,953.00	2,312,963.48
Cash at Bank	6	2,811,325.34	2,225,694.22
		222,041,907.71	**194,178,736.97**
TOTAL ASSETS		**1,275,416,866.64**	**1,252,685,248.33**
EQUITY & LIABILITIES			
Capital & Reserves			
Farmer's Pension Fund	7	(79,283,851,683.35)	(75,433,313,129.80)
Revaluation Reserve		2,850,000.00	2,850,000.00
Group Insurance Contribution		1,000,000.00	1,000,000.00
		(79,280,001,683.35)	**(75,429,463,129.80)**
Non - Current Liabilities			
Pension Liability		74,155,908,494.00	70,252,869,112.00
Government Grant on Treasury Bond		1,081,488,000.00	1,081,488,000.00
Provision for Staff Gratuity		67,904,480.84	54,643,566.14
		75,305,300,974.84	**71,389,000,678.14**
Current Liabilities			
Govt. Grant for Capital	8	1,376,591.94	1,178,329.84
Current Payables	9	5,245,094,574.88	5,286,510,760.49
Accrued Expenses	10	3,646,408.33	5,458,609.66
		5,250,117,575.15	**5,293,147,699.99**
TOTAL EQUITY & LIABILITIES		**1,275,416,866.64**	**1,252,685,248.33**

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

.....
Head of Finance

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

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

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

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2020

	Note	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
REVENUE			
Interest Income		110,806,428.13	119,044,408.64
Farmers Contribution		15,527,139.48	17,332,237.96
Pensioner's Contribution		80,949,000.00	94,327,403.00
Farmers Contribution for Life Insurance Premium		2,526,180.00	2,775,690.00
		209,808,747.61	**233,479,739.60**
Expenses			
Refund of Contribution		(11,780,857.00)	(11,917,037.98)
Refund of Net Interest		(7,821,942.00)	(8,544,418.02)
Disablement Gratuity Payment		(1,138,804.00)	(1,206,876.00)
Group Insurance Premium		(18,320,374.20)	(19,016,134.00)
Pension Payments & Commission			
- Pension Payments		(4,502,560,108.00)	(3,217,332,522.00)
- Commission Payments		(13,587,406.00)	(13,196,218.00)
Total Expenditure		**(4,555,209,491.20)**	**(3,271,213,206.00)**
Operating Surplus/(Deficit)		**(4,345,400,743.59)**	**(3,037,733,466.40)**
Government Grant-Recurrent		4,450,949,000.00	3,065,000,000.00
		105,548,256.41	**27,266,533.60**
INCOME - for Administration			
Farmer's Contribution for Admin. Expenses		1,263,090.00	1,387,845.00
Govt. Grant for Admin Expenses		150,000,000.00	138,000,000.00
Other Income	11	390,535.70	485,257.84
		151,653,625.70	**139,873,102.84**
Expenses			
Administration & Establishment Expenses	12	(139,844,725.02)	(136,894,634.69)
Financial Expenses	13	(48,870,651.63)	(88,581,354.56)
Commission for Collection Agents		(589,393.00)	(647,752.00)
Total Admin Expenses		**(189,304,769.65)**	**(226,123,741.25)**
		(37,651,143.95)	**(86,250,638.41)**
Surplus/Deficit for the year		**67,897,112.46**	**(58,984,104.81)**
Other comprehensive income			
Gratuity gains / (losses)		(15,396,284.01)	(12,983,522.68)
Increase in Pension Liability		(3,903,039,382.00)	(3,744,663,516.00)
		(3,918,435,666.01)	**(3,757,647,038.68)**
Net Surplus /Deficit of the Comprehensive income (Transferred to Farmer's Pension Fund)		**(3,850,538,553.55)**	**(3,816,631,143.49)**

AGRICULTURAL & AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2020

Description	Farmer's Pension Fund	Govt. Grant for Capital Expenses	Group Insurance Contribution	Revaluation Reserve	Total
Balance as at 01 January 2019	**(71,616,681,986)**	**1,191,588**	**1,000,000**	**-**	**(71,614,490,399)**
Asset Additions	-	453,600	-	-	453,600
Amortization of Govt. Grant	-	(466,858)	-	-	(466,858)
Govt. Grant for Capital Expenses transfer to elated party payable	-	(1,178,330)	-	-	(1,178,330)
Transferred cost from motor vehicle	-	-		(2,102,061)	(2,102,061)
Accumulated Depreciation of motor vehicle	-	-	-	2,102,061	2,102,061
Transferred revaluation value to motor vehicle	-	-	-	2,850,000	2,850,000
Profit/Loss for the year	(3,816,631,143)	-	-		(3,816,631,143)
Balance as at 31 December 2019	**(75,433,313,130)**	**0.00**	**1,000,000**	**2,850,000**	**(75,429,463,130)**
Profit/Loss for the year	(3,850,538,554)	-	-	-	(3,850,538,554)
Balance as at 31 December 2020	**(79,283,851,683)**	**0.00**	**1,000,000**	**2,850,000**	**(79,280,001,683)**

AGRICULTURE & AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2020

	31.12.2020	31.12.2019
Cash Flows from Operating Activities		
Net Surplus / (Deficit)	(3,850,538,554)	(3,816,631,143)
Adjustment for		
- Depreciation	920,441	1,036,858
- (Gain) /Loss on sale of Property Plant & Equipment	(25,370)	-
- Adjustments in respect of Prior Year	-	-
-Gain /loss on gratuity	15,396,284	12,983,523
	16,291,355	**14,020,381**
Provision for Retiring Gratuity	5,611,656	5,661,833
Pension Liability	3,903,039,382	3,744,663,516
	3,908,651,038	**3,750,325,349**
Operating Profit before working capital changes	**74,403,839**	**(52,285,414)**
(Increase)/ Decrease in Inventories	1,073,626	1,494,943
(Increase)/ Decrease in Receivables	(8,827,158)	(4,597,923)
(Increase)/ Decrease in Receivable Income	(498,990)	51,827
Increase / (Decrease) Other Payables	(41,416,186)	157,641,699
Increase / (Decrease) Accrued Expenses	(1,812,201)	658,534
	(51,480,909)	**155,249,080**
Cash Generated from Operations	**22,922,930**	**102,963,665**
Retiring Gratuity - Paid	(7,747,025)	(11,397,648)
Net Cash Flows from Operating Activities	**15,175,905**	**91,566,018**
Cash Flows from Investing Activities		
Investments during the year	(19,025,018)	(89,226,530)
Proceeds from the disposal of property, plant and Equipment	25,370	-
Purchases of Property, Plant & Equipment	(173,088)	(453,600)
Net Cash Flows from Investing Activities	**(19,172,736)**	**(89,680,130)**
Cash Flows from Financing Activities		
Government Grant for Capital Expenditure	173,088	453,600
Amortization for government grant	(350,441)	(466,858)
Government Bond	4,759,815	(2,048,183)
Net Cash Flows from Financing Activities	**4,582,462**	**(2,061,440)**
Net Increase / (Decrease) in Cash & Cash Equivalents	**585,631**	**(175,553)**
Cash & Bank Balance at the Beginning of the year	2,225,694	2,401,247
Cash & Cash equivalents at the End of the year	**2,811,325**	**2,225,694**
Cash & Bank Balance at the end of the year		
Cash at Bank - End of the year	**2,811,325**	**2,225,694**

Agricultural and Agrarian Insurance Board

Farmer's Pension & Social Security Benefits Scheme

Significant Accounting Policies

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

(e) Recognition and Measurement

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

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

Fully depreciated assets with a total historical cost of Rs. 28,952,354.05 has been included in property plant and equipment

(f) 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) Revaluation

After recognition as an asset, lands and buildings whose fair value can be measured reliably, have been carried at revalued amount at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are being performed to ensure that the fair value of a revalued asset does not materially differ from its carrying amount as at the reporting date.

On revaluation of motor vehicle, any increase in the revaluation amount is credited to the revaluation reserve in equity unless it off sets a previous decrease in value of the same asset that was recognized in the statement of profit or loss. A decrease in value is recognized in the Statement of profit or loss where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal

(d) 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 totheir 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 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.

3.3 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 - 2008.10.15 The rates are as follows;

Expenditure	Rates
Salaries, EPF, ETF, Gratuity	50%
Medical Expenses	50%
Consultancy Fees	40%
Welfare	50%
Uniform	48%
Entertainment	40%
Printing	40%
Legal fees	60%
Awareness & Training	20%
Allowances to B/M	40%
Rent, Telephone	40%
Postage	55%
Electricity	40%
Traveling, Over Time	50%
Water Charges	40%
Daily Pay	50%
Security	20%
Main. Office Equipment	20%
Main. Vehicle	40%
Main. Computer	25%
Fuel Expenses	30%
Main. Building	40%
Stationery	48%

5. Cash Flow Statement

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

6. Events After The Reporting Date

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

7. 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 amounting to Rs. 295,230,441.79 and Rs. 518,000,000 respectively.

