

Agrarian Development Fund – 2011

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the Agrarian Development Fund as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

The matters observed are given below.

- (a) Computer Software System valued at Rs.4,870,082 purchased during the year under review had been written off against the profit for the year.
- (b) The installments recovered in respect of tractors and water pumps had been credited to the Deposit Account on cash basis and installments receivables had not been brought to account or disclosed in the notes to the financial statements.

1.2.2 Unexplained Differences

The matters observed are given below.

- (a) The installment amount received during the year under review for the tractors distributed under the “ Japanese Yen Aid Programme” had been shown in the financial statements as Rs.56,376,207. But, it had been shown as Rs.52,179,498 in the records of the Development Division thus observed a difference of Rs.4,196,709.

- (b) A difference of Rs.651,797 was existed more than four years between the balances shown in the General Deposit Account and the balance shown in the Treasury Computer Printouts. Nevertheless, it had not been rectified even up to the end of the year under review.

1.2.3 Accounts Receivable and Payable

The matters observed are given below.

- (a) Fifty percent of the installments received, in respect of Agri-equipment which were distributed on installment basis to Agrarian Committees and Agrarian Societies received as grants under “ Japanese Yen Aid Programme” should be credited to the Counterpart Fund Account. A sum of Rs.210,878,908 recovered from the Agrarian Committees and Agrarian Societies as installments in respect of tractors, water spraying equipment and water pumps distributed to those Committees and Societies had remained in the Deposit Account of the Fund even by 31 December 2011 instead of sending them to Ministry of Agriculture to credit the Counterpart Fund.
- (b) The recovery of installments on tractors distributed each year under above Programme had been in a lethargic position and the outstanding installments amounted to Rs.472,131,445 as at 31 December 2011. Details are given below.

Type of Tractor	Year of Distribution of Tractors	No of Tractors	Amount Recoverable	Amount Recovered	Amount outstanding
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			Rs.	Rs.	Rs.
Two Wheeler Tractors	1992 – 2008	1,596	225,204,050	138,014,933	87,189,117
Two Wheeler Tractors	2010	1,004	251,000,000	56,426,804	194,573,196
Four Wheeler Tractors	1986 - 2001	591	241,081,210	23,712,078	190,369,132
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Total		3,191	690,285,260	218,153,815	472,131,445
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- (c) Even though the outstanding installments receivable as at 31 December 2011 were Rs.1,498,566 and Rs.4,749,500 for the two wheeler tractors and four

wheeler tractors respectively distributed by the fund in the years 1995 and 1996 no amount had been recovered during the year under review.

- (d) Action had not been taken to recover the stock shortage amounting to Rs.450,000 identified prior to the year 2006 from the responsible officers and it had been continuously shown in the financial statements.

1.2.4 Lack of Evidence for Audit

Even though a sum of Rs.9,130,716 had been received as Acreage Tax in respect of 23 Districts during the year under review the details of Targeted Annual Acreage Tax, Acreage Tax Received and Acreage Tax Receivables had not been forwarded to audit. As a result it could not be established in audit, the 20% out of the total amount recovered by each Agrarian Service Centre had been sent to the Agrarian Development Fund.

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

Action in terms of Financial Regulation 371(5) had not been taken in respect of unsettled advances valued at Rs.2,432,892 granted for various purposes by the Fund.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operation of the Fund for the year under review had resulted in a deficit of Rs.1,690,383 as compared with the corresponding deficit of Rs.3,575,521 for the preceding year, thus indicating an improvement of financial results by Rs.1,885,138. Increase of the income of Acreage Tax and sale of receipts books by Rs.2,490,147 had mainly affected for the improvement of financial results.

3. Operating Review

3.1 Operating Inefficiencies

The matters observed are given below.

- (a) Sales proceeds of Rs.13,613,500 from the 126 condemned tractors sold in the year under review had been credited to the Consolidated Fund. A sum of Rs.19,039,513 had to be further recovered as outstanding installments for these tractors due to lack of proper arrangement for the recovery of installments efficiently from the Agrarian Committees that the tractors handed over to.
- (b) A sum of Rs.11,700,000 should be recovered as installments by the year 2012 for 390 water pumps distributed in the year 2010 under the project of “ Japanese Aid 2008” and a sum of Rs.3,120,000 should be recovered as initial payments. Nevertheless, the amount recovered as initial payments and installments as at 31 December 2011 amounted to Rs.3,372,883.
- (c) Advances amounting to Rs.517,500 granted to District offices by the Fund in the year under review for the implementation of various projects had been returned without being implementing the projects and 3 District offices had returned cheques amounting to Rs.65,500 drawn in respect of such projects even without accepting them.

3.2 Idle and Underutilized Assets

The matters observed are given below.

- (a) A sum of Rs.543,915 had been spent for printing of 500 copies of “ Albam of River Basins Map” in the year under review to distribute for the “Programme of Investigating Water Standards” under rural irrigation. Nevertheless action had not been taken to distribute them even up to 31 December 2012 the date of audit.

- (b) A sum of Rs.2,956,500 had been spent for printing of 10,000 books under the Expenditure Vote Printing of Data Manuals of Rural Irrigation, by spending Rs.1,444,500 for two Maps in 2010 and Rs.1,512,000 for printing of books in 2011. Nevertheless, action had not been taken to distribute them even up to 31 August 2012.
- (c) Number of 594 Maps out of 1,000 Maps printed in the preceding years showing the Authorized Areas of Agrarian Service Centre, had been sold and the balance was 406 Maps.

4. Accountability and Good Governance

4.1 Budgetary Control

The matters observed are given below.

- (a) The provisions of Rs.6,275,000 allocated for four Development Activities in the Budget for the year 2011 had not been utilized.
- (b) Significant variances were observed between the budgeted and the actual figures thus indicating that the Budget had not been made use of as an effective instrument of management Control.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Commissioner General from time to time. Special attention is needed in respect of the following areas of control.

- (a) Recovery of Acreage Tax
- (b) Settlement of Deposit Accounts
- (c) Recovery of Loans
- (d) Assets Utilization
- (e) Granting Advances