

Farmers' Trust Fund for the year ended 31 December - 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 Farmers' Trust 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 Existence of the Farmers Trust Fund

This Fund has not been established by an act of Parliament or any other Law and it is the Fund which has been established to utilize it for the welfare of the farmers in getting 10% from the "Govisetha" lottery income and interest income by investing such money. In terms of paragraph 3.3 (a) of the Public Finance Circular No. PF/423 dated 22 December 2006, as the maintenance of non-statutory Fund discourages the Parliamentary control over public finance established by the constitution, all non-statutory funds operated under Ministries should be nullified with immediate effect and the cash balances of those funds should be credited to the Consolidated Fund as per instructions of the Department of Public Finance. In terms of paragraph (a) there of, if there is any reason to further maintain such a non- statutory fund, it should be referred to the Department of Public Finance, giving relevant reasons to enable such fund to legalize by an act of Parliament. Quick attention is paid in this regard. The Secretary informed that the final draft had been sent by the legal draftsman.

1.2.2 Accounting Deficiencies

The following deficiencies were observed.

- (a) The expenditure of Rs.1,080,000 incurred in the year 2010 out of advances amounting to Rs.4,000,000 given to the Commissioner of Agrarian Services in the year 2009 for the project of asvaddumization of abandoned fields under Uthuru Vasanthya special programme had been shown as expenditure of the year under review.

- (b) (i) Although the investments on Treasury Bills as at the end of the year under review amounted to Rs.99,878,484 it had been stated as Rs.99,999,999 in the balance sheet.

- (ii) The interest income on investments on Treasury Bills amounting to Rs.1,601,338 had not been shown as income of the year.

1.2.3 Accounts receivable and payable

The following matters were observed.

(a) Accounts payable

Insurance indemnities of Rs.219,234 received for motor cycles registered in the name of the Fund had been shown in the financial statements as current liabilities since 2009.

(b) Accounts receivable

I. Out of the loans amounting to Rs.2,000,000 and Rs.7,000,000 granted to 2 private institutions in the years 2002 and 2005 respectively, the balance of Rs.1,399,700 and Rs.6,708,333 had remained unsettled as at 31 December of the year under review. The interest income on these loans for the year under review had been calculated as Rs.250,668 and the interest income receivable as at the end of the year under review shown in the financial statements amounted to Rs.1,474,972.

- II. A farmers committee loan balance of Rs.9,112,579 remained unrecovered for a number of years had included in the farmers bank loans of Rs.107,871,579 shown under long term loans in the Balance Sheet.
- III. Although about 8 years had elapsed after giving advances of Rs.18,345,360 by the fund for various programmes, action had not been taken to recover same even by the end of the year under review.
- IV. While the following advances given to the Uva Provincial Council in the previous years had not been settled even as at the end of the year under review, advances amounting to Rs.3,000,000 had also been given for the minor irrigation reconstruction special project in the year under review.

Short Term Loans -----	Loan Balance as at 31 December 2011 ----- Rs.	Year Granted -----
Deputy Commissioner of Agrarian Services (Uva)	1,679,901	1994
To Uva Provincial Council (For the purchase of Maize)	1,916,623	2003
Total	----- 3,596,524 =====	

- V. Loan balances of Rs.7,923,175 and Rs.44,255,850 in the Agricultural Trust Fund and the Revolving Fund respectively remained for more than 5 years and a loan balance of Rs.117,633,768 remained unsettled during the periods ranging from 06 to 11 years had included in the short term loan balances of Rs.169,812,793 given by the fund.
- VI. The unrecoverable loan balances of 10 motor cycles amounted to Rs.273,414 and action had not been taken to recover such balances from guarantees according to loan agreements or to get back those motor cycles to the Fund.

VII. Even though the motor