

Fishermen's Pension and Social Security Benefit Scheme

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Fishermen's Pension and Social Security Benefit Scheme had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1.2. of this report, the financial statements had been prepared in accordance with the Sri Lanka Accounting Standards, give a true and fair view of the state of affairs of the Fishermen's Pension and Social Security Benefit Scheme as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended

1:2 Comments on Financial Statements

1:2:1 Accounting Policies

Following observations are made.

- (a) An Income Statement had not been prepared and presented in terms of Sri Lanka Accounting Standard (SLAS) No. 3 as specified.
- (b) Although the depreciation policy on fixed assets had been amended in the year 2009, the adjustments relating to preceding year had not been made as per the new depreciation policy of fixed assets for the year 2010 in terms of SLAS 10.
- (c) Sufficient provision had not been made for "Future Retirement Benefits" in the Financial Statements as required by SLAS.S 36 and 42.
- (d) The concept of Going Concern had not been disclosed in the statement of accounting policies in the Financial Statements.

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

Following instances of non-compliance were observed in audit .

Reference to Laws , Rules ect.	Non- Compliance
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(a) Fishermen’s Pension and Social Security Benefit Scheme Act, No.23 of 1990 ----- (i). Section 20 (ii). Section 26	Although the consultants committee should consist of 12 members, comprising 06 ex-officio members and 06 nominated members as per provisions in the Act, only 10 members had been appointed for the year 2010. Action had not been taken to inform the relevant members regarding the cancellation of membership who has defaulted membership fees in terms of the Act.
(b) Public Enterprises Circular No. PED/12 of 02 June 2003 ----- Paragraph 7 of Chapter 9	Special allowances totalling Rs. 293,724 had been paid to certain officers without obtaining approval from the Treasury.

2. Financial and Operating Review

2:1 Financial Review

2:1:1 Financial Results

According to the financial statement presented, the working of the Scheme for the year under review had resulted in a surplus of Rs. 37,889,972 as compared with the corresponding surplus of Rs.63,772,073 for the preceding year, thus indicating a decrease of Rs 25,882,101 or 40.58 per cent in the financial results. Details are given below.

	<u>Year ended 31 December</u>		<u>Variation</u>
	<u>2010</u>	<u>2009</u>	%
	Rs.	Rs.	
Total Revenue of the Fund	62,547,149	85,047,690	(26.46)
Total Expenditure	<u>25,464,243</u>	<u>22,067,706</u>	15.39
Revenue over Expenditure	37,082,906	62,979,984	(41.12)
Surplus Administrative Revenue	<u>807,066</u>	<u>792,089</u>	<u>1.89</u>
Overall Surplus for the year	37,889,972	63,772,073	(40.58)
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2.1.2 Analytical Review of the Financial Position

Balance of the Fisherman's Pension Fund of the Scheme had decreased by Rs.243.6million or 44.7 per cent for the year under review when comparing with the preceding year as shown below.

<u>Year</u>	<u>Balance of the Fund</u>
	Rs. Million
2009	542.7
2010	<u>299.1</u>
Decrease	<u>243.6</u>

2:2 Operating Review

2:2:1 Performance

Following observations are made.

- (a) The Board had not taken action to create any promotional programmes for recruitment of contributors to the Scheme during the year under review.
- (b) Although the 2,000 contributors had been targeted to enrol during the year under review the actual number of contributors enrolled was 1,539 only thus indicating the achievement was 77 per cent of the target. It was also observed that three Districts had not enrolled any single contributor.
- (c) Although the financial target of enrolments amounted to Rs.2, 073,000 during the year under review; the actual contributions amounted to Rs.6,829,603. It was observed that the reason for the significant increase in the financial progress was due to new contributors enrolled in Jaffna, Mannar and Baticaloa Districts.
- (d) Although the target of second and subsequent premium collection amounted to Rs.5,550,000 from 37,000 contributors during the year under review; the actual collection amounted to Rs. 1,854,985 from 14,237 contributors only. Accordingly, actual financial achievement was only 33.42 per cent and the actual enrolment progress was only 38.47 per cent while 04 Districts had not collected any single premium .
- (e) According to the Financial Statements, Pension payments amounting to Rs. 22,164,352 had been paid while total contributions collected amounted to Rs. 8,684,561 or 39.18 per cent only from collected contributions during the year under review.
- (f) The Board had not taken action to identify the total number of contributors whose membership of the Fishermen's Pension Scheme had been forfeited during the year under review and re-enroll those contributors to the Scheme.
- (g) The Board had not taken action to identify contributors whose membership of the Fishermen's Pension Scheme had not been forfeited and to recover the arrears of installments.

2.2.2 Management Inefficiencies

A sum of Rs.1,075,875 had been spent by the Board since 1996 in connection with a Court cases, filed against a bank in respect of a delay in the receipt of interest on investments amounting to Rs.5,411,930. The Court had given a verdict favourable to the Board on 10 December 2003. The Bank had made an appeal against that verdict. No progress was reported in connection with Court case.

3. Systems and Controls

Observations made in systems and controls during the course of audit were brought to the notice of the Board from time to time. Special attention is needed in respect of the following areas of control.

- (a) Achievement of Objectives
- (b) Payments of Benefits to Fishermen
- (c) Cash Receivable
- (d) Recovery of the 2nd and post installments
- (e) Function of the consultation committees