

Fishermen's Pension and Social Security Benefits Scheme - 2024

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Fishermen's Pension and Social Security Benefit Scheme 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(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka, 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 to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the fund. Because of the significance of the matters described in paragraph 1.5 of this 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

I expressed disclaimer of opinion on the matters described in paragraph 1.5 of this report.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management 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 intends 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 skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the scheme's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the fund 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 fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the fund has complied with applicable written law, or other general or special directions issued by the governing body of the fund;
- Whether the fund has performed according to its powers, functions, and duties; and

- Whether the resources of the fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit observations on preparation of financial statements

1.5.1 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.88,348,718 was deducted from the initial balance of Rs.5,532,349,026 and an interest of Rs. 598,840,034 at 11 percent was added to the balance and the final balance was identified as Rs.6,042,840,342. 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.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
The assessed value of Treasury Bonds as of December 31, 2024 was Rs.429,486,430, and the value of Treasury Bonds in the year under review was undervalued by that value due to the deduction of Rs.16,520,221, which was the overestimate in the assessment of Treasury Bonds in the year 2023.	point out that 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 Going Concern of the Scheme

Audit Observation	Comments of the Management	Recommendation
The total assets of the scheme were Rs.743,331,403 and total liabilities were Rs.6,125,280,552, while liabilities exceeding assets were Rs.5,381,949,149. This unfavorable situation had adversely affected the going concern of the scheme.	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 liability increases and therefore the net asset value also decreases. For these reasons, new recruitments to this scheme are not promoted.	Actions should be taken to prevent the total net assets of the scheme from becoming negative.

1.6 Non-compliances with Laws, Rules, Regulations, and Management Decisions

Reference to Non-compliance Laws, Rules, Regulations, etc.	Comments of the Management	Recommendation
(a) Fishermen's Pension and Social Security Benefits Scheme Act, No. 23 of 1990		
(i) Section 3	The objectives of Section 3 of the scheme had not been achieved due to the non-receipt of pensions by 26,093 fishermen who had completed the age of 60 and the non-recruitment of new contributors.	This scheme is being implemented jointly with the Ministry of Fisheries, and the Board will pay benefits to the fishermen. It is expected that the information of fishermen who have completed 60 years of age will be forwarded to the Ministry and steps will be taken to inform the relevant fishermen. Furthermore, actions have been taken to recruit under a new scheme from the year 2025.

- (ii) Section 5(1) Although any fisherman It is expected that new recruitments New members must be recruited for the between the ages of 18 and 59 will commence through Gazette No. 2438/13 regarding the recruitment of continuity of the is entitled to join this 2438/13 regarding the recruitment of contributors for this scheme in the scheme. Fishermen's Pension Scheme, contributors for this scheme in the year 2025. no Fishermen's Pension members have been enrolled in the scheme since 2018.
- (iii) Section 7 Although pensions should be Arrangements will be made to pay A procedure should be developed for granted to fishermen who the arrears of pensions gradually in granting pensions have contributed to the the future. upon reaching the age of 60 years, a total of Rs.5,560,510, amounting to Rs.4,240,063 for 141 fishermen who were granted pensions for the period from January 2007 to December 2017 and Rs.1,320,447 for 56 fishermen who were granted pensions in the years 2023 and 2024, had been provided in the financial statements as arrears of pensions, but no action had been taken to pay them to the fishermen.
- (iv) Section 11 When a contributor died Only one employee is employed The prescribed before receiving pension within the Board to implement the death gratuity must entitlement, a death gratuity Fishermen's Pension Scheme, and be paid within a was to be paid as per the with the commencement of the new minimum period to calculations as prescribed scheme in the future, a sufficient a contributor who under the scheme. The time number of employees will be dies before taken to complete the death assigned to the scheme and actions receiving pension gratuity payment process was will be taken to make these payments entitlement. between 3 months and 42 to the fishermen promptly. months from the date of receipt of the death gratuity application to the Board, and between 5 months and 193 months from the date of death of the fisherman.
- (v) Section 13(d) If the contribution amount The Fishermen's Pension Scheme Act Necessary rules paid is greater than 10 percent provides for the payment of interest should be of the quarterly contribution along with net premiums, and established for

amount but less than 75 percent, the certificates will not be completely cancelled and the contributor can withdraw the net contribution amount paid by him at the end of the contribution payment period as determined by the Board. In this scheme, interest is calculated on the net premium amount at a rate of 1.64 percent per quarter only up to the date of last premium payment and there was no rule in this regard. accordingly, interest is calculated at a rate of 1.64 percent per quarter and net premium payments are made along with net amount. interest paid on the premium.