8. Contingencies

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

AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DESEMBER 2020

NOTE - 01

Description	Cost/Valuation as at 01.01.2020	Disposal	Addition	Total	Accumulated Dep :as at 01.01.2020	Disposal	Depreciation for the year	Total Depreciation	Net book value 31-12-2020
Motor Vehicle	2,850,000.00		-	2,850,000.00	570,000.00		570,000.00	1,140,000.00	1,710,000.00
Office Equipment	1,269,376.79		102,502.80	1,371,879.59	1,258,876.79		1,867.10	1,260,743.89	111,135.70
Welfare Equipment	27,510.75		5,340.00	32,850.75	22,891.92		851.75	23,743.67	9,107.08
Furniture & Fittings	1,488,334.53		(73,955.00)	1,414,379.53	1,035,400.92		(1,995.40)	1,033,405.52	380,974.01
Air Conditioners	836,217.74		-	836,217.74	675,781.34		93,822.40	769,603.74	66,614.00
Computers	23,690,706.48		139,200.49	23,829,906.97	23,140,866.52		(119,719.66)	23,021,146.86	808,760.11
Publicity Equipment	422,837.14		-	422,837.14	422,837.14		-	422,837.14	-
Computer Software	1,475,000.00		-	1,475,000.00	1,475,000.00		-	1,475,000.00	-
	32,059,983.43	**-**	**173,088.29**	**32,233,071.72**	**28,601,654.63**	**-**	**544,826.19**	**29,146,480.82**	**3,086,590.90**

Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs. 28,952,354.05 as at 31st December 2020

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2020

	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
NOTE 02 - STOCKS		-
Printing Materials	1,298,283.35	2,327,210.48
Stationary Stock	49,479.00	94,177.55
	1,347,762.35	**2,421,388.03**
NOTE 03 - RECEIVABLES		
Receivables from Collection Agents	686,979.20	686,979.20
Receivable from Postal Department	27,471,201.00	18,644,043.00
	28,158,180.20	**19,331,022.20**
NOTE 04 - HELD TO MATURITY INVESMENT		
Treasury Bills - Peoples Bank	186,912,686.82	167,887,669.04
	186,912,686.82	**167,887,669.04**
NOTE 05- RECEIVABLE INCOME		
Farmer's Contribution	2,238,518.00	1,855,808.48
Farmer's Contribution for Life Insurance Premium	382,290.00	304,770.00
Farmer's Contribution for Admin. Income	191,145.00	152,385.00
	2,811,953.00	**2,312,963.48**
NOTE 06 - CASH AT BANK		
A/C No.100150112345 - P/B Union Place	1,662,697.79	1,505,035.50
A/C No. 100180112344 - P/B Union Place	427,825.32	316,097.82
A/C No. 100130112351 - P/B Union Place	383,822.47	251,823.47
A/C No. 100110112347 - P/B Union Place	297,266.26	120,693.93
A/C No. 8403704 - B.O.C Union Place	39,713.50	32,043.50
	2,811,325.34	**2,225,694.22**
NOTE - 07- FARMER'S PENSION FUND		
Balance B/F	(75,433,313,129.80)	(71,616,681,986.31)
	(75,433,313,129.80)	**(71,616,681,986.31)**
Add/ (Less)		
Total Revenue over Expenditure	(3,850,538,553.55)	(3,816,631,143.49)
	(79,283,851,683.35)	**(75,433,313,129.80)**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2020

	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
NOTE - 8 - GOVT. GRANT FOR CAPITAL EXPENDITURE		
Balance B/F	1,178,329.84	1,191,587.68
Add / (Less):		
Amortization of Govt. Grant	(350,440.70)	(466,857.84)
Addition during the year	173,088.29	453,600.00
Balance C/F	**1,000,977.43**	**1,178,329.84**
NOTE 9 - PAYABLES		
Agency Commission	89,201.00	71,113.00
Staff Security Deposit	147,300.00	147,300.00
A.A.I.B. Current A/C	104,930,222.62	115,174,191.84
Pension Payment	4,035,687,916.00	3,882,863,789.00
Pension Commission	14,155,933.00	14,128,535.00
Group Insurance Premium	246,671,018.20	229,485,744.00
Loan for Pension Payment		
- Fisheries Pension Scheme	338,949,572.34	564,335,972.90
- AAIB	504,463,411.72	480,304,114.75
	5,245,094,574.88	**5,286,510,760.49**
NOTE 10- ACCRUED EXPENSES		
Provision for Printing Charges	1,026,760.33	976,863.66
Administration Expenses	74,648.00	3,900.00
Postage	897,400.00	391,245.00
Provision for Audit fees	1,647,600.00	4,086,601.00
	3,646,408.33	**5,458,609.66**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FARMER'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
NOTE 11 - OTHER INCOME		
Amortization of Govt. Grant	350,440.70	466,857.84
Sundry Income	14,725.00	18,400.00
Disposal Income	25,370.00	-
	390,535.70	**485,257.84**
NOTE 12 - ADMINISTRATION EXPENSES		
Salaries & Wages	85,662,701.47	80,683,797.20
E.P.F.	9,353,939.39	8,791,903.78
E.T.F.	2,327,585.79	2,197,974.70
Traveling & Subsistence	4,221,788.63	3,535,580.63
Over Time	2,508,216.75	2,754,614.73
Daily Pay	231,352.50	405,277.40
Medical Expenses	834,380.00	592,911.00
Gratuity	5,611,655.69	5,661,832.63
Staff welfare	451,445.82	997,640.25
Legal Fees	406,942.80	596,024.80
Staff Uniform	1,728.00	147,191.09
Allowance to Board Members	73,440.00	221,000.00
Consultation Fees	-	1,200.00
Rent	5,854,355.47	5,672,908.14
Telephone	1,564,082.67	2,255,710.06
Postage	2,832,897.56	3,371,461.12
Security	377,436.00	187,340.00
Electricity	1,182,176.64	1,295,244.58
Water Bill	193,140.85	184,515.69
Audit Fees	1,171,299.00	1,042,971.00
Fuel	2,630,599.14	2,513,471.34
Awareness & Training	132,741.23	1,387,902.95
Printing	1,326,027.13	1,667,920.09
Stationery & Consumables	4,025,018.08	3,484,535.24
Entertainments	117,925.20	140,332.05
Main. of Motor Vehicle	5,258,318.02	5,133,627.83
Main. of Building	171,091.10	588,247.66
Main. of Office Equipment	343,789.39	84,111.15
Main. of Computer & Software	58,210.00	260,529.74
Depreciation	920,440.70	1,036,857.84
	139,844,725.02	**136,894,634.69**
NOTE 13 - FINANCE & OTHER		
Loan Interest	48,772,896.41	88,536,579.75
Bank Charges	97,755.22	44,774.81
	48,870,651.63	**88,581,354.56**

Financial Statements as at 31 December 2020

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 31 DECEMBER 2020

	Note	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
ASSETS			
Non - Current Assets			
Plant , Property & Equipment	1	107,624.04	126,346.12
		107,624.04	**126,346.12**
Current Assets			
Stock	2	95,619.12	105,756.95
Receivables	3	338,999,572.34	564,385,972.90
Held to Maturity Investment	4	332,715,857.31	133,916,454.67
Cash at Bank	5	1,223,681.49	1,007,606.50
		673,034,730.26	**699,415,791.02**
TOTAL ASSETS		**673,142,354.30**	**699,542,137.14**
EQUITY & LIABILITIES			
Capital & Reserves			
Fishermen's Pension Accumulated Fund	6	(3,675,902,449.83)	(3,288,940,707.97)
Death Gratuity Fund	7	29,500,354.70	28,062,614.70
		(3,646,402,095.13)	**(3,260,878,093.27)**
Non - Current Liabilities			
Pension Liability		4,261,454,709.69	3,915,569,738.11
Provision for Staff Gratuity		3,030,563.66	2,103,156.27
		4,264,485,273.35	**3,917,672,894.38**
Current Liabilities			
Total Payables	8	52,902,954.91	40,727,541.53
Accrued Expenses	9	2,156,221.17	2,019,794.50
		55,059,176.08	**42,747,336.03**
TOTAL EQUITY & LIABILITIES		**673,142,354.30**	**699,542,137.14**

