

Agricultural and Agrarian Insurance Board, its Farmers' Pension and Social Security Benefits Scheme and Fishermen's Pension and Social Security Benefits Scheme - 2024

1. Financial Statements

1.1 Opinion

The audit of the consolidated financial statements of the Agricultural and Agrarian Insurance Board (“Board”) and its Farmers’ Pension and Social Security Benefit Scheme and Fishermen’s pension and social security benefit schemes (“Group”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 material accounting policy 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, Agricultural and Agrarian Insurance Act No. 20 of 1999, Farmers Pension and Social Security benefit scheme Act, No 12 of 1987, Fishermen’s pension and social security benefit scheme Act, No. 23 of 1990 and the Finance Act, No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

Agricultural and Agrarian Insurance Board

Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.5.1 of this report, the accompanying financial statements give a true and fair view of the financial position of the board as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

Disclaimer of Opinion

I do not express an opinion on the accompanying financial statements of the group. Because of the significance of the matters discussed in the basis for group’s Disclaimer of Opinion section (1.2) of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion of the group’s financial statement

My opinion is qualified on the matters described in paragraph 1.5.1 of this report regarding the board’s financial statements.

My opinion was disclaimer on the matters described in paragraph 1.5.2 of this report regarding financial statements of the group’s farmers’ pension and social security benefit scheme.

My opinion was disclaimer on the matters described in paragraph 1.5.3 of this report regarding financial statements of the group’s fishermen’s pension and social security benefit scheme.

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 and the Group'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 and the group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the board and the group's financial reporting process.

As per Sub 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 board and the group.

1.4 Audit Scope (Auditor's Responsibility for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the consolidated 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 board'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 group'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 group 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 the group, 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 Financial Statements of the Board

1.5.1.1 Non-compliance with Sri Lanka Accounting Standards

Non-Compliance with the reference to particular Standard	Comments of the Management	Recommendation
(a) The difference between related party transaction balances of Rs.58.65 million was adjusted in the accounts receivable balance due to the failure to comply with paragraph 04 of Sri Lanka Accounting Standards 07 in preparing the cash flow statement and The operating cash flow was understated by Rs.190.44 million due to the fact that the actual cash inflow of Rs.1,724.34 million and the actual cash outflow of Rs.1,475.25 million in the current accounts maintained for social security benefit schemes were not recognized in the operating cash flow. Also, the operating cash flow was overstated by the amount of Rs.2.14 million paid in cash for employee medical insurance premiums, which was not presented in the cash flow statement. Furthermore, the increase in the balance of the Employees' Medical Insurance Fund account by Rs.8.96 million was reported in the investment cash flow, which resulted in the investment cash flow being overstated by that amount. The	Adjustments have been made to cash flows from operating activities for the impact of transactions with related parties and the impact of current accounts recording transactions between schemes. The Employees' Medical Insurance Fund is shown as equity in the balance sheet. The cash inflows and outflows for this fund are shown under investing activities. Investment activities include Rs.5.22 million received for the Medical Benefit Fund and Rs.5.88 million in investment income during the year,	The cash flow statement should be prepared in accordance with Sri Lanka Accounting Standards.

investment cash flow was understated by Rs.5.7 million, which was the interest earned on investments, due to non-presentation in the investment cash flow.

while the benefit payment from that fund is Rs.2.14 million. Accordingly, the net increase in the Medical Benefit Fund under investment activities is shown as Rs.8.96 million.

1.5.1.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The total amount of Rs.4,249.62 million receivable from the General Treasury for payment of crop damage insurance compensation from 2018 to 2022 was written off in 2023 by debiting the Accumulated Fund. As per the Agricultural and Agrarian Insurance Board Act No. 20 of 1999, 5 percent of the operating income is transferred to the Agrarian Insurance Fund. The amount of Rs.212.48 million transferred from operating income in relation to the above amount had not been withdrawn from the Agricultural Insurance Fund and adjusted to the Accumulated Fund by 31 December 2024.	Provisions were made for crop damage compensation payments to be received on an accrual basis as per the Cabinet Paper. Although the Treasury allocated funds for the years 2018 and 2019, in subsequent years, the relevant money was only given to the board for relevant compensation amount, resulting in an amount of Rs.4,250 million being recorded as income receivable by the board. However, since the Treasury was unable to provide the funds, it was approved for write-off from the accounts. The reserves have been properly allocated based on the operating profits made in those years	When write off income, transfers from operating income to the Agricultural Insurance Fund should be readjusted accordingly.
(b) Although the Board owned 76.6 perches of land on which the 03 official residences were located in the cities of Mahiyanganaya, Embilipitiya and Anuradhapura, those lands had not been valued and included in the financial statements.	The necessary actions has been initiated after discussions with the District Deputy/Assistant Directors regarding the valuation of the lands in the Mahiyanganaya, Embilipitiya and Anuradhapura official residences and the value of the Embilipitiya official residence actions will be taken to complete the work promptly and record the assessed value in the accounts.	Land should be valued and included in the financial statements.

1.5.2 Farmers' Pension and Social Security Benefits Scheme

1.5.2.1 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with the reference to particular standard	Comments of the Management	Recommendation
(a) Contrary to paragraph 88 of Sri Lanka Accounting Standard No. 01, the amount of Rs.143.56 million received during the year under review, including premium income received from farmers, contribution income from farmer pensioners and investment interest, had not been accounted for as income for the period and had been adjusted to the accumulated fund, thus the profit had been understated by that amount.	Since the premiums collected from the contributors are to be paid as benefits upon attaining the age of 60, it is expected that the sum of the premiums collected and the interest thereon will be adjusted to the fund account of the Board and thereby strengthen the fund for future liabilities. After conducting an actuarial valuation, it is expected that the liability of the farmers will be identified precisely and if any amount remains, that amount will be recognized as income.	According to Sri Lanka Accounting Standards, premium income and investment interest should be recognized as income.
(b) In preparing the cash flow statement, as per paragraph 4 of Sri Lanka Accounting Standards 7, the cash flow generated from operating activities was understated by the amount of Rs.135.44 million in premium income received from contributors, and the cash flow generated from investing activities was understated by the same amount as the amount of Rs.8.12million was not recognized in investment income.	Since the premiums paid by the farmers are to be repaid by the Board to the farmers as benefits, the receipts of such premiums are not recognized as operating income of the Board. The investment value obtained through the investment of premiums is shown in financial activities. The money received from the collection of these premiums is used to raise funds for the repayment of the money to the farmers, which is the responsibility of the Board. The interest income generated from the money received through the premiums and investments is credited to that fund.	The cash flow statement should be prepared taking into account premium income and investment income in accordance with Sri Lanka Accounting Standards
(c) The scheme continued to follow a methodology of calculating the pension liability by adding 11 percent to the final balance obtained when the pension amount paid during the year is deducted from the initial pension liability of the year. Accordingly, as at 01 January 2024, the pension liability of Rs.4,845.12 million was deducted from the initial balance of Rs.86,898.44million and	Although procurement activities were initiated to conduct the actuarial valuation, no actuarial assessor or any institution requested for the purpose. Accordingly, the relevant calculations have been made based on the last actuarial valuation conducted.	The actuarial valuation should be carried out in accordance with Sri Lanka Accounting Standards.

