

## **Fishermen's Pension and Social Security Benefit Scheme - 2022**

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### **1. Financial Statements**

#### **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 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in net assets 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 and Fishermen's Pension and Social Security Benefit Scheme Act, No. 23 of 1990. My comments and observations which I consider should be reported in 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 financial statements give a true and fair view of the financial position of the Scheme as at 31 December 2022, 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**

I expressed qualified opinion 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 Responsibility 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 determines 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 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 the Scheme 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 sub 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 for the Audit of 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 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 the Scheme 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 Scheme, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Scheme has complied with applicable written law, or other general or special directions issued by the governing body of the Scheme;
- Whether the Scheme has performed according to its powers, functions and duties; and
- Whether the resources of the Scheme 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 Standards**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Fully depreciated assets, such as furniture and fixtures, office supplies, and computers, worth Rs.696,175, were still in use but were not revalued and accounted for in accordance with Sri Lanka Accounting Standards No. 08	Although furniture and fixtures, computer equipment and office equipment are used, cannot be valued and estimated useful life. Many assets are in disposable condition, and equipment such as computers is not in updated condition. These assets are in a condition where they cannot be used with full efficiency and will be disposed of in the future.	Fully depreciated assets in use should be revalued and accounted for
(b) The life actuarial assessment for the pension liability of the active contributors and fishermen pensioners of this scheme should be carried out in a timely manner, according to paragraph 59 of Sri Lanka Accounting Standards 37; however, after the year 2007, the life actuarial assessment had not been carried out until December 31 of the year under review, and on that date, the Pension liability of fishermen pensioners and the active contributors was Rs.5,068,050,746.	The actuarial assessment will be completed in 2023 and included in the budget document.	The liability for pension should be computed on actuarial assessment carried out in a timely manner.

## 1.5.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Although no staff had been approved for the fishermen's pension scheme by the Department of Management Services, A private secretary to the chairman of the board, an office assistant in the Tambuttegama district office, and a management assistant in the Mannar district office had been employed, and they had received salaries totalling Rs.2,209,812 and had recorded them as expenses for the scheme.	These officers were recruited for the duties of this scheme. At present, other duties are being performed, and other officers are also performing the duties of this scheme. The salary of these officers is included in the scheme. After recruiting a sufficient number of employees, the wages of the employees concerned under the scheme are to be absorbed into the scheme.	Recruiting and payroll should not be done for non-approved positions.
(b) Despite the fact that the balance due in the Fisheries Death Gratuity Fund of Rs.98,000 brought forward from the year 2019 was settled in the year 2020, the balance had been carried forward in the year under review due to an accounting error.	This amount will be adjusted for the death gratuity fund and fishermen's pension funds, and it will be correctly presented in the final accounts for the year 2023.	The error that occurred should be corrected immediately.

## 1.5.3 Going concern of the Scheme

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The scheme's total assets were Rs.663,412,060, and its total liabilities were Rs.5,140,628,886; the liabilities exceeded the assets by Rs.4,477,216,826. This unfavourable situation had adversely affected the going concern of the Scheme	This situation has arisen as a result of the scheme not being self-financing and the inclusion of government subsidies in determining premiums. Accordingly, the annual pension liability will increase and hence the net asset value will also decrease. Due to those reasons, the scheme does not promote new enrolments.	Action should be taken to activate the Scheme.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
Fishermen's Pension and Social Security Benefit Scheme Act, No. 23 of 1990	(a) Section 5(1) Any fisherman between the ages of 18 and 59 is eligible to join the Fishermen's Pension Scheme, however no Fishermen's Pension members have enrolled in the scheme after 2018.	Arrangements have been made to implement the Fishermen's Pension and Social Security Benefit Scheme with financial sustainability. A computer data system is being prepared for that. Necessary steps are being taken to launch a new scheme in collaboration with the Ministry of Fisheries in 2023 to attract fishermen to the scheme.	Action should be taken to activate the Scheme.
(b) Section 7	Due to the absence of system to grant pension on completion of 60 years of age to the fishermen who have being contributed to the Scheme, The following deficiencies were observed when providing benefits to fishing community numbered 64,117 who have being contributed to the Scheme.	(i). No action has been taken to inform that benefits should be applied for and how to apply. Due to this, 22,402 fishermen out of the 27,976 fishermen who had reached the retirement age of 60 years as on December 31 of the year under review were not granted the fishermen's pension benefit. Its percentage was 80 percent of the total contributors who completed the age of 60 years at the end of the year under review.	The contribution lists which are complete the age of 60 years have been sent to the respective district offices and on the basis of those lists, awareness has been started among the fishermen who are entitled to pension. This has been informed to the Department of Fisheries and Aquatic Resources which is conducting operation activities related to the Scheme. Further, in addition to the awareness provided by the district offices, necessary actions will be taken to
			Develop a system to identify and inform the fishermen pensioners who are entitled to benefits and should be developed system to grant it from the date of entitlement to the pension.