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

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Head Of Finance

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

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

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

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	31.12.2020	31.12.2019
		Rs. Cts.	Rs. Cts.
Interest Income		33,093,264.87	56,195,565.37
Fishermen's Contribution		90,148.20	340,189.00
		33,183,413.07	56,535,754.37
Less:			
Interest Income trf. to Admin Exp.		(3,500,000.00)	(3,500,000.00)
Total Revenue for Fund		**29,683,413.07**	**53,035,754.37**
Less: EXPENDITURE			
Refund of Net Contribution		(349,228.00)	(811,818.00)
Refund of Net Interest		(374,961.00)	(482,023.54)
Incentive Payment		-	-
Group Insurance Premium		(1,759,740.00)	(1,769,100.00)
Pension Payments & Commission			
- Pension Payments		(112,037,370.00)	(63,346,699.00)
- Commission for Pension Payments		(886,050.00)	(826,665.00)
Total Expenditure		**(115,407,349.00)**	**(67,236,305.54)**
Operational Surplus/ Deficit		**(85,723,935.93)**	**(14,200,551.17)**
INCOME - for Administration			
Disposal Of Fixed Assets		220.00	-
Govt. Grant for Pension Payment		48,685,000.00	-
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
		53,685,220.00	5,000,000.00
Sundry Income	12	-	-
		(32,038,715.93)	**(9,200,551.17)**
Less: Expenses			
Admin: & Establishment Expenses	10	8,242,675.06	6,999,018.25
Finance Charges	11	500.00	7,500.00
Total Admin Expenses		**8,243,175.06**	**7,006,518.25**
Profit/ (loss) for the year		**(40,281,890.99)**	**(16,207,069.42)**
Other Comprehensive Income			
Gratuity gains/ (loss)		(702,246.29)	(121,859.17)
Increase of Pension Liability		(345,884,971.58)	(324,682,734.51)
		(346,587,217.87)	**(324,804,593.68)**
Total Comprehensive Income For the year		**(386,869,108.86)**	**(341,011,663.10)**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Fishermen's Pension Fund	Death Gratuity Fund	Total
Balance as at 31 December 2018	**(2,947,929,044.87)**	**26,661,514.70**	**(2,921,267,530.17)**
Prior Year Adjustment	**(92,633.00)**		**(92,633.00)**
Adjusted Balance as at 31 December 2018	**(2,948,021,677.87)**	**26,661,514.70**	**(2,921,360,163.17)**
Balance as at 01 January 2019	**(2,948,021,677.87)**	**26,661,514.70**	**(2,921,360,163.17)**
Additions during the year	-	1,769,100.00	1,769,100.00
Benefit paid	-	(368,000.00)	(368,000.00)
Net Surplus/(Deficit)	(341,011,663.10)	-	(341,011,663.10)
Balance as at 31st Dec. 2019	**(3,289,033,340.97)**	**28,062,614.70**	**(3,260,970,726.27)**
Additions during the year	-	1,759,740.00	1,759,740.00
Benefit paid	-	(322,000.00)	(322,000.00)
Net Surplus/(Deficit)	(386,869,108.86)	-	(386,869,108.86)
Balance as at 31 Dec 2020	**(3,675,902,449.83)**	**29,500,354.70**	**(3,646,402,095.13)**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD
FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2020

	31.12.2020	31.12.2019
	Rs. Cts.	Rs. Cts.
Cash flows from Operating actives		
Net Surplus/(Deficit)	(386,869,108.86)	(341,011,663.10)
Adjustments For		
Depreciation	18,722.08	19,636.00
Adjustments in respect of Prior Year	(92,633.00)	-
Deficit/ Gain on Gratuity	702,246.29	121,859.17
Increase Pension Liability	345,884,971.58	324,682,734.51
Provision for Retiring Gratuity	225,161.10	207,637.66
Operating profit before working capital changes	**(40,130,640.81)**	**(15,979,795.76)**
(Increase) / Decrease in Inventories	10,137.83	54,988.27
(Increase) / Decrease in Receivables	225,386,400.56	48,886,839.06
(Increase) / Decrease in Other Payables	12,175,413.38	3,454,888.36
(Increase) / Decrease in Accrued expenses	136,426.67	180,092.50
	237,708,378.44	**52,576,808.19**
Cash Flows from Investing Activities		
Cash Generated from operation Activities	197,577,737.63	36,597,012.43
Retiring Gratuity - Paid	-	-
Net Cash Flows from Operating Activities	**197,577,737.63**	**36,597,012.43**
Cash Flows from Investing Activities		
Financial Instrument	(198,799,402.64)	(38,217,784.82)
Purchases of Property, Plant & Equipment	-	-
Contribution for group insurance scheme	1,759,740.00	1,769,100.00
Benefits during the year	(322,000.00)	(368,000.00)
Net Cash flows from Investing Activities	**(197,361,662.64)**	**(36,816,684.82)**
Cash Flows from financing Activities		
	-	-
Net Cash Flows from Financing Activities	-	-
Net Increase / (Decrease) in cash & Cash Equivalents	**216,074.99**	**(219,672.39)**
Cash & Cash equivalents at Beginning of the year	1,007,606.50	1,227,278.89
	1,223,681.49	**1,007,606.50**
Cash& Bank balance at the end of the year		
Cash at Bank - 31.12.2020	**1,223,681.49**	**1,007,606.50**

Agricultural and Agrarian Insurance Board
Fisherman's Pension & Social Security Benefits Scheme
Significant Accounting Policies
For the Year Ended 31st December 2020

1. General Policies

1.1 Reporting Entity

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

1.2 Principal Activities and Nature of Operations

Operating a pension and social security benefits scheme for fishermen.

1.3 Basis of Preparation

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Comparative Information

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

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

(d) Functional and Presentation Currency

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

(e) Use of Estimates and Judgments

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

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

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

(f) Going Concern

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

2 Assets and the Bases of their Valuation

2.1 Property, Plant and Equipment

(a) Recognition and Measurement

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

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

Fully depreciated assets with a total historical cost of Rs. 696,175.42 has been included in property plant and equipment.

(b) Cost

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

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

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

(c) Depreciation

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

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

2.2 Intangible Assets

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

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

2.3 Inventories

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

2.4 Financial Assets

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

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

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

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

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

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

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

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

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

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

(b) Loans & Receivables

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

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

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

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

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

(d) Available-for-Sale Financial Investment

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

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

2.4.1 Impairment Of Financial Assets

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

3. Liabilities and Provisions

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

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

3.1 Retirement Benefits

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

3.2 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.

3.3 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

(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 collection of premier has been recognized on as cash basis.

4.2 Revenue Recognition

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

(b) The above revenue is on cash basis and matched with the 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

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 -2008.10.15. 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 Prior Year Adjustments

The detail of the prior year adjustment is as follows.

Prior year adjustment for receivable premium Rs. 92,633.00

9 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 AAIB filed a case in the Colombo District Court against the loss incurred in respect of the interest by investing in treasury bonds of Bank of Ceylon in 1996.
The district judge delivered judgment in favor of the appeal of the complainant and refused to grant additional relief not mentioned in the petitions. Therefore in terms of the decision of the Board of Directors of the AAIB, an appeal has been filed against the judgment of the District Court.

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

NOTES TO THE FINANCIAL STATEMENTS

Note 01 - PROPERTY, PLANT & EQUIPMENT AS AT 31 DECEMBER 2020

Asset	Cost/Valuation as at 01.01.2020	Disposal	Cost Addition	Balance as at 31.12.2020	Accumulated Dep.As at 01.01.2020	Disposal	Depreciation for the year	Total Depreciation	Written Down Value as at 31.12.2020
Office Equipment	528,648.50		-	528,648.50	418,344.96		14,792.00	433,136.96	95,511.54
Welfare Equipment	1,325.00		-	1,325.00	1,325.00		-	1,325.00	-
Furniture & Fittings	78,876.92	(1,200.00)	-	77,676.92	63,914.42	(1,200.00)	2,850.00	65,564.42	12,112.50
Computers	264,945.00		-	264,945.00	263,864.92		1,080.08	264,945.00	-
	873,795.42	**(1,200.00)**	-	**872,595.42**	**747,449.30**	**(1,200.00)**	**18,722.08**	**764,971.38**	**107,624.04**

Property Plant & Equipment include fully depreciated assets that are still in use having a historical cost amounts to 696,175.42 as at 31st December 2020.

