

Fishermen's pension and social security benefit scheme – 2018

1.1 Qualified Opinion

The audit of the financial statements of the Fishermen's pension and social security benefit scheme for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and statement of comprehensive income, statement of 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(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. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the scheme as at 31 **December 2018**, and of its financial performance and its cash flows for the year then ended in accordance with **Sri Lanka Accounting Standards**.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

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.

1.3 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 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 Audit Scope (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 Corporation'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 Corporation'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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of

information to enable a continuous evaluation of the activities of the Board, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standard

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
In terms of paragraph 59 of Standard 37 to ascertain the pension liability of the Active Contributors and retired fisherman's actuarial valuation should have to be done periodically but pension liability has been shown in the financial statements as Rs. 3,590,887,004 as at 31 st December 2018 without carrying out such actuarial valuation	Pension liability has been accounted based on the actuarial valuation conducted regarding the Fisherman's pensions scheme liability in the year 2007. As this pension scheme do not base on self finance steps will be taken to restructure this scheme in the future and to duly evaluate the liability	Should conduct periodical actuarial valuation for the Pension liability

1.5.2 going concern of the Scheme

Audit Observation (Issue)	Management Comment	Recommendation
Pension liability was Rs.3,590,887,004 as at the last date of the year under review and it is an increase of 8.9 percent compared to the preceding year. The minus balance of the fisherman's pensions consolidated fund has been increased to Rs.2,947,927,045 as at 31 st December 2018 and it has adversely influenced its going concern. Further this position	Future liability of the Fisherman's Pensions scheme is disclosed in the financial statements according to accounting standards. The future liability has been increased because this scheme is depending on the government subsidies and has no financial feasibility. As soon as the recommendations are received pertaining to the restructuring of this scheme from the already appointed expert committee hoping to operate	Should take steps to create a Fisherman's Pensions scheme which can operate on self-financing basis.

could be increased in the coming years and the Institution has not taken steps to restructure the scheme and to operate it with financial feasibility.

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

Reference to Laws, Non-compliance Rules Regulations etc.	Management Comment	Recommendation
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Fishermen's pension and social security benefit scheme Act No. 23 of 1990

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| (a) Section 16(2) | <p>In instances where a contributor was prevented to the claims on the certificate issued to him a notice should be issued to the said contributor informing that. 35 members loss the opportunity to validate a certificate which was invalidated due to nonpayment of installments during the year under review due to this non issuing of notices.</p> | <p>Prior notification has been given to the fishermen that their contribution will be lapsed if they did not pay 10 installments continuously when they were enrolled to the scheme. Further the said notification about the lapse of contribution is being done by the Fisheries Department and for such fishermen whose contributions has lapsed the opportunity is there for them to enroll as a new contributor to the Fisherman's pensions Scheme again through the District Offices of the Fisheries Corporation.</p> | <p>Should issue a notice on the contributor setting out the same in instances where a contributor has lose their claims</p> |
| (b) Section 20 | <p>Even though the Board Advisory Committee has to be comprised of 12 members but 09 members were appointed for the year 2018.</p> | <p>A cabinet paper has been forwarded to the cabinet of ministers to start a new pension scheme for Farmer and fishermen community. In this regard a committee has been appointed to advise the cabinet of ministers after analyzing the said schemes. Simultaneously to above</p> | <p>Steps should be taken to appoint the members and conduct the meetings properly.</p> |

vacant members will be appointed to Board Advisory Committee and thereafter these proposals would be forwarded to the Board Advisory Committee meeting

(c) Section 7(i)	<p>Although entitled to the fisherman's pension after the completion of 60 years old payments have only been made from the date after processing the pensions. For 95 fishermen retired in January 2011, pension payments had been calculated and paid from January 2017 but steps had not been taken to pay their arrears pensions of Rs. 2,793,811 which should be payable for the period January 2011 to December 2016 up to the end of the year under review.</p>	<p>This situation occurred due to the temporary cancelation of paying the overdue arrears pensions when paying the pensions for the fishermen who have made applications to get the fisherman's pensions after a long delay once finding out the reasons for the delays. There were long delays in the war torn districts when applying for fisherman's pensions and after obtaining confirmations for the reasons for the said delays from the District Government Officials like Grama Niladhari and Divisional Secretary steps will be taken to pay the relevant monies.</p>	<p>Should take steps to pay the pensions without accumulating arrears from the date after the completion of 60 years of age</p>
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2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 2,247,551 and the corresponding surplus in the preceding year amounted to Rs. 28,891,441. Therefore a deterioration of 92 percent amounting to Rs. 26,643,890 of the financial result was observed. The main reason for the said surplus is the determination of a case in favour of the Board filed against the Bank of Ceylon and the receipt of Rs. 37,672,911 as part of the monies due as per the said case.

3. **Accountability and Good Governance**

3.1 **Annual Action Plan**

Audit Issue	Management Comment	Recommendation
Fisheries new appointments were 100 during the year 2018. It is 97 % of target amount. That is an alienation of 97 percent from the target.	Observations had been forwarded by His Excellency the President and the Hon. Prime Minister to create a new pension scheme and put the same for observation to an expert Committee. Once the said committee meet expected to make new appointments after restructuring the pension scheme according to new government policies.	Should make arrangements to appoint members continuously as per the objectives of the pension scheme