- (vi) Section 16 Due to weaknesses in the collection of contributions and record keeping, it was not possible to inform the contributor regarding the loss of benefits due to non-payment of contributions for ten consecutive installments. The Fishermen's Pension Scheme is implemented jointly with the Ministry of Fisheries, and the Board pays benefits to fishermen. It is expected that the Ministry will work together to inform the relevant fishermen about the information of fishermen who have completed 60 years of age who are entitled to benefits. The contributor must be informed of the loss of benefits to the contributor.
- (vii) Section 20 The Advisory Committee established to implement the scheme had not met since November 2016. The Act has provided instructions on holding advisory committees, and it is pointed out that actions will be taken this year to convene the advisory committee to obtain relevant instructions for the commencement of the new Fishermen's Pension Scheme. The Fishermen's Pension Advisory Committee should be convened as scheduled.
- (b) Paragraph 02 A total of Rs. 483,879 was paid as acting allowances in the Pension Division to 4 officers during the year under review without an approved staffing procedure of the Department of Management Services. In accordance with the Act of the Treasury approval Board, the officers of the Board must be obtained for serving have been assigned an additional part of the Fishermen's allowances. Pension Scheme belonging to the Ministry of Fisheries. Accordingly, since a separate staff has not been approved for this function of the Fishermen's Pension Scheme, the money for these allowances, which are paid with the approval of the Fishermen's Pension Advisory

Committee, the approval of the Board of Directors, and the approval of the State Secretary to the Minister in charge of the subject, is provided to this Board by the Ministry of Fisheries. It has been paid since the date of commencement of the Fishermen's Pension in the year 1991.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a deficit of Rs.482,727,810 while the corresponding deficit for the previous year was Rs.425,104,832. Accordingly, a deterioration of Rs.57,622,978 was observed in the financial result. This deterioration was mainly due to the increase in pension liability for the year under review by Rs.46,193,036 compared to the previous year.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Although this fund was placed under the Ministry of Fisheries by the Extraordinary Gazette No. 2412/08 dated 25th November 2024, attention had not been drawn to this fund at the Audit and Management Committee meeting held by the Ministry.	Since the Agricultural and Agrarian Insurance Board prepares financial statements for this scheme as well, the functioning of the Board, including this scheme, is considered by the Audit and Management Committee of the Ministry of Agriculture.	The attention of the Fisheries Ministry Audit and Management Committee should be drawn to this fund.
(b)	Out of the 32,149 fishermen who had reached the retirement age of 60 years and above, who had contributed to the scheme as of 31st December of the year under review, 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 enrolment has been made for this scheme. However, enrolment 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.

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| (c) | Due to the failure to maintain or update the biographical information of the fishermen's pensioners, although Rs.88,348,718 was paid as pensions in the year under review without verifying whether the pensioners were actually alive, its accuracy could not be verified. | In order to continue the process of paying fishermen's pensions accurately, actions are being taken to forward the information of fishermen to the Ministry of Fisheries to obtain the relevant life certificates. | The scheme's biodata information system must be updated and maintained promptly. |
| (d) | 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, stating that they had died or the reasons for not receiving their pension had been confirmed. | The relevant payments have been stopped based on the recommendations of the Advisory Committee, and it is expected to make payments, if requested by the relevant fishermen. | Pensioners should be removed from the register only after verification of biographical information. |

3.2 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) It has been taken 3 to 78 months to repay the net premium for fishermen who had reached the age of 60 and had paid less than 75 percent of the premium amount.	Only one employee is employed within 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 refunds to fishermen should be made within the minimum time frame.
(b) According to the Master File (Excel Sheet) of the Fishermen's Pension Scheme, the number of contributors was 64,117, but according to the database, the number of contributors was 69,049. Accordingly, the institution did not have accurate information about the difference of 4,932 fishermen.	Although the number of contributors according to the reports sent by the extension officers in the district fisheries extension divisions when introducing an information system to the board was 69,049, the correct number that has been computerized in the updated board information system is only 64,711 contributors.	The information system must be updated by entering accurate information about contributors.