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

	31.12.2020	31.12.2019
NOTE 02 - STOCKS	Rs. Cts.	Rs. Cts.
Printing Materials	95,619.12	105,756.95
	95,619.12	**105,756.95**
NOTE 03 - RECEIVABLES		
Farmers Pension Loan	338,949,572.34	564,335,972.90
Death Gratuity Advance	50,000.00	50,000.00
	338,999,572.34	**564,385,972.90**
NOTE 04 - FINANCIAL INSTRUMENTS HELD TO MATURITY		
Treasury Bills - Bank Of Ceylon	332,715,857.31	133,916,454.67
	332,715,857.31	**133,916,454.67**
NOTE 05 - CASH AT BANK		
A/C No. 164790 BOC Union Place	209,188.45	324,626.90
A/C No. 164795 BOC Union Place	938,855.04	507,735.60
Collection Accounts	75,638.00	175,244.00
	1,223,681.49	**1,007,606.50**
NOTE 06 - FISHERMEN'S PENSION ACCUMULATED FUND		
Balance B/F	(3,288,940,707.97)	(2,947,929,044.87)
Prior Year Adjustment	(92,633.00)	-
	(3,289,033,340.97)	(2,947,929,044.87)
Addition during the year		
Total Surplus/(Deficit) for the year	(386,869,108.86)	(341,011,663.10)
	(3,675,902,449.83)	**(3,288,940,707.97)**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
NOTE 7 - DEATH GRATUITY FUND		
Balance B/F	28,062,614.70	26,661,514.70
Add:		
Contribution for the year	1,759,740.00	1,769,100.00
Less:		
Death Gratuity Payments	(322,000.00)	(368,000.00)
	(322,000.00)	(368,000.00)
	1,437,740.00	**1,401,100.00**
	29,500,354.70	**28,062,614.70**
NOTE 08 - PAYABLES		
Payable - Pension Payment	4,828,177.00	254,423.00
Payable - Agricultural Insurance scheme	47,553,691.91	40,070,084.99
Payable - Refundable Contribution	204,027.00	90,746.00
Payable - Death Gratuity	125,000.00	98,000.00
Payable - Incentivemen	325.00	325.00
Payable - Refund interest on Contributions	191,734.00	122,595.54
Payable F.P.S.	-	91,367.00
	52,902,954.91	**40,727,541.53**
NOTE 9 - ACCRUED EXPENSES		
Provision for Printing	602,489.17	570,092.50
Legal Fees	17,000.00	17,000.00
Provision for Audit Fees	1,536,732.00	1,432,702.00
	2,156,221.17	**2,019,794.50**

AGRICULTURAL AND AGRARIAN INSURANCE BOARD

FISHERMEN'S PENSION AND SOCIAL SECURITY BENEFIT SCHEME

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

	31.12.2020 Rs. Cts.	31.12.2019 Rs. Cts.
NOTE 10 - ADMINISTRATION EXPENSES		
Salaries & Wages	2,915,871.79	2,661,894.51
Contribution E.P.F.	349,904.61	316,414.29
Contribution E.T.F.	87,476.15	79,106.06
Over Time	7,430.00	-
Special Allowances	524,916.00	418,404.00
Gratuity	225,161.10	207,637.66
Fuel	170,939.48	167,564.76
Stationery	153,177.79	161,870.74
Printing	92,637.83	223,420.27
Legal Fees	221,000.00	409,000.00
Staff Uniform	72.00	6,132.96
Rent	731,794.43	709,113.52
Telephone	195,510.33	281,963.76
Postage	93,680.69	133,780.10
Water Bill	24,142.61	23,064.46
Security	94,359.00	46,835.00
Electricity	147,772.08	161,905.57
Main. of Motor Vehicle	394,373.85	385,022.09
Main. of Building	21,386.39	73,530.96
Main. of Office Equipment	52,628.35	21,027.79
Computer Expenses	158,407.50	291,693.75
Depreciation	18,722.08	19,636.00
Audit Fees	1,561,311.00	200,000.00
	8,242,675.06	**6,999,018.25**
NOTE 11 - FINANCE CHARGES		
Bank Charges	500.00	7,500.00
	500.00	**7,500.00**

Reports of the Auditor General

My No: AGL/E/14/AAIB/2020/FA Date: 29th September 2021

Chairman

Agricultural and Agrarian Insurance Board

Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 December 2020 of Agricultural and Agrarian Insurance Scheme

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The above report is sent herewith.

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W.P.C. Wickremaratne

Auditor General

Copies : (1) Secretary- Ministry of Agriculture

(2) Secretary- Ministry of Finance

Chairman

Agricultural and Agrarian Insurance Board

Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 March 2020 of Agricultural and Agrarian Insurance Scheme

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of Agricultural and Agrarian Insurance Board for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 provisions of the National Audit Act, No. 19 of 2018 and Finance Act No.38 of 1971. In terms of Article 154(6) of the constitution, my report will be tabled in Parliament in due course.

In my opinion, except for the effects of the matters described in the basis for qualified opinion of my report, the accompanying financial statements give a true and fair view of the financial position of the Scheme as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for the qualified opinion

(a) In terms of paragraph 51 of Sri Lanka Accounting Standard 16, the useful life of an asset should be reviewed at each financial year-end. However, it had not been so done in respect of property, plant and equipment costing Rs.25,801,935 fully depreciated as at 31 December 2020, but still in use.

(b) In terms of paragraph 59 of Sri Lanka Accounting Standard 37, identification of active contributors and death gratuity for farmer pensioners should be computed based on actuarial assessment. However, liabilities relating to Death Gratuity Fund of farmers amounting to Rs.1,077,622,157 as at 31 December 2020 had not been computed based on actuarial assessment and no provision had been made therefor timely.

(c) The value of the land of 76.6 perches belonging to the Scheme where 03 official quarters are maintained in Mahiyanganaya, Embilipitiya and Anuradhapura and buildings of official quarters in Embilipitiya had not been assessed and indicated in financial statements.

(d) Though there was no intention of settling the loan balance of Rs. 658,323,918 receivable from the Fishermen's Pension and Social Security Scheme and Farmers' Pension and Social Security Scheme within 12 months, it was indicated under current assets.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.1 Other information contained in the Annual Report 2020 of the Scheme

Other information means information, though included in the Annual Report 2020 of the Scheme but not included in the financial statements and in my audit report thereon. Those charged with management shall be responsible for other information.

My opinion on the financial statements does not cover other information and I do not provide an assurance of any manner or express an opinion on it.

My responsibility in relation to my audit regarding financial statements is to read other information whenever available (as applicable) and in doing so, consider whether there are material inconsistencies between other information and the financial statements or my knowledge gained at the audit or otherwise.

In reading the annual report 2020 of thescheme, if I concluded that there are material misstatements, such matters shall be communicated to those charged with management. If there still are misstatements which have not been corrected, they will be included in the report to be tabled in Parliament by me in due course in terms of Article 154(6) of the Constitution.

1.3 Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability to continue the scheme and disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the scheme's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities of the scheme, to enable annual and periodic financial statements to be prepared.

1.4 Auditor's Responsibility in Auditing Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the scheme's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have communicated with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

2. <u>Report on other legal and regulatory requirements</u>

2.1 Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018.

2.1.1 In terms of the requirements of section 12 (a) of the National Audit Act No. 19 of 2018, except for the effects of the matters described in the section on the 'Basis for the Audit Opinion' of this report, I obtained all information and explanations required for the audit and as far as it appears from my inspection, the scheme had maintained proper financial reports.

2.1.2 In terms of the requirement indicated in Section 6(1)(d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the scheme presented are consistent with the preceding year.

2.1.3 In terms of the requirement indicated in Section 6(1)(d) (iv) of the National Audit Act No. 19 of 2018, except for the observations indicated in paragraphs 1.2.1(a) and (b) of this report, the recommendations made by me in the previous year have been included in the submitted financial statements.

2.2 On the basis of the procedures followed and evidence obtained and being restricted within the material matters, nothing that warrants the making of the following statements did not come to my attention.

2.2.1 In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether any member of the governing body of the scheme has any interest, direct or otherwise, outside normal business status in any contract entered into by the scheme.

2.2.2 In terms of the requirement of section 12 (f) of the National Audit Act No. 19 of 2018, whether the scheme has not complied with any applicable written law, or other general or special directions issued by the governing body of the scheme;

Reference to Laws, Rules, Regulations etc.	Observations
(a) Financial Regulations - 1992 of the Democratic Socialist Republic of Sri Lanka (i) F.R.177(1)	It is the duty of all Collecting Officers, who receive any monies on behalf of Government, to remit the whole amount, daily or at the earliest possible opportunity, and obtain a receipt in acknowledgement of the amount remitted. According to audit test checks carried out on remitting process in Galle and Puttalam District Offices, it was observed that insurance premiums relating to agricultural motor vehicles collected by insurance officers had been remitted with a delay of 01 and 02 months.
(ii) F.R. 261(3)	No payment should be recorded in the Cash Book, or a cheque drawn out for payment, unless there is sufficient money available. Action should be taken to ensure that sufficient money is available to meet the current as well as the impending payments, without interruption, by making an appropriate application to the relevant authority well in time for necessary funds. However, action had not been taken accordingly and as such, a number of 1,780 cheques valued at Rs.55,720,568 written for insurance indemnity had been again taken to the income.
(iii) F.R. 762	The stock of insurance cards relating to agricultural motor vehicles had finished in stores in 13 instances of the year 2020 due to failure in identifying stock levels and maintaining adequate stocks to the satisfactory level. Moreover, in purchasing a number of 25,000 cards on an emergency basis, an additional cost of Rs.148,000 had to be incurred on airfare. It was observed that the said amount was an additional cost which had to be incurred by the Scheme due to failure to follow a proper stock control system.