awareness the fishing people through a news paper advertisement.

(ii). A contributor shall be entitled to a pension on reaching the age of 60 years but Payments have been made from the date of preparation of pension without paying pension arrears by the Scheme.

Arrears of pension have not been paid until late applications are informed the reasons for the delay. Currently, pension payments are being made with arrears of pension. Pension payment should be made from the date of entitlement to pension.

Because of this reason, pension arrears amounting to Rs.4,063,063 for 137 fishermen who were granted pension for the period from January 2009 to December 2016 and Rs.1,675,851 for 83 fishermen who were granted pension in the year 2022 as amount totalling to Rs.5,738,917 were provided as arrears of pension in the financial statements but action had not been taken to pay fishermen.

(iii). There was a delay of one month to seven years from the completion of the age of 60 years to preparation and provide pension benefits to the fishermen who applied for them.

Not answered

Systems should be developed to grant pension from the date of entitlement to pension.

(c) 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 and those notices had not been issued.

(i). Applications had been submitted by 42 persons in the last year and 41 persons in the year under review asking entitlement to pension received after reaching the age of 60 years. However, the benefit has been forfeited to said contributors on

It is clearly noted in the pension deed that will be given while contributing to the pension, and the premiums will be collected from the contributors by the district fisheries extension officers and the board will be continue to give them the necessary instruction regarding the Where any contributor has forfeited the benefits under the policy issued to him on the failure to pay ten consecutive

the failure to pay premiums correctly.	collection of premium by finding out whether the contributor is a person whose contribution has been canceled.	premiums, such contributor shall be issued a notice to that effect.
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(ii). As on 31 December of the year under review, there were 24,867 contributing fishermen who had not completed the age of 60 years in the scheme by paying premiums, but as on the date of audit, the number of actively contributing fishermen was 120. Although a commission of Rs.11 per installment was given to the officers of fisheries inspector, Assistant Director and clerk of the District fisheries offices, the said officials did not inform the fishermen about the reasons for the loss of pension benefits.	It is clearly noted in the pension deed that will be given while contributing to the pension, and the premiums will be collected from the contributors by the district fisheries extension officers and the board will be continue to give them the necessary instruction regarding the collection of premium by finding out whether the contributor is a person whose contribution has been canceled.	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.
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(d) Section 20	The advisory committee set up to implement the Scheme had not met since the month of November 2016.	The new enrolment in the Scheme is to be done in the year 2023 and the advisory committee will be convened in this year.	The Advisory Committee should meet in terms of the Act.
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**2. Financial Review**  
**2.1 Financial Results**

The operations of the year under review had resulted in a deficit of Rs. 406,060,646 as compared with the corresponding deficit of Rs.427,806,225 of the preceding year, thus observing a decrease in deficit of Rs.21,745,579 in the financial result. The increase of Rs.67,310,123 in the interest income for the year under review than preceding year had mainly attributed to this decrease in deficit.