Rs.9,025.86 million, which is 11 percent, was identified as the pension liability of Rs.91,079.18 million. Without a proper assessment in accordance with Section 59 of Sri Lanka Accounting Standards No. 37, it is not possible to be satisfied with the accuracy of the pension liability calculated following the method mentioned above.

1.5.2.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The contribution income of the farmers' pensioners for the months of November and December 2024 was Rs.8.97million and Rs.8.97million respectively. Due to the fact that these values were credited to the pension payable account instead of being credited to the contribution income account of the farmers' pensioners, the income for the year under review has been underestimated by Rs.17.94 million and the current liabilities have been overestimated by the same amount.	Actions have been taken to correct it.	Pensioners' contributions must be accounted for correctly
(b) Under the scheme's group life insurance coverage, a gratuity payment of Rs.15.98 million was allocated for 266,297 contributors in the year 2024 for the death, full and partial disability of a contributor between the ages of 18-54 before receiving pension, out of which 256,616 were inactive contributors and estimate has been done without verifying the number of deaths and the actual number of inactive contributors.	Along with obtaining an actuarial valuation for the Farmers' Pension Scheme, an actuarial valuation will also be conducted for this fund. Subsequently, actions will be taken to accurately identify the related liability	Active contributors should be identified and allocations made for group life insurance premiums.

1.5.2.3 Going concern of the Scheme

Audit Observation	Comments of the Management	Recommendation
(a) The total assets of the scheme are Rs.3,062.15 million and total liabilities are Rs.94,351.63 million resulting in liabilities exceeding assets of Rs.91,289.48 million and the total current assets are Rs.1,125.05 million and total current liabilities are Rs.3,222.01 million, resulting in current liabilities exceeding current assets of Rs.2,096.96million. Since the scheme cannot be maintained without a contribution from the Treasury, its going concern remains uncertain	Although it was proposed to allocate a fund of Rs.750 million maintained so as not as the government contribution to exceed assets (initial capital), the Board did not receive it. At present, the pension liability is increasing annually, and this situation has arisen due to the lack of funds for the scheme, the increase in benefits according to government policies on several occasions without increasing the premium amount, and the gradual decrease in the contribution of farmers, and every year, funds is allocated from the government budget to pay farmers' pensions.	Liabilities should be maintained so as not to exceed assets within the scheme.

1.5.2.4 Lack of written evidence for Audit

Audit Observation	Comments of the Management	Recommendation
(a) Due to the failure to update the bio data of farmers, pension payments continued to be sent to the Department of Postal even for deceased individuals and those who had not submitted requests to receive their entitlements. In 2024, a total of Rs.469.25 million in pension payments was returned by the Department of Postal, as the intended recipients did not claim them. Additionally, an outstanding amount of Rs.99.25 million remained with the Department at the end of the year under review. Since there was no information system in place to verify individual farmer details and the origin of these amounts, the accuracy of the reported balances could not be verified.	District Accountants have been informed to send a report to the Board containing the details of those contributors regarding unpaid pensions, and action have been taken to obtain a report of contributors who have not received monthly pension benefits. Postal Department Accountants will be informed and the relevant reports will be obtained without delay.	Information on unclaimed money returned should be updated and premiums released accordingly.

1.5.3 Fishermen's Pension and Social Security Benefits Scheme

1.5.3.1 Non-compliance with Sri Lanka Accounting Standards

Audit Observation	Comments of the Management	Recommendation
(a) The scheme has been continuously following a methodology of calculating the pension liability by adding 11 percent to the final balance obtained when the pension amount paid during the year is deducted from the initial pension liability of the year. Accordingly, as of 2024.01.01, the fishermen's pension payment of Rs.88.35 million was deducted from the initial balance of Rs.5,532.35 million and an interest of Rs. 598.84 million at 11 percent was added to the balance and the final balance was identified as Rs.6,042.84 million. It is unacceptable during the audit that the pension liability has been calculated and presented in the financial statements as above without doing actuarial valuation in accordance with Section 59 of Sri Lanka Accounting Standards No. 37.	The Fishermen's Pension Liability and the annual liability of the Group Life Insurance Fund of the Scheme are calculated after obtaining actuarial valuation and the Fishermen's Pension Liability is calculated accordingly. The relevant calculations have been made based on the last actuarial valuation	An actuarial valuation should be carried out according to the standard.

1.5.3.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The assessed value of Treasury Bonds as of December 31, 2024 was Rs.429.49 million and due to the deduction of Rs.16.52 million which was the overestimate in the assessment of Treasury Bonds in the year 2023, the value of Treasury Bonds in the year under review was undervalued by that value.	Actions have been taken to rectify this situation.	According to Sri Lanka Accounting Standards, the valuation value of Treasury Bonds should be presented in the financial statements.

1.5.3.3 Going Concern of the Scheme

Audit Observation	Comments of the Management	Recommendation
The total assets of the scheme were Rs.743.33 million and total liabilities were Rs.6,125.28 million, while liabilities exceeding assets were Rs.5,381.95. This unfavourable situation	This scheme is not self-financing and this situation has arisen due to the inclusion of government subsidy in determining premiums. Accordingly, the annual pension	Actions should be taken to prevent the total net assets of the scheme from becoming negative.

had adversely affected the going concern of the scheme.

liability increases and therefore the net asset value also decreases. Due to these reasons, new enrollments to this scheme are not promoted.

1.6 Accounts receivable

Audit Observation	Comments of the Management	Recommendation
The balance of distress loans of Rs.0.43 million, which had been given to the officers of the Board for a period of between 10 and 25 years and Rs.0.15 million, which had been given for a period of more than 25 years, had not been recovered.	These long-term unrecoverable balances have been submitted to the Board of Directors for writing off from the accounts as recommended by the Audit and Management Committees, and upon approval, actions will be taken to remove them from the accounts in the year 2025.	Distress loan balances must be recovered.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 12(3)(1) of the Insurance Control Act No. 43 of 2000 and Section 29 of the Agricultural and Agrarian Insurance Board Act No. 20 of 1999	Although the Insurance Regulatory Authority does not require regulation by the Insurance Regulatory Act for the agricultural insurance activities carried out by the Board, this non-agricultural third-party insurance activities should be supervised by the Insurance Regulatory Commission and carried out in accordance with its rules and regulations, but this had not been done.	The Board is required to provide insurance schemes not only for agricultural equipment and tools but also for all immovable and movable property owned by the agriculturist. There is no legal impediment to the Board for this insurance scheme in terms of Section 12(3) of the Insurance Control Act No. 43 of 2000. Furthermore, Section 29 of the Agricultural and Agrarian Insurance Act No. 20 of 1999 states that "In the event of any conflict or inconsistency between the provisions of the Insurance Control Act and any other law, the provisions of this Act shall prevail and in the event of any conflict or inconsistency, the	Third party insurance for vehicles must be carried out in accordance with the rules and regulations of the Insurance Regulatory Commission.

provisions of this Act shall prevail over any other law.” Accordingly, the Board shall apply the rules and regulations of the Insurance Regulatory Commission when necessary.