(b) Approved scheme of recruitment	(i) Even though it was mentioned that external or internal candidates should be recruited through a structural interview after calling for applications by publishing newspaper advertisements, contrary to that, 8 retired officers on the basis of extension of service, 8 officers on contract and training basis and 40 officers on casual basis had been recruited for the posts such as the Director, Deputy Director, System Administrative Officer, Development Officer, Management Assistant, Driver and Office Aide with the approval of the Board of Directors. (ii) The Efficiency Bar Examinations should be held at least once a year or as required for officers belonging to every service category and the first Efficiency Bar Examination should be passed within 03 years from the date of appointment. However, the Efficiency Bar Examination had not been conducted from January 2017 up to now. As such, 12 Assistant Directors, 11 Development Officers and 15 Management Assistants who were recruited to the Scheme in the years 2016 and 2017, could not pass the Efficiency Bar Examination within the due period.

2.2.3 In terms of the requirement of Section 12(g) of the National Audit Act No. 19 of 2018, whether the scheme has not performed according to its powers, functions and duties, except for the following observations.

Powers, functions and duties	Observations
(a) Agricultural and Agrarian Insurance Act, No. 20 of 1999 **(i)** In terms of Section 7(a), establishing and administering a comprehensive insurance scheme for the benefit of agriculturalists which will indemnify them against losses and with a view to providing stability to agriculturalists and to promoting agricultural production.	Indemnity of Rs.70,800,200 in respect of 'Kethata Aruna' insurance scheme administered by the Board had been returned by the bank due to the mismatch of indemnity, account numbers, farmers' names and identity card numbers and action had not been taken to identify farmers and settle the amount.
(ii) In terms of Section 7(c),	Even though a storage insurance scheme

	establishing and administering an insurance scheme in respect of the storage and preservation of agricultural and horticultural produce and the products of medicinal plants and fisheries and forest produce.	had been planned, it had not been administered.

2.2.4 In terms of the requirement of Section 12(h) of the National Audit Act No. 19 of 2018, except for the following observations, whether the resources of the scheme had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

2.3 Other Audit Observations

(a) Salaries amounting to Rs.228,015 paid by the Scheme to an officer who was released to the Ministry of National Languages and Social Integration, was being brought forward in the financial statements for a period of 09 years without being reimbursed.

(b) An advance of Rs.565,800 had been granted by the Scheme to the Sri Lanka Land Reclamation and Development Corporation on 04 June 2008 for construction of an office building. Even though 13 years had lapsed after granting of advances, action had not been taken according to plans.

(c) The value of repayable Tender deposits amounting to Rs.426,871 remained as at 31 December 2018 had not been settled even by the end of the year under review.

(d) The income of the Livestock Insurance Scheme, implemented with the motive of minimizing the risk of large scale as well as small scale livestock farmers and ensuring safety, was decreasing rapidly. Accordingly, as compared with the year 2017, the livestock insurance income had decreased from Rs.13,391,254 to Rs.5,780,196 by the year 2020, by Rs.7,611,058 representing 57 per cent.

(e) Despite publishing advertisements in 3 newspapers on 19 November 2020 by incurring a cost of Rs.237,654 for recruitment of Management Assistants and mentioning 31 December 2020 as the date of closing applications, without considering that, the Director General had called 16 persons from the Central Province for interview and had recruited

07 of them on 26 November 2020. As such, it was observed that the cost of Rs.237,654 incurred for the newspaper advertisements had been an uneconomic cost.

(f) Action had not been taken even in the year under review to recover the balances of loans and advances amounting to Rs.1,764,637, old for a period from 01 year to 25 years.

(g) The balance totalling Rs.999,713 payable as printing expenses, sundry creditors and crop insurance incentive relating to the period from 2018 to 2019 indicated under current liabilities in the statement of financial position, had not been settled .

(h) Out of 421 posts in the approved cadre of the Scheme, 155 vacancies existed in 15 posts as at the end of the year under review and it was observed in audit that these vacancies have become a hindrance in the discharge of duties of the Head Office, Districts Offices and duties relating to the Field.

(i) A separate bank account is not operated for the Farmers' Death Gratuity Fund of the Farmers' Pension and Social Security Benefit Scheme. As such, it was observed that out of the Farmers' Death Gratuity Fund of which the balance amounted to Rs.1,077,622,157, the remaining balance of Rs.161,683,984 after deducting the total of Rs.915,938,172 comprising the loan granted to the said Scheme, the amount receivable as contributions from the said Scheme and the value invested in fixed deposits from the Fund and the interest thereon had been used for the expenses of the Scheme and investment in Treasury Bills without paying any benefit to the said Fund.

(j) According to the Reinsurance Agreement entered into with the Insurance Trust Fund, instead of obtaining the sum of Rs.312 million further outstanding from the Insurance Trust Fund for the first payment of Rs.10,000 for each farmer, out of the total amount of indemnity that could be recorded for the 2019 Yala season, agreements had been terminated in the year 2020 and obtained only a sum of Rs.148,380,848. As such, the Scheme had to sustain a loss of Rs.163,619,152.

My No: AGL/E/12/FPS/2020/FA Date: 30th July 2021

Chairman

Agricultural and Agrarian Insurance Board

Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 March 2020 of Farmers' Pension and Social Security Benefits Scheme

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The above report is sent herewith.

……..

W.P.C. Wickremaratne

Auditor General

Copies : (1) Secretary- Ministry of Agriculture

(2) Secretary- Ministry of Finance

Chairman

Agricultural and Agrarian Insurance Board

Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 March 2020 of Farmers' Pension and Social Security Benefits Scheme

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the of Farmers' Pension and Social Security Benefit Scheme for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income , statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. In terms of Article 154(6) of the constitution, my report will be tabled in Parliament in due course.

In my opinion, except for the effects of the matters described in the basis for qualified opinion of my report, the accompanying financial statements give a true and fair view of the financial position of the Scheme as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for the qualified opinion

1.2.1 Non-compliance with Sri Lanka Accounting Standards

In terms of paragraph 59 of the Standard 37, the liability for the pension of the active contributors and farmer pensioners should be computed based on the actuarial assessment carried out in a timely manner. However, after the year 2007, it had been computed without carrying out such an actuarial assessment and the liability for the pension as at 31 December 2020 had been Rs.74,155,908,494. Further, adequate investments had not been made for settlement of those commitments.

1.2.2 Accounting Deficiencies

Only the revenue amounting to Rs.96,476,139 received from contributors for the year under review had been shown in financial statements on cash basis instead of accounting contributions on accrued basis due to failure in maintaining the register in an updated manner including the date of enrollment into the Scheme and date of entitlement by contributors and value of contribution of active members and the register of contributors with the invalidate certificate of deed.

1.2.3 Going Concern of the Scheme

The net assets of the Scheme amounted to a negative balance of Rs. 78,198,513,683 as at the end of the year under review and the current liabilities over the current assets had been Rs. 5,028,075,667. Even though pension had been paid since 01 January 2014 in accordance with directives published in the Gazette Extraordinary, No. 1853/49, dated 14 March 2014 relating to the Farmers' Pension and Social Security Benefit Scheme, recovery of contributions had been made according to the procedure published in the Gazette No. 452/12, dated 07 May 1987. Accordingly, the contribution of farmers for the years 2019 and 2020 had been Rs.21,495,773 and Rs.19,316,409 respectively whereas the payment of pension had been Rs.3,217,332,522 and Rs.4,502,560,108 respectively. Moreover, sums of Rs.3,065,000,000 and Rs.4,450,949,000 had been received from the Treasury in the years 2019 and 2020 respectively due to increase in the payment of pension. As such, it appears that the Scheme cannot be maintained without contributions from the Treasury.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report.

1.3 Responsibilities of management and those charged with governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Farmer's pension and social security benefit scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis

of accounting unless management either intend to liquidate Farmer's pension and social security benefit scheme or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Farmer's pension and social security benefit scheme's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the scheme is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the scheme.

1.4 Auditor's responsibility of auditing the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have communicated with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

2. Report on other legal and regulatory requirements

2.1 Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018.

2.2 In terms of the requirement indicated in Section 6(1)(d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the scheme presented are consistent with the preceding year.

2.3 In terms of the requirement indicated in Section 6(1)(d) (iv) of the National Audit Act No. 19 of 2018, except for the observations indicated in paragraphs 1.2 (a) and 1.2 (b) of this report, the recommendations made by me in the previous year have been included in the submitted financial statements.

3. Operational Review

3.1 Non-compliance with laws, rules and regulations

The following non-compliances were observed in the audit.

Reference to law, rule/regulation	Observations
Farmers Pension And Social Security Benefit Scheme Act, No. 12 of 1987 (a) Section 04	The objectives of the Scheme included : to make a payment for the farmers engaged in farming who are not less than 18 years and not older than 59 years in case of a partial or permanent disablement, paying a death gratuity, and to pay a periodical pension upon completion of the age of 60. However, no member had been entitled to the Scheme during the period of 2012- 2020.
(ii) Section 6(1)	A contributor shall be entitled to a pension on reaching the age of sixty years. However, payments had been made from the date of preparation of pension instead of making payments from the date payable. Even though provision had been made for arrears in pension payable during the said period as well, action had not been taken to pay arrears in pension totalling Rs.3,745,948,105 provided for 125,828 farmers relating to 8 years from the year 2012 to the year 2020.
(b) Sections 15 (2), (3)	Where any contributor has forfeited the benefits on failure to pay the installments, a notice to that effect shall be issued to such contributor for making an appeal. However, on failure to issue the said notice, applications had been submitted by 1,451 persons implying that they are entitled to pension received after reaching the age of sixty years.

3.2 Performance

The following observations are made.

(a) In comparison of the new scheme commenced in the year 2014 with the old scheme, the benefits received by farmers from the new scheme were at a very low level. As such, plans had been made to update the new scheme and to introduce new social security schemes in the Corporate Plan 2016-2020. However, this purpose had not been achieved even by the end of the year under review.

(b) A number of 7,402 applications had been submitted for process of pensions by the end of the year under review and providing benefits had failed relating to 1,837 applications out of them.

3.3 Management Activities

The following observations are made.

(a) A sum of approximately Rs.3,809,491,790 had been issued to 14 District Accounts Offices of the Agricultural and Agrarian Insurance Board for 161,000 farmer pensioners from January to October of the year under review and a pension amounting to Rs.76,019,485 unpaid had been returned to the Board by the time of audit. The Board had not taken action to look into the reasons for failure in obtaining pension and to strike off names from the Pensions Register if not living, by calling for information on pensioners who are not entitled.

(b) A number of 117 deposited but unrealized cheques valued at Rs.1,179,624 brought forward during a period from 1992- 2002 relating to 3 bank accounts could not be settled even by the end of the year under review.

(c) Only 08 Districts had been subjected to survey activities by spending a sum of Rs.1,726,875 with the motive of entering and updating bio data of farmer contributors included in the new pension scheme implemented from January 2014. Moreover, the Board had not taken action to carry out survey activities in the other Districts and to update the data base. As such, the expenditure incurred therefor had become fruitless and entering bio data of farmer contributors included in the new pension scheme had been discontinued towards the end of the year 2020.

W.P.C. Wickremaratne
Auditor General

My No: AGL/E/Fish/2020/FA Date: 30th July 2021

Chairman
Agricultural and Agrarian Insurance Board

The summary report of the Auditor General in terms of Section 11(1) of the National Audit Act No.19 of 2018 on the financial statements for the year ended 31 December 2020 of Fishermen's Pension and Social Security Benefit Scheme

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The above report is submitted herewith.

…….
W.P.C. Wickremaratne
Auditor General

Copies : (1) Secretary- Ministry of Agriculture

(2) Secretary- Ministry of Finance

Chairman
Agricultural and Agrarian Insurance Board

The summary report of the Auditor General in terms of Section 11(1) of the National Audit Act No.19 of 2018 on the financial statements for the year ended 31 December 2020 of Fishermen's Pension and Social Security Benefit Scheme

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1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the of Fishermen's Pension and Social Security Benefit Scheme for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income , statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. In terms of Article 154(6) of the constitution, my report will be tabled in Parliament in due course.

In my opinion, except for the effects of the matters described in the basis for qualified opinion of my report, the accompanying financial statements give a true and fair view of the financial position of the Scheme as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

1.2.1 Deviation from Sri Lanka Accounting Standards

In terms of paragraph 59 of the Standard 37, the Liability for the pension of the active contributors and fishermen pensioners should be computed based on the actuarial assessment carried out in a timely manner. However, after the year 2007, the liability for the pension had been shown in financial statements without carrying out such an actuarial assessment. The said balance as at 31 December 2020 had been Rs.4,261,454,710.

1.2.2 Accounting deficiencies

(a) The arrears in pension amounting to Rs.3,685,792 payable to 121 fishermen relating to the period from January 2009 to December 2016, had been indicated in financial statements as an expenditure of the year under review instead of adjusting to the preceding year.

(b) In accounting the opening balance amounting to Rs.98,000 of the death gratuity fund payable, in the year under review, it had been brought to account as the opening balance of net premium expenditure account, thus understating the deficit and death gratuity fund of the year under review by the same amount.

1.2.3 Going Concern of the Scheme

The liability for pension of the Scheme as at the end of the year under review had been Rs.4,261,454,710 and it was an increase of 8.83 per cent than the preceding year. Moreover, the position of net assets of the Accumulated Fund had become a negative value of Rs.3,675,902,450, that is, it had increased by 11.76 per cent than that of the preceding year. As such, the said increase as well had adversely affected the going concern of the Scheme. As the said situation may further worsen in ensuing years, the Scheme has not taken action so far to restructure the Scheme and to implement it with financial feasibility.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Scheme.

1.4 Auditor's responsibility of auditing the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have communicated with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

2 Report on other legal and regulatory requirements

2.1 Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018.

2.1.1 In terms of the requirement indicated in Section 6(1)(d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the scheme presented are consistent with the preceding year.

2.1.2 In terms of the requirement indicated in Section 6(1)(d) (iv) of the National Audit Act No. 19 of 2018, except for the observations indicated in paragraphs 1.2.1 and 1.2.3, the recommendations made by me in the previous year have been included in the submitted financial statements.

3. Operation Review

3.1 Non-compliance with laws, rules and regulations

The following non-compliances were observed.

Reference to law, rule/regulation	Observations
(a) Fishermen's Pension and Social Security Benefit Scheme Act, No. 23 of 1990 (i) Sections 5 and 6	This Scheme has been established with the motive of providing fishermen who are not less than eighteen years of age and not more than fifty nine years of age as eligible for being provided with an allowance as financial assistance in case of permanent partial disablement or permanent total disablement, preventing engaging in their occupation, a death gratuity in case of death and a periodical pension on reaching 60 years of age. However, no member had been enrolled into the Scheme after the year 2018.
(ii) Section 7	A contributor shall be entitled to a pension on reaching the age of sixty years. However, payments had been made by the Scheme from the date of preparation of pension and arrears in pension had not been paid. As such, action had not been taken to pay arrears in pension amounting to Rs.4,828,177 for which provision was made for, to 176 fishermen who had applied for pensions relating to the period from January 2009 to December 2016.
(iii) Section 16	Where any contributor has forfeited the benefits under the policy issued to him on the failure to pay ten consecutive premiums, such contributor shall be issued a notice to that effect. However, on failure to issue the said notice, applications had been submitted by 58 persons implying that they are entitled to pension received after reaching the age of sixty years.
(iv) Section 20	The Advisory Committee which has been established, may exercise powers conferred by Section 22 of the Act for the implementation of the Scheme and should be met therefor. However, the Committee had not met after November 2016 up to now.

3.2 Performance

The following observations were made.

(a) As per the implemented plan of the Fishermen's Pension and Social Security Benefit Scheme relating to the year 2020, it had been planned to categorize fishery pension cards according to Districts for the safety of pension cards, scanning of cards as well as storing them and protecting the data of fishery pensioners' through "Document Management System". However, that plan had not been implemented.

(b) In the Corporate Plan 2016 – 2020, it had been planned to update the prevailing social security schemes and to introduce new social security schemes for providing stability to the local agriculturist. However, revision of the prevailing Fishermen's Pension Scheme according to current requirements and introducing a new Fishermen's Pension Scheme or enrolment of contributors to the prevailing Fishermen's Pension Scheme was not evident during the past few years.

3.4 Management Activities

Loans totalling Rs.518,000,000 has been granted in several instances by the Fishermen's Pension and Social Security Benefit Scheme to the Farmers' Pension and Social Security Benefit Scheme since the year 2010 and the loan amount and interest thereon recoverable as at the end of the year under review totalled Rs.338,949,572.

W.P.C. Wickramaratne
Auditor General

Replies to reports of the Auditor General

Replies for the Report of the Auditor General presented in terms of section 12 of the National Audit Act No. 19 of 2018 on the financial statements of the Agricultural Insurance Scheme for the year ended 31 December 2020

1. Financial Statements

1.1 Opinion

1.2 Basis for the qualified opinion

(a) Motor vehicles included in property, plant and equipment have been revalued and brought to account and other assets have been accounted on historical costs thereof. Action will be taken to revalue the serviceable assets out of fully depreciated assets again and to remove other assets as well.

(b) This Fund should be operated obtaining premiums from Farmers' Pension Scheme and gratuity payments made during the year is debited to this Fund. Action will be taken to carry out actuarial assessment annually with the commencement of new Pension Scheme.

(c) Necessary work has been initiated in consultation with the District Deputy / Assistant Directors regarding the valuation of lands in Mahiyanganaya, Embilipitiya and Anuradhapura and the value of the Embilipitiya official quarters and action will be taken to finalize and estimate the valuation expeditiously and bring into accounts.

(d) These balances include the loan granted to the payment of farmers' pension, the interest thereon and the balances of current accounts inclusive of transactions amongst schemes. Therefore, those receivable balances are indicated in current assets. The said amounts are expected to be recovered gradually taking into consideration the financial situation of the schemes.