- (b) Agricultural and Agrarian Insurance Board Act, No. 20 of 1999
- Although the objective of the Agricultural and Agrarian Insurance Board is the welfare of the farming community, the Board has initiated and maintained a third-party motor insurance scheme, contrary to that objective. Although the permission granted by the Attorney General's Department to issue third party insurance only for tractors in 2007 and the letter submitted by the Department of Motor Transport had stated that it had the authority to issue insurance certificates only for agricultural machinery, contrary to this, the issuance of third-party insurance for other vehicles had commenced after year 2015.
- In accordance with the functions to be performed by the Board in terms of Section (7) of the Act, the third-party Insurance Scheme has been introduced for the protection of the property of the agriculturists in order to implement the welfare and protection of the farmers, which is one of the primary objectives of the establishment of the Board. Accordingly, this scheme does not deviate from the objectives of the establishment of the Board. In the year 2007, the Agricultural Insurance Board started tractor insurance and there is no legal impediment to the Board to implement this insurance scheme in terms of Section 7(b) of the Act and Section 29. Another private insurance company had filed a case in the Court of Appeal in 2019 regarding the implementation of third-party insurance schemes. (Case No. - CA.WART-0269-19) The Attorney General's Department is appearing for legal proceedings here and it has been decided to conclude
- The Attorney General's approval must be obtained for the third-party motor insurance scheme for vehicles other than tractors.

the proceedings (on 14/02/2023). Accordingly, the legal problematic situation that existed to implement this scheme was removed. The number of cases concluded in this way is 07. Furthermore, the Board of Directors' approval has been obtained to apply the Circular 2024-03 issued by the Insurance Regulatory Commission for the resolution of claims to compliance with the Board and the said Circular is being implemented within the Board.

(c) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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| (i) F.R 381 | 57 bank accounts of the group, including 45 bank accounts of the Board, are opened and maintained without Treasury approval. | These accounts are opened and maintained with the approval of the Board of Directors for the purposes of the Board's head office and 30 district offices, i.e. for the collection of periodic funds, settlement of payments, etc. | Treasury approval must be obtained for the opening and maintenance of bank accounts. |
| (ii) F.R. 387 | The paying officer should always ensure that the bank balance is adequate to meet all his payments made by cheques, no official bank account must be overdrawn. However, cheques were written in excess of the bank balance in the cash book of the Kegalle, Vavuniya and Gampaha District Offices. | The Head Office credits cash to the District Office Current Accounts for the needs of the District Offices. This situation has arisen because the money credited to the current accounts was incorrectly recorded in the cash book and the money was withdrawn from the current account. Instructions have been given to the relevant District Offices to rectify | Cash books should be maintained properly. |

this situation, and actions have been taken to rectify the situation.

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| (d) | Section 13:4 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka | Although it was stated that an officer who is not fully qualified in every respect should not be appointed to fill a vacant post, 05 officers who did not meet the qualifications required for the post of Development Officer were appointed to the posts of Development Officer and one officer to the post of Director (Administration) with the period of continuous acting extending from 07 months to 4 years. | In the past years, the government had limited the recruitment of officers to government institutions, so only essential officers were recruited to perform the relevant duties. Approval has been sought from the Prime Minister's Office through letters for the recruitment of officers for the currently vacant posts. | Qualified officers should be appointed to the acting position. |
| (e) | Section 131 of Chapter IX of the Extraordinary Gazette for Rules of Procedure No. 2310/29 dated 14 December 2022 | 22 officers were employed on a long-term acting basis for 09 posts, contrary to the law, for periods ranging from 06 months to 10 years. | Although approval has been sought to recruit new officers to maintain the operational processes of the Board and expand its field activities day by day, approval has not been received to date. | The workload of existing acting positions should be reviewed and the need for the positions should be determined. |
| (f) | The Agriculture and Agrarian Insurance Board's recruitment procedure for posts in the management service category Section 4.3.2.2 | When recruiting external candidates for the position of Assistant Director (Administration and Human Resources), an officer without qualifications and experience was recruited for the position. | This officer has been suspended from duty pursuant to Board of Directors Decision 547 as a result of an investigation conducted by a Line Ministry investigation board based on the problematic situation in the documents presented by this officer during the interview. | Actions should be taken to recruit those with qualifications and experience in accordance with the recruitment procedure. |
| (g) | Paragraph 2 of the Public Enterprises Circular PED No. 1/2015 dated 25 May 2015 | Contrary to the circular, transportation allowances of Rs.3.22 million were paid to 19 officers belonging to the MM 1-1 | The Board of Directors has approved the payment of this allowance. Letters have been submitted to the Ministry of Agriculture | Transportation allowances should be paid as per the circular instructions. |

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| | | service category during the years 2022 and 2023 and Rs.1.18 million to 15 officers during the year 2024. | for approval, but no response has been received to date. | |
| (h) | Public Enterprises
Circular No. 06/2022 dated 06 October 2022 | 4 officers over the age of 60 had been employed contrary to the circular and Rs.6.79 million had been paid as salaries and allowances without approval. | As these vacancies have not been filled for a long time, approval has been given through Board of Directors' Circular 531/18 to recruit officers on a contract basis. Out of these officers, only three officers are in service and two officers have been retired. | Approval must be obtained from the department of management services to employ the employees over the age of 60. |
| (i) | Section 1.2.5 of the Public Accounts Department Guidelines dated 8 July 2022 and dated 2022/02 | Although the money received as a reward/grant money to a statutory body for a specific purpose should be remitted to the relevant line ministry, the amount of Rs.1 million received from Mobitel was not remitted and was held in a bank account. | The Board has received Rs.1 million from Mobitel, from which it has obtained communication facilities. Since this communication payment also includes money recovered from the salaries of employees, approval has been sought from the Ministry of Agriculture to use this money for employee welfare. The amount received is a balance in the administrative bank account held in the name of the Board. | Money to which the Board is not entitled should be remitted to the relevant line ministry. |
| (j) | Ministry of Agriculture, Rural Economic Affairs, Irrigation and Fisheries and Aquatic Resources
Development Circular No.07/2017
(Amendment II) dated 02 September 2019 | | | |
| | (i). Section 3 | a) Compensation due to farmers who suffered crop damage was | Several letters have been sent to the Department of Agrarian Development to | An appropriate internal evaluation system |

denied due to shortcomings of the officials and 22.41 percent of the applications received by the Board during the 2022/23 Maha season were rejected. No actions had been taken to inform the officials of the Department of Agrarian Development and Divisional Secretariats about the negligence of duty by the relevant officials.

inform the officials. The letter states that the Agrarian Development Department officials should take actions to minimize the shortcomings and carry out crop insurance activities.

should be introduced to minimize delays and shortcomings caused by officials in the payment of compensation.

- b) Although a physical inspection should be conducted before the expected date of harvesting and the damage should be assessed, the physical inspection was conducted after harvesting, and the applications were stated as "harvest has been harvested", considering that there was no damage, and compensation was refused for 5 applications in the 2022/23 Maha season, 731 applications in the 2023 Yala season and 107 applications in the 2023/24 Maha season.
- In cases where the harvest has been harvested, if the compensation documents state that the harvest has been harvested, no action has been taken to pay compensation. In such cases, if farmers appeal, they will be reconsidered.
- An internal evaluation system should be introduced that can check crop damage before harvesting.

(ii) Section 4

Out of 39,455 farmers who submitted claims for crop damage related to the 2022/23 Maha season and were approved for compensation, 9,513, or 25 percent, had taken more

Despite delays in the payment of compensation for the 2023/24 Maha season, actions have been taken to expedite the payment of compensation from the 2024/25 Maha

An internal evaluation system should be introduced that can minimize delays in compensation

		than a year to pay compensation.	season. Accordingly, about 70 percent of the farmers whose crops were damaged in the 2024/25 Maha season were compensated before the end of the season, and all other compensation is planned to be completed by June.	payments.
(iii). Section 5		According to information provided by 17 district offices, Rs.12.23 million was withheld as accident insurance premium income from 30,022 farmers who paid compensation in the 2022/23 Maha season, while deeds had not been issued to 20,352 farmers.	When releasing crop damage compensation, an annual accident insurance policy should be issued by deducting the insurance premium from the compensation amount. After the compensation is released, an announcement will be made via SMS, website and at each agricultural service center that an accident insurance policy is available, and information can be obtained by calling 1918. Since the cost of issuing an insurance policy has increased significantly, it is not possible to collect a separate operating expense from the farmers, so farmers have been informed through this method.	Deeds should be issued.
(k)	Public Finance Circular No. 01/2020 dated 28th August 2020 and Amended Finance Regulations 371(2) (b)	Advances were given in a range of Rs.0.11 million to Rs.9.99 million in contravention of the circular and the revised financial regulations. Accordingly, in 70 cases, the value of the interim advance obtained in excess of the maximum advance limit was Rs.23.69 million, while the value of the	Considering the special operational needs of the Board, the Board of Directors has approved the maximum limit of Rs.200,000 for the advance money that can be given to an executive officer. Furthermore, the money given under capital advance is released to the District Secretary and in no case is	Prior approval from the Treasury must be obtained to provide advances beyond the approved limit.

advance given in 8 cases under capital advance was Rs.31.83 million.

it released to the institution providing the goods and services. Since the procurement activities are carried out through the District Secretariat, these activities are carried out after the completion of the procurement process and the settlement documents are provided to the Board.

- (l) Paragraph 2 of the Non-Financial Asset Valuation Guidelines issued in terms of Asset Management Circular 04/2018 dated 31 December 2018
- Although land and buildings should be valued separately, the land and buildings in the possession of the Board had not been valued.
- Requests have been made to the Government Valuation Department offices to obtain the assessed value of the Embilipitiya Official Residence and the Mahiyanganaya Miyugunagama Official Residence.
- The building bearing DK03 belonging to the Mahaweli Authority in the Mahaweli 'C' zone has been handed over to the Board, and the relevant actions have already been initiated to take over the land on which it is located.
- The Chairman of the Board has submitted a letter requesting the Secretary of the Ministry of Agriculture to issue a letter of request to the Thamankaduwa Divisional Secretary for the transfer of the Polonnaruwa District Office to the Ministry of Agriculture.
- The work related to the transfer of the Kurunegala District Office to the Board is in the final stages. The relevant land and building are being transferred from that Ministry to the Land and building ownership should be acquired, assessed and included in asset registers.

Ministry of Agriculture.

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| (m) Agricultural and Agrarian Insurance Board Recruitment Procedure | Although the first efficiency bar examination should have been passed before 3 years had passed since the efficiency bar examinations had not been conducted as scheduled, the officers had not passed the examination during the relevant period, but had been confirmed in the post 3 years after recruitment without taking this into consideration. | As the efficiency bar examinations have been conducted correctly during the relevant year, it is expected that the appointments of officers will be confirmed properly in the future. | Efficiency bar examinations should be held as scheduled. |
| (n) Internal Circular No. 01/2021 dated 26th January 2021 for Field Officers | In accordance with Section V of Control Policy No. 1 introduced for the preparation of future programs, details of each officer engaged in field duties had not been displayed for the public to see. Similarly, in accordance with Control Policies Nos. 2 and 3 introduced, log books had not been maintained by officers engaged in field duties. | The upcoming programs of the Deputy/Assistant Directors serving in the District Offices and the upcoming programs of all the field staff should be displayed in the office. Usually, the upcoming programs are displayed in the office of the Deputy/Assistant Director. It is possible to observe it to the public as needed. Officers engaged in field duties regularly update the field notebooks and record in the log notebook the cases when they have to go out on days when office work is being carried out. | Actions should be taken to display information about field officers that should be displayed. |
| (o) Circular No. 02/2021 dated 27th January 2021 for maintenance and updating of inventory book | The Batticaloa District Office had not updated and maintained inventory books. | Inventory records should be maintained regarding the goods used in the district office, including capital goods, as per the requirements of the duties, and all district offices, including the Batticaloa District Office, have already been informed in this regard. | Inventory books should be kept up to date. |

2. Financial Review

2.1 Financial Results

The operating result of the Agricultural and Agrarian Insurance Board (Group) for the year under review was a deficit of Rs.3,182.18 million, as against a deficit of Rs.3,884.54 million in the corresponding previous year. Accordingly, a decrease of Rs.702.36 million was observed in the financial result. This decrease was mainly due to the decrease in compensation payments for crop damage, the increase in contributions received from the National Insurance Trust Fund for that and the decrease in provisions for pension liabilities.