1.3 Other information contained in the Annual Report 2020 of the Scheme

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

1.5 Auditor's responsibility of auditing the financial statements

2. Report on other legal and regulatory requirements

i. Reference to laws,rules/regulation

(a)

i) Instructions have been given to remit the premiums received in the field on the day of rceipt itself or the following day. As it was observed that there were delays in depositing premiums in the bank, collected in the field and as such, those officers have been briefed thereon by taking necessary steps to avoid such delays. Moreover, premiums so collected are reconciled and necessary steps have been taken to avoid such situations.

ii) F.R. 261 (3)

Unless there is sufficient money available in accounts, the Scheme does not draw cheques or write vouchers for cash books. There are instances where indemnity is paid before getting money in paying indemnity as per the requirement, and it is reimbursed from the General Treasury. Cheques relating to payment of indemnity for farmers in Ampara District whose cultivations were damaged less than 100 per cent due to Sena caterpillar, have been prepared by using funds of the Scheme and as granting money was delayed by the Ministry, those cheques were retained without issuing to farmers. However, the Government had granted money to farmers only whose cultivations were damaged 100 per cent due to Sena Caterpillar, and as moneys were not granted for damages occurred in half, action has been taken to credit the total value of Rs.55,720,568 to the income.

Cheques for damages occurred in half in Ampara District had to be written due to payment of indemnity initially at a rate of 100 per cent for the said damage in Ampara District, mobilization of farmers for indemnity and struggles continued by Farmers' Organizations. However as funds were not made available by the government, compensation was not paid for partial damages.

(iii) F.R. 762

Even though necessary action had been taken to purchase cards, cards could not be supplied in an adequate manner due to the pandemic and action has been taken to get down cards on an emergency basis. Stocks received have been distributed on the requirements of District Offices and as such, there were instances where stocks of cards in stores were finished. These shortcomings have been managed by the purchased database.

(b) **Approved scheme of recruitment**

i) **Director (Admin)**

There wasn't an officer to conduct administrative activities of the Board and many problems had arisen in regard to recruitment of officers and procurement of goods required for district offices and as the Director General had performed duties of the post of Director (Administration), in addition to his duties, it served as a hindrance for the Director General to conduct operational activities. Therefore, it was necessary to recruit an officer with immediate effect to overcome the said situation. An officer who counted many years of experience in the public service had submitted an application and the Board was briefed on him and was recruited for a period of one year on contract basis and he was immensely helpful in resolving administrative crises in the Board.

Development Officer (Legal)

An officer was recruited for the post of Development Officer (Legal) on contract basis for a period of one year at the level of post of Development Officer, approved for the year 2020 to cover up delays relating to lawsuits instituted with regard to insurance activities of third party and to resume those lawsuits. An officer had been recruited as a Development Officer on contract basis for a period of one year. Accordingly, delays in the cases filed island-wide by the third parties of insurance, the agreements to be entered into by the Board and cases filed by employees could be overcome.

Development Officer (Livestock Development)

Taking into consideration the applications received, an officer with expertise on biochemistry had been recruited as a Development Officer (Livestock Insurance) on contract basis for a period of one year with the approval of the Board of Directors for the duty of coordinating Medical Officers and arrangements were made to provide contribution to performance of that sector.

Assistant Director (Information Technology)

Due to the occurrence of daily problems in software designed for smooth administration of farmers' pension activities of the Board, a situation arose where activities of those sectors could not be carried out properly. Therefore an officer was recruited for the post of Assistant Director (Information Technology) on contract basis for a period of 06 months to expedite the service until a qualified person is recruited. Recruitment activities to this post have already been commenced.

As there weren't adequate number of drivers for the Board and as employees had to be brought to officer in compliance with health guidelines owing to the Corona pandemic, the driver deployed to the official vehicle of the Chairman was attached the vehicles of the pool and as per the policy existed in the Board, a driver was recruited on contract basis for the Chairman.

ii) Even though all necessary arrangements have been made to conduct the Efficiency Bar Examination in each District from the year 2020 onwards, the said Examination could not be conducted due to the Corona pandemic. Moreover, even though action has been taken to conduct examinations within the first 04 months of the year 2021, it also failed due to the Corona pandemic. However, it will be coordinated with relevant institutions to hold examinations duly.

2.2.3

(a) Agricultural and Agrarian Insurance Act, No. 20 of 1999

i. Agrarian Services Centers and District Offices were notified to submit amended documents for farmers of whom payments were rejected and payments were made for amended documents so received. Indemnity of Rs.70,800,200 had been continuously unclaimed by farmers and as such, the said indemnity had been submitted to the Board of Directors for transferring to the Agricultural Insurance Fund. Moreover, approval has been received for providing those monies in designing the Agricultural Data Management System.

ii. Even though a storage insurance scheme was in operation in the Scheme, no requests had been received from farmers during the year 2020. Necessary awareness on attracting farmers towards storage insurance has been carried out.

2.2.4

2.3 Other Audit Observations

(a) There was a balance of salaries amounting to Rs.342,023 receivable at the beginning of the year of accounts and action has been taken to recover a sum of Rs.57,004 during the year 2021. Moreover, action is being taken to recover the remaining amount from relevant officer.

(b) This land has been granted to the Scheme for constructing the Head Office and future works have been included in the budget estimates of the year 2021. Necessary action for constructing the office is due to be taken in future.

(c) Action will be taken in the year 2021 to brief the relevant parties on repayable tender deposits mentioned in this balance.

(d) Action was taken to raise awareness amongst all district offices with a view to increasing livestock insurance and in consultation with the institutions involved in the industry, action had been taken to expand the scheme.

(e) Newspaper advertisements were published for recruitment of the number of Management Assistants approved for the year 2020 and 07 others was recruited on casual basis until

interviews were held by selecting from among applicants. In future, selections will be made after holding proper interviews in relation to applications called.

(f) Particulars on employees' loans and advances remained unrecovered for a long period have been provided to the Director (Administration) and action will be taken to recover these loans after carrying out further studies in this connection.

(g) Action will be taken to settle these balance by subjecting to reconciliations accurately.

(h) Action had not been taken even by the year 2020 for total recruitment in the approved cadre of the Scheme. Moreover, no recruitments had been made for a similar number or more or less from the year 2011 itself in which the said cadre was approved. Taking action currently by the Scheme on the basis of self-financing is the reason therefor. As such, recruitments are increased from time to time presently, based on financial stability without recruiting the entire staff. Recruitments of employees are being made by the Scheme at present.

(i) Bank current accounts are not operated separately for all funds of the Scheme and remaining balances are invested in investment sources. Action has been taken at present to invest the monies in this Fund separately in fixed deposits and Treasury Bills so as to conveniently identify on behalf of the Fund.

(j) They have been informed in writing and verbally on a number of occasions to pay the insurance indemnity due under the reinsurance for the 2019 Yala Season and this has been discussed with the Treasury and the National Insurance Trust Fund. As reinsurance cannot be provided by the National Insurance Trust Fund, the premium paid for reinsurance by the Scheme, had been reimbursed. All monies relating to the first payment of Rs.10,000 of the indemnity relating to the year 2019 had been paid by the National Insurance Trust Fund to the Scheme. Accordingly, the sum of Rs.163,619,152 which was calculated as receivable had not been received to the Scheme due to non-implementation of reinsurance coverage.

The replies for the Auditor General's report presented in terms of Section 12 of the National Audit Act No. 19 of 2018 on the financial statements for the year ended 31 December 2020 of the Farmers' Pension and Social Security Benefit Scheme are submitted herewith.

1. Financial Statements

1.1 Qualified Opinion

1.2 Basis for the qualified opinion

(a) Deviation from Sri Lanka Accounting Standards

The liability for pensions has been brought to accounts based on the actuarial assessment carried out in the year 2007 with respect to the farmers pension scheme. As this pension scheme is not a self-financing scheme, it will be restructured in due course thereby properly assessing the liability.

1.2.2 Accounting Deficiencies

(a) Ledger accounts are maintained properly for updating information relating to receipt of monies. Monthly updated register on pension can be referred to by the computer. Moreover, information on contributors who are the active members of the Scheme as well can be checked by the computer. As there were delays in computerization of defaulted installments, getting information on cancelled and inactive contributors from the system had become failure. As such, necessary action has been taken by State Commercial Banks to implement a special programme to recover defaulted installments and to connect those installments with our system so as to computerize them automatically. Total revenue from installments paid by contributors has been brought to account in the installment revenue.

(b) Going concern of the scheme

The current liability of the scheme is Rs. 74,155,908,494/-. This liability was mainly due to the following factors.

i. Non-receipt of total initial capital of Rs.750 million agreed to be provided at the commencement of the project in the year 1987.

ii. Increase of benefits from 200 to 1000 from time to time without increasing premiums.

iii. Commencement of payment of pension to the spouse according to Government policies – 1995.

Even though it had been decided to grant Treasury Bonds valued at Rs.5 million through the Budget -2015 for future commitments entered into, with the new Gazette issued in the year 2014, those funds had not been received to the Board and only annual liability of pension had been granted by the Treasury. The annual average treasury bill interest for the loans obtained from Agricultural Insurance Scheme and Fishermen's insurance Scheme for the payment of farmers' pension have been calculated and accounted.

1.3 Responsibilities of management and those charged with governance for the Financial Statements

1.4 Auditor's responsibility of auditing the financial statements

2. <u>Report on other legal and regulatory requirements</u>

3. <u>Operations Review</u>

3.1 Non-compliance with laws, rules and regulations

(a) I Section 4

As benefits had been increased on Government policies and decisions without increasing installments, the fund of the Scheme which was commenced in the year 1987 had become zero by the year 2010. As such, enrollment into the Scheme had been discontinued and necessary action is being taken to make new enrollments.

In terms of Gazette No.1853/49 of 2014, a Cabinet Paper was submitted to commence new enrollments and a committee of experts headed by a Deputy Secretary to the Treasury was appointed to provide further instructions thereon and according to the recommendation of that committee, new enrollments are due.

ii Section 6(i)

A number of over 20,000 farmers who were in the waiting list for receiving pension, necessary measures were taken to include them in the pensions register for the expeditious payment of pensions for those farmers. As such, it was possible to pay pension to a large number of farmers in the waiting list. As listing will be done at the instance of receiving entitlement for pension so as to avoid arrears in future, it is due to obtain provision from the Treasury in the payment of arrears payable in pension regularly.

iii Sections 15(2) and (3)

In case of contributors defaulting on 05 consecutive installments payable to the Farmers' Pension Scheme, their entitlement to the Scheme will be cancelled, and the farmers are apprised in that connection at the time of their entitlement. This is also clearly stated in the notebook given to them to record the installments and the certificate of deed as well. As for the installments already paid by the farmers whose entitlement has been cancelled, action will be taken to reimburse such monies to them together with the interest when they turn 60 years of age.

iv Section 20

Action necessary for activating commencement of enrolment for the Pension Scheme is currently in progress and accordingly, it is expected to take prompt action to assemble the Advisory Committee.

3.2 Performance

(a) It had been planned to commence new enrolments by updating the Farmers' Pension Scheme during the year 2021 and to use modern t4chnological methods in the implementation thereof and the said activities are being implemented presently.

(b) A number of 7,402 applications were received for process of pensions by the end of the year under review and it was carried out with maximum efficiency. As such, the number of applications could be decreased to a number less than 1,000.

Action will be taken in future to pay pensions without delay and it is expected to provide a prompt service to the farmer community by connecting the computer system with District offices using modern technological methods.

3.3 Management Activities

(a) This situation has arisen due to inability of obtaining pensions as pensioners had to remain in distant areas to which they have travelled, for a long period without being able to return home due to the Corona pandemic.
Action has been taken to strike off the names of pensioners who do not obtain pensions for about a period of 06 months from the Register of Payment of Pensions by comparing their details.

(b) In terms of Public Finance Circular No.01/2020 issued by the General Treasury, action has been taken to correct this situation after obtaining approval through the Board of Directors' Paper No.509/04 submitted at the meeting of the Board of Directors held on 22 January 2021.

(c) The number of farmers who had submitted information for the programme of updating contributors' information in the Farmers' Pension Scheme had taken a low number. However, steps have been taken to computerize and update the information received at District level. As response of the farmers for the survey was at a minimum level, the constant conduct of survey was discontinued.

Replying to the Auditor General's report presented in terms of Section 12 of the National Audit Act No. 19 of 2018 on the financial statements of the Fishermen's Pension and Social Security Benefit scheme for the year ended 31 December 2020.

1. Financial Statements

1.1 Qualified Opinion

1.2 Basis for Qualified Opinion

1.2.1 Deviation from Sri Lanka Accounting Standards

The liability for pensions has been brought to accounts based on the actuarial assessment carried out in the year 2007 with respect to the fishermen's pension scheme. As this pension scheme is not a self-financing scheme, it will be restructured in due course thereby properly assessing the liability.

Discussions are being held with the Ministry of Fisheries and the Board in relation to obtaining a fair contribution from the contributors to the pension by broadening the Pension Scheme. Accordingly, it is expected that a new Fishermen's Pension Scheme can be formulated in a systematic manner in the future. Accordingly, the Ministry of Fisheries has already submitted a Cabinet Paper.

1.2.2 Accounting deficiencies

(a) Allocating provision for arrears in pension relating to 121 fishermen who are entitled to pension, has been adjusted and rectified through accounts of the year 2020.

(b) Action has been taken to rectify the said position in the year 2021.

1.2.3 Going Concern of the Scheme

The amount of Government subsidies entitled to the contributor has increased due to providing benefits on Government policies without increasing premiums. As such, the negative balance of the Fund is increasing and Government subsidies have to be obtained for settling it. Necessary action will be taken to obtain necessary funds through the annual budget in future.

A Cabinet Paper has been submitted for securing approvals for the commencement of a new insurance scheme. Attention was paid therein to the Fishermen's Pension Scheme as well and a committee headed by a Deputy Secretary of the Treasury was appointed to seek further expert opinion on the matter.

On the recommendation of the said committee, it is expected to pursue action as per the instructions of the Cabinet of Ministers.

1.3 Responsibilities of management and those charged with governance for the Financial Statements

1.4 Auditor's responsibility of auditing the financial statements

2. <u>Report on other legal and regulatory requirements</u>

3. Operations Review

3.1 Non-compliance with laws, rules and regulations

(a) I Sections 5 & 6

A Cabinet Paper has been submitted for securing approvals for the commencement of a new insurance scheme. Attention was paid therein to the Fishermen's Pension Scheme as well and a committee headed by a Deputy Secretary of the Treasury was appointed to seek further expert opinion on the matter. On the recommendation of the said committee, it is expected to pursue action as per the instructions of the Cabinet of Ministers and thereafter necessary action is expected to be carried out for the promotion of enrollments to this scheme.

ii Section 7

This situation has arisen due to the temporary suspension of the payment of pensions in arrears when making payments having inquired into the delays in paying pensions in arrears to fishermen of whom there had been lengthy delays in forwarding applications for farmers' pensions. Since inordinate delays were observed in applying for fishermen's pension in the war affected districts, action will be taken for the payment of pensions after getting the reasons for such delays confirmed through the relevant public officers including the Grama Niladharis and Divisional Secretaries.

ii Section 16

Recovery of premiums is carried out by District Fishery Extension Officers and the Board takes action to provide required instructions continually in respect of the recovery of

premiums having ascertained whether the subscription of the relevant contributor has been cancelled.

However, if a contributor whose subscription had been cancelled had continued to pay contributions, action will be taken to pay him the relevant net premium and the interest upon reaching the 60 years of age.

Further, such cancellation of subscription is conveyed by the Fisheries 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.

The Department of Fisheries, the Competent Authority in relation to the Fishermen's Pension Scheme has been notified to take relevant action to prevent the recurrence of issues pointed out in the audit query.

iii Section 20

Necessary measures have been taken in consultation with the Ministry of Fisheries for the restructuring of the Fishermen's Pension Scheme and the commencement of a pension scheme which can be administered on self financing basis. As of a now, a committee of experts has been appointed to submit proposals to the Cabinet of Ministers as to how the Fishermen's Pension Scheme will be operated in future. As it is planned to commence upcoming enrolments, necessary action will be taken expeditiously to assemble the Advisory Committee.

3.2 Performance

(a) Necessary action is being taken by now to arrange a record room for the preservation of documents relevant to the Fishermen's Pension Scheme. Tender activities for the preparation of a new computer system for the pension scheme are now in progress and in installing this computer system, those documents will be secured through a Document Management System.

(b) As a new pension scheme is mentioned in the Vistas of Prosperity and Splendour of the new Government, necessary action has been taken by now according to the said state policy.

A Cabinet Paper has been submitted for securing approvals for the commencement of a new insurance scheme. Attention was paid therein to the Fishermen's Pension Scheme as well and a committee headed by a Deputy Secretary of the Treasury was appointed to seek further expert opinion on the matter. On the recommendation of the said committee, it is expected to pursue action as per the instructions of the Cabinet of Ministers.

3.3 Management Activities

As decided at the discussion held at the Treasury on the financial crisis in the pension scheme, this money had been given to the Farmer's Pension Scheme on reimbursement basis. As of now, a sum of Rs. 338.9 million is due to be recovered from the Farmers' Pension Scheme and the above balance includes the loan amount and the interest thereon. This situation has been a result of the decrease in the receipt of premiums for the scheme and the lack of funds in the scheme. The interest percentage charged from the Farmers' Pension Scheme is the normal annual Treasury bill interest. The remaining loan amount to be recovered is expected to be recovered gradually.