3. Operating Review

3.1 Identified losses

Audit Observation	Comments of the Management	Recommendation
Due to non-registration for income tax purposes as per the Inland Revenue Act, the tax amount of Rs.299.35 million due from 01 April 2018 to 31 December 2023 had not been paid on the due dates and Rs.40.87 million had to be paid to the Board as late interest.	Since the Board carries out agricultural insurance and social security activities, all profits and income of the Board were exempted from income tax by the Inland Revenue Act No. 28 of 1979 and the subsequent Inland Revenue Act No. 10 of 2006. However, since the said exemptions were not provided by the Inland Revenue Act No. 24 of 2017, the Board has had to pay income tax. In calculating income tax, the Board had to pay tax at the tax rate of 30percent for general companies and after lengthy discussions with the Inland Revenue Department, actions have been taken to apply the tax income payable by the Board at a rate of 14 percent. Accordingly, the Board has not incurred any financial loss. Accordingly, actions will be taken to settle the correct tax liability from the year 2024/25.	Tax liabilities must be settled correctly.

3.2 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Although a comprehensive insurance scheme should be established to compensate farmers for losses incurred in accordance with Sub-section 7(a) of the Agricultural and Agrarian Insurance Act, No. 20 of 1999, compensation amounting to Rs.70.80 million for the years 2017 and 2018 to 8,185 farmers who suffered such losses has been returned by commercial banks due to mismatch in	This money is the provision made for agricultural insurance compensation payments and is an amount that was not claimed during the payment and was remitted back to the Board. This money has been credited to the Agricultural Insurance Fund with the approval of the Board of Directors to strengthen the	Unpresented compensation should be remitted to the Treasury.

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| | <p>account numbers, names of farmers and ID card numbers, no actions have been taken to identify the relevant farmers and settle the amount or remit it back to the treasury for 6 years.</p> | <p>Agricultural Insurance Fund.</p> |
| (b) | <p>A reserve fund to be used for claims arising from unforeseen events had been established since 2002 and its balance as on 31 December 2024 was Rs.588.52 million. Since the rules had not been established to define the unforeseen events to be used for the fund, this fund had not been used for a period of 22 years from 2002 to date.</p> | <p>Section 24 of the Agricultural and Agrarian Insurance Act provides that the Board shall have a fund to be known as the “Agricultural and Agrarian Insurance Fund”. Accordingly, this fund has been established by allocating 5 percent of the operating profit every year. It is expected that this fund will be used, after obtaining the approval of the Board of Directors, for the initial capital and additional capital requirements arising for life insurance and other insurance schemes that the Board intends to start with the contribution of farmers.</p> <p>A constitution should be prepared regarding the need to establish the fund and its use, and formal approval should be obtained and implemented.</p> |
| (c) | <p>As on 31st December 2007, the balance of the Group Life Insurance Fund and the investment related thereto of Rs.251.54 million had been transferred to the account of the Agricultural and Agrarian Insurance Board. A loan of Rs.295.23 million had been obtained from the Group Life Insurance Fund in the years 2010, 2011 and 2012 for the financial requirement of the scheme and the accumulated interest on it up to the year 2024 was Rs.469.03 million. Out of the Rs.249.63 million received from the Treasury for the administrative expenses of the scheme in the year under review, an amount of Rs.12.59 million had been used as part of the loan. Accordingly, the investment in the Life Insurance Fund had become a loan.</p> | <p>An insurance scheme for the payment of death and disability benefits under the Farmers' Pension Scheme was operated by the Sri Lanka Insurance Corporation, which was later implemented by the Agricultural and Agrarian Insurance Board. In the year 2010, the funds of this fund have been used for the payment of the Farmers' Pension Scheme as per the instructions of the Ministry of Finance, and the said funds have been provided on the basis of recovery from the Farmers' Pension Scheme, and the said loan amount is being settled gradually.</p> <p>Correct decisions must be made to ensure that the scheme provides economic benefits.</p> |

- (d) A new internal telephone network connection had been obtained by the Telecom Company since January 2023 by connecting 61 existing and new telephones in various divisions and district offices of the Board, and although bills of Rs.2.26 million for the year 2023 and Rs.4.01 million for the year 2024 had been paid, the facility to forward calls received by the telephone operator to extension numbers (Call Transfer) had not been obtained from the time the internal telephone network connection was obtained, the telephone connections of the Anuradhapura, Dehiattakandiya, Kilinochchi and Mullaitivu district offices had not been networked, the telephones were left inoperative and the telephone facilities had not been provided to the Farmers' Pension Division and the Fishermen's Pension Division to be able to make calls to external parties, thus the necessary background had not been prepared to provide a more effective service to the Sri Lankan farming community by connecting with farmers, fishermen and the district offices of the Ministry of Fisheries.
- The networking has been done as a connection connecting the internal telephones and the district office telephones. This facility can only be obtained through PABX to forward the calls received by the telephone operator to the extension numbers, and it was informed in the discussion held with them that this will cost the Board at least Rs.2.5 million. Since this building is maintained on a lease agreement, the cost of networking the PABX will be a loss to the Board if it leaves the building, so this has been provided as a temporary solution for this process. Furthermore, in obtaining the facility of recording the calls received by the Board, since it will cost a lot of money in terms of cost and productivity, no actions were taken to obtain the call recording service.
- A low-cost telephone network that can provide the most efficient service should be established.
- (e) Although there is a broad definition of an agriculturist as set out in Section 35 of the Agricultural and Agrarian Insurance Board Act No. 20 of 1999, agriculturist means a person, Agrarian Services Committee or Farmer Organization established or registered under the Agrarian Services Act, No. 58 of 1979, or a Company registered under the Companies Act, No. 17 of 1982 or co-operative society registered under the Co-operative Societies Law in the National Council of State, No. 5 of 1972 or any other society registered under any law for the time being in force or any Non-Governmental Organization, carrying on any activity
- The Board is implementing a number of insurance schemes including Farmers Pension Scheme, Crop Insurance Scheme, Livestock Insurance Scheme, Suwasetha and Accident Insurance Scheme, Warehouse Insurance Scheme, Third Party Motor Insurance Scheme and Fishermen Pension Insurance Scheme. Accordingly, due to the large number of insurance sales activities carried out monthly and the limited field staff of the Board, due to the workload and practical situation, when selling third party motor insurance schemes, it is necessary
- Third-party insurance schemes should be implemented only for the immovable and movable properties of farmers.

relating to agriculture, horticulture, medicinal plants, livestock, fisheries or forestry, these insurance certificates were issued without any physical or written verification as to whether these policyholders were actually engaged in such activities. Although confirmation of whether the policyholder was an agriculturalist was only confirmed by checking the relevant boxes printed in the relevant insurance application, there was no confirmation from the farmers' acreage tax register or the Department of Agrarian Services for this purpose.

to verify whether the customer is an agriculturalist through applications.

There is a principle that the insured should provide accurate information in accordance with the principles of insurance and it should be provided through the proposal form. Furthermore, since there is no specific method for registering farmers who are covered by the criteria of the Act, it is not possible to obtain confirmation of this scheme in practice.

- (f) The land indicated as Lot No. 02 of the preliminary plan No. Co. 9175 from the land acquired from the Urban Development Authority for the establishment of the offices of the Ministry of Agriculture, Lands and Forest Resources, and the land allocated for the establishment of the head office of the Agricultural and Agrarian Insurance Board in 2008, had been allocated to the Sri Lanka Administrative Services Union by 2012 without any consultation.
- As per the letter dated 14/05/2008 addressed by the Secretary of the Ministry of Lands and Land Development to the Secretary of the Ministry of Agricultural Development and Agrarian Services, the land bearing lot number 01 of the original plot No. Co.7945 has been transferred to the Ministry of Agricultural Development and Agrarian Services, and as per the letter dated 17/03/2008 and No. MAS-4/2/9 of the Secretary of the Ministry of Agriculture, the plot of land bearing plot No.7945, lot number 01, Diyawanna Swamp, Rajamalwatte, Battaramulla, measuring 0.502 hectares has been transferred to the Secretary of the Ministry of Lands and Land Development for the establishment of the head office of the Board. While the Board had paid money to the Land and Building Development Board to construct a building on this plot of land and had obtained approval for the plan of the relevant building, the Ministry of Lands and Land Development had handed over 2 parts of the relevant land to the Sri
- Arrangements should be made to construct the head office.

Lanka Administrative Services Association and the Public Service Commission. Further requests have been made to carry out the necessary actions to construct the head office of the Board on this plot of land, and an amount of Rs.400 million has been allocated in the 2025 annual budget. Relevant construction work will commence after obtaining the relevant approvals.

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| <p>(g)</p> | <p>The land with the official residence at 354/A Harischandra Mawatha, Anuradhapura, the land where the Polonnaruwa District Office is located, the land of 15 perches bearing Map Lot No. 01, No. 280001, Indrasarapura Grama Niladhari Division, Ampara, the land where the Kurunegala District Office is located, the land at Mirijjawila, Hambantota and the land at Lot No. 107, M.P. Maha 6656, Kundasale area, Kandy District have been in the process of being acquired by the Board for a long time, but the acquisition process had not been completed by 31 December 2024.</p> | <p>Although the necessary documents have been submitted to the Commissioner General of Lands for the acquisition of the 15 perches of land in Ampara, the relevant follow-up activities have been delayed so far, and the relevant activities will be carried out to acquire the said land plot to the Board in the future. The Department of Agriculture has handed over the ownership of the land in the Kundasale area of the Kandy District to the Board. Accordingly, actions have been taken to acquire the land to the Board. It is expected that the new Kandy District Office building will be constructed on this land in the future.</p> <p>Since the space of the Mahawa Agricultural Service Center, which was used to maintain the Mahawa office, was not sufficient to maintain the office activities, an office building very close to the Mahawa city limits was obtained on a rental basis following the formal procurement procedure.</p> | <p>Action should be taken to expedite land acquisition activities.</p> |
| <p>(h)</p> | <p>As per the notification made under the Government Lands Regulation No. 21(2) in Part III of the Gazette of the Democratic Socialist Republic of Sri Lanka No. 2014 and dated 07th April</p> | <p>A plot of government land measuring about 20 perches in the area of the portion bearing that part in the 53/2006 Sub-Plan, part of Lot No. 263 of Atawarala Village,</p> | <p>Actions should be taken to acquire land and use it for office purposes.</p> |

2017, a plot of Lot No. 263 of A.G.P. 1844 in Atawarala Village, No. 157 Atawarala Grama Niladhari Division, Mahawa Divisional Secretariat Division, Kurunegala District, a plot of Government land measuring about 20 perches in extent, as per the section A of Sub-Plan 53/2006, was leased to the Agriculture and Agrarian Insurance Board for office purposes for a period of 30 years up to 19th August 2013. According to sub-section 3 (d) of the said notification, the lessees were required to develop this land to the satisfaction of the Divisional Secretary within 01 year from the date of commencement of the lease, but even as of December 2024, the construction of a building for the Mahawa Regional Office had not been commenced and remained idle. According to sub-section 3 (g) of the said notification, if the land has been leased, the lessee fails to realize the purpose for which the land was acquired within the prescribed period, action will be taken to terminate the lease. Accordingly, there is a risk of losing this land to the Board and instead of constructing a regional office for the Board on this land, which is 20 perches, a private building measuring 2,064 sq. ft. is being taken for office purposes at a rent of Rs.0.66 million per annum.

අ.ග.ප.1844, Atawarala Grama Niladhari Division No. 157, belonging to the Mahawa Divisional Secretariat Division, Kurunegala District, has been given to the Board on a thirty-year lease basis for office purposes. That period will be effective from 2013.08.19 to 2043.08.18. At present, the relevant activities have been initiated to take over the relevant land to the Board, and after transferring the relevant land to the ownership of the Board, the construction of the office building will be carried out.

- (i) An incentive fund had been established by allocating 5 percent of the third-party insurance income as per the approval of the Board of Directors. The allocation for the fund for the year 2024 was Rs.18.06 million and the balance as on 31 December 2024 was Rs.38.36 million. Incentive payments of Rs.8.44 million in the year 2022, Rs.8.71 million in the year 2023 and Rs.10.38 million in the year 2024 had been made and the approval of the
- The Agricultural and Agrarian Insurance Board Act No. 20 of 1999 has given powers to the Board for such activities, and accordingly, with the approval of the Board of Directors, a fund has been set aside for the payment of these incentives by setting aside 5 percent of the third-party insurance income. There is a balance of Rs.38.36 million as on 31st December 2024 and it will be used
- Treasury approval must be obtained for the establishment and payment of the incentive fund.

Treasury had not been obtained for the establishment of this fund and the payment of incentives.

for the payment of incentives upon the approval of the Board of Directors.

- (j) Although in accordance with Section 05 of the Public Enterprises Circular No. 01/2024 dated 28 February 2024, the funds of state-owned enterprises should not be transferred to welfare associations or any other welfare activities, an Employees' Medical Insurance Fund had been established to provide insurance coverage to employees with the approval of the Board of Directors and the contribution of the group in the year 2024 was Rs.5.22 million and the balance of the fund as on 31 December 2024 was Rs.36.27 million. The approval of the Treasury had not been obtained for the establishment of this fund.
- The Board of Directors has approved the establishment of this fund with the contributions of the employees and the Board. This scheme has not been transferred to a welfare association or any other welfare activity and is stated as a fund in the Board's accounts. Accordingly, an amount of Rs.36.27 million has been stated in that reserves.
- Funds should not be transferred to welfare associations or any other welfare activities without consulting the Treasury.

3.3 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) As of 31 st December, of the year under review, out of the 32,149 fishermen who had reached the retirement age of 60 years and above, who had contributed to the Fishermen's Pension Scheme, 26,093 had not been granted the Fishermen's Pension benefit.	This scheme is not self-financing and this situation has arisen due to the inclusion of government subsidy in determining premiums. Therefore, no new enrollment has been made for this scheme. However, enrollment will be made from the year 2025 under a new scheme. Benefits will be paid to contributors who have completed 60 years of age and have made proper payments under this scheme.	Benefits should be provided to all pensioners who have completed 60 years of age and have made the required contributions and paid their contributions properly.
(b) Compensation for damages covered by additional insurance coverage cannot be financed from the General Treasury and the National Insurance Trust Fund, but compensation of Rs.35.35 million was paid from the National Insurance Trust Fund and the General Treasury to 1,111 farmers on 2,190 acres of damaged crop land in the 2022/23 Maha	The scheme is implemented on the basis of the General Treasury providing the basic premium amount of the compulsory insurance scheme for crop insurance without recovering it from the farmer. Here, compensation is made for damages caused by natural disasters and wild elephants. In cases where there is additional damage along with a damage falling under the basic	The Board's funds should be used to pay compensation for damages covered by additional insurance.

season, where more than one cause of crop damage was mentioned in the application.

damage, the basic premium amount should be paid, so actions have been taken to obtain the money, and according to the principles of insurance, an insurance scheme cannot be implemented without the basic premium amount and without basic protection. Therefore, money has been requested only if there is damage with other additional coverage along with the basic coverage.

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| (c) | <p>According to Section 6(1) of the Farmers' Pension and Social Security Benefits Scheme Act, No. 12 of 1987, a person should be entitled to a pension upon completion of 60 years of age, but the farmers who have completed that age have not been identified and the pension has not been paid. According to Section 15(1), the Board has the power to notify the contributor of the loss of benefits under the certificate to a contributor who has failed to pay 5 consecutive installments. However, even if the beneficiary party does not fail to pay 5 consecutive installments, the beneficiaries who have not paid 5 installments intermittently or intermittently have also been considered to have breached the deed and have lost their pension benefits.</p> | <p>The certificate deed has been issued to the farmers, and the period of benefit entitlement is specified therein. Letters have been sent to farmers who have completed 60 years of age to inform them about receiving pensions and all relevant measures have been taken to pay pensions to farmers who have completed their age.</p> <p>05 cultivation seasons are considered as 05 installments. The Board has provided grace periods for farmers who have not made payments during this period, and the benefits of farmers who have not paid 05 consecutive installments during that period have not been paid. However, there is no loss of pension for those contributors who have paid their installments by the due date for payment of the last installment, and the recommendation of the Advisory Committee has been obtained to make payments to those contributors.</p> | <p>Pensions of those who have completed 60 years of age should be paid promptly and contributors should be informed of the loss of benefits due to non-payment of premiums.</p> |
| (d) | <p>Although the pension benefits had been lost for those contributors to the Farmers' Pension Scheme, they were entitled to receive a pension lower than the prescribed pension as determined by the Board if they had received 75 percent of the half-yearly contributions paid in accordance with Section 6 of the Certificate Deed issued to them.</p> | <p>There will be no loss of benefits for contributors who have paid 75 percent of the half-yearly contributions, and a prorated pension is already being paid as usual. It is expected that the matter will be submitted to the Advisory Committee for advice on the payment of a prorated pension to contributors who have not paid the due premiums but have paid 75 percent of the</p> | <p>Pension benefits should not be lost upon receipt of 75 percent of the semi-annual contribution amount.</p> |

premiums and further action will be taken.

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| (e) | <p>In terms of Section 5(1) of the Fishermen's Pension and Social Security Benefits Scheme Act, No. 23 of 1990, any fisherman between the ages of 18 and 59 is entitled to join this Fishermen's Pension Scheme, but no Fishermen's Pension members were enrolled in the Scheme after the year 2018 and in terms of Section 7, pensions should be granted to fishermen who have contributed to the Scheme upon reaching the age of 60 years. However, in terms of 141 fishermen who were granted pensions for the period from January 2007 to December 2017, Rs.4.24 million and Rs.1.32 million for 56 fishermen who were granted pensions in the years 2023 and 2024, a total of Rs.5.56 million has been paid as arrears of pension. Provisions had been made in the financial statements but payments had not been made to the fishermen.</p> | <p>It is expected that new enrollments will commence through Gazette No. 13/2438 regarding the enrollment of contributors to this scheme in the year 2025. Arrangements will be made to pay the pension arrears gradually in the future</p> | <p>A system should be developed for recruiting new members to the scheme and awarding pensions upon reaching the age of 60.</p> |
| (f) | <p>There were instances where the National Identity Card number was not entered or entered incorrectly when entering compensation payment information for the 2023 Yala season into the database, and due to this, facilities had not been provided to check whether there were multiple payments to a farmer in the same season.</p> | <p>The National Identity Card number or Farmer ID card has been used when entering information for the payment of compensation for the 2023 Yala season. Accordingly, compensation payments were made and the National Identity Card has already been made mandatory. When paying compensation to a farmer in a single season, attention has been paid to these numbers and actions have been taken to minimize the chances of paying further compensation.</p> | <p>The need for an information system and the basic information it should contain should be studied and accurately maintained and updated.</p> |
| (g) | <p>According to the compensation payment information for the 2022/23 Maha season, the same compensation application mentioned both crop damage causes covered by free</p> | <p>The same land may be subject to simultaneous damage due to flood, drought or wild elephant damage, which is covered by free insurance, as well as damage that is covered by</p> | <p>The cause of crop damage should be accurately identified and payments made accordingly.</p> |

insurance and crop damage causes covered by additional insurance coverage as the cause of crop damage, and the cause of crop damage had not been specifically identified.

additional insurance. A proper data system was not used in the compensation payments for the 2022/23 Maha season, and since an acceptable data system has been adopted for compensation payments, compensation will be paid by entering information so that the cause of crop damage can be clearly identified.

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| (h) | The Board had not maintained a register of information on the farmers to whom additional insurance coverage certificates were issued, so that it could be verified how many insureds were issued additional insurance coverage certificates. | The necessary actions have been taken to obtain reports at the district level on the number of farmers who have been issued additional coverage certificates. Accordingly, it has been planned to obtain that information at the district level and in the future, take actions to obtain the necessary information from the Operations Division of the Head Office. | A register containing information about farmers who have obtained additional insurance should be maintained. |
| (i) | A separate list of information on farmers who had applied for compensation and had obtained additional insurance coverage had not been prepared, but had been maintained within the information on farmers applying for compensation under free insurance. As a result, farmers who had free insurance and farmers who had additional insurance had not been identified separately among the farmers paying compensation. | The necessary steps have been taken to obtain reports at the district level on the number of farmers who have been issued additional coverage certificates. Accordingly, it has been planned to obtain that information at the district level and in the future, take steps to obtain the necessary information from the Operations Division of the Head Office. | Documents should be maintained to identify farmers who have obtained additional insurance coverage. |
| (j) | Although farmers who obtained additional insurance coverage without the circular provision were not entitled to accident insurance coverage, the Board had retained Rs.0.50 million for accident insurance coverage when paying compensation to 1,076 farmers in the 2022/23 Maha season, whose cultivation was specifically stated to be due to insect pests. | Although farmers who have obtained additional insurance coverage based on the provisions of the circular are not entitled to accident insurance, the Board has taken steps to provide accident insurance coverage for accidents where the cause of crop damage is specifically stated to be insect pests and actions have been taken to remedy that situation. District offices have been informed about this. | Accident insurance premiums should be charged only from farmers who are entitled to compensation under free insurance. |

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| (k) | Farmers have not been informed that they should check their certificates and submit their applications for pension upon reaching the age of 60 and submit them to the Board within the relevant period. In case of delay in submitting applications for pension, a letter stating the reasons for the delay along with the documents to be submitted by the farmer contributor had been obtained from the farmer. Also, the number of farmers who have reached the age of 60 but are not receiving pension as of December 31, 2024 had not been accurately identified. | Farmers were informed about how to contribute to the scheme and how to receive benefits during recruitment. The board has issued a certificate deed to the farmers, which states the period during which the farmers will receive benefits. Letters are currently being sent to farmers who have completed 60 years of age to inform them about receiving pensions. Accordingly, measures have been taken to pay pensions to farmers immediately after completing 60 years of age. | Pensions should be provided to farmers upon reaching the age of 60. |
| (l) | More than Rs. 7 million had been paid in 2006 to compensate farmers for crop damage caused by the closure of the Mavil Aru sluice gate, and the case filed in this regard had been referred to the Attorney General for advice on 30 November 2007, but no follow-up had been carried out. | The Criminal Investigation Department is handling this case and actions are being taken to inquire about the relevant case from the Attorney General's Department. | Cases filed should be followed up. |
| (m) | Due to the cessation of new contributors to the Farmers' Pension Scheme in 2008 and the non-payment of farmers' pensions in 2012 and 2014, which broke the trust of farmers in the scheme, 918 farmers who had failed to pay 5 consecutive installments due to the cessation of contributions by the farmers had been paid, and therefore, with the approval of the Board of Directors, arrangements had been made to pay pensions to them under a special Board of Directors' approval through Board Decisions Nos. 528/03 and 543/01. However, since there was no common agreement to not forfeit the pension and not prepare a reduced pension for other farmers who had paid the entire amount of the installments due when calculating the pension, the pensions had been | According to the audit observations, it has been submitted to the 546th Board of Directors meeting held on 24.03.2025 to provide relief in providing pensions to those contributors who have paid 75 percent of the due installments but whose contributions have been cancelled due to non-payment of 05 installments respectively. This will be submitted to the Advisory Committee for approval. | A common understanding should be reached in order to ensure that pensions are not lost to contributors who have paid all the premiums. |

forfeited and a reduced pension had been prepared for other farmers who had paid all the installments but had failed to pay 5 consecutive installments as calculated by the Board.

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| (n) | The names of pensioners who had not received their fishermen's pension for 6 consecutive months had been removed from the pension payment list without the approval of the Board of Directors, after confirming that they had died or the reasons for not receiving it were mentioned in the list and the reasons. | The relevant payments have been stopped based on the recommendations of the Advisory Committee and it is expected that the payments will be made if the relevant fishermen requested. | Pensioners should be removed from the pension list only after verification of biographical information. |
| (o) | It has been taken 3 to 78 months to repay the net premium amount for fishermen who have completed 60 years of age and have paid less than 75 percent of the premium amount. | Only one employee is working in the Board to implement this scheme and with the commencement of the new scheme in the future, sufficient number of employees will be assigned and actions will be taken to make these payments to the fishermen promptly. | Net premium should be refunded to the fishermen within the minimum time. |

3.4 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Management	Recommendation
(a)	In 2022, the Food and Agriculture Organization of the United Nations, in collaboration with the International Finance Corporation (IFC), provided the Board with Rs.20.39 million to build the Agricultural Management Information System, and although Rs.23 million was spent on it in that year, the information system had not been used for the compensation calculation and compensation payment process as of 2024.	Due to the lack of appropriate technical equipment by field officers to enter data and information into the system, it has been difficult to use this system for field work. Furthermore, it has been difficult to carry out compensation calculation activities through the system due to the difficulty in obtaining real-time weather data quickly and without financial burden to the Board.	Objectives of establishing the Agricultural Management Information System and the services that can be provided should be obtained.
(b)	Embilipitiya official residence, Mahiyanganaya official residence, Anuradhapura official residence, Hambantota Mirijjawila building and Manampitiya, Kandy, Mahawa and Ampara Lands remained unused by the board and idle.	Relevant actions will be taken in the future to take over the Ampara plot of land to the Board. Actions have been taken to take over the Kandy land to the Board. In the future, it is expected that the new Kandy District Office building will be constructed	The lands and properties owned by the Board should be used for economically productive activities.

on this land. Since the space of the Mahawa Agricultural Service Center, which was used to maintain the Mahawa office, was not sufficient to maintain office activities, an office building very close to the Mahawa city limits was obtained on a rental basis following the formal procurement procedure.

(c)	Although the Board owns lands in Hambantota, Manampitiya, Kandy, Mahawa and Ampara, the Board's district offices located in those cities are maintaining buildings on a rental basis by paying an annual rent of Rs.4.30 million for the year 2024, and those lands have not been developed and office facilities have not been provided.	-do-	The lands owned by the Board should be developed and office facilities provided.
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3.5 Defects in Contract Administration

Audit Observation	Comments of the Management	Recommendation
72 million had been paid for the Enterprise Resource Planning (ERP) System for the Board's Management Information System by 2023 and the contract period was later extended to 01 April 2025, but the work had not been completed by 02 May 2025.	Some modules of the ERP data system purchased to carry out Board operations and accounting activities are already in use and other modules are being modernized to accommodate certain changes and these works will be completed within this year and the Board will be able to be fully digitalized.	The work should be carried out as per the contract.

3.6 Vehicle System Management

Audit Observation	Comments of the Management	Recommendation
(a) Only the registration certificate of the motor car bearing chassis number 116-001866 and 6 8175 is available and the motor car was not physically in the possession of the institution.	Matters regarding these vehicles have been submitted to the 574th Director board and accordingly instructions have been given on how to proceed with the relevant motor cars in the future and it is expected to proceed accordingly in the future.	An objection should be filed with the Department of Motor Traffic to ensure that the ownership of the vehicle does not change and an internal investigation should be conducted

(b) The Board only has the registration certificate of the motor vehicle bearing chassis number AA2AS-813735-A and registration number 6 3174, and the motor vehicle was not physically owned by the institution, and the institution did not have any other information regarding this motor vehicle. While the motor vehicle's registration certificate was in the possession of the institution, its ownership had been transferred to another person without the knowledge of the institution.

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An internal investigation should be conducted to determine about the ownership of the vehicle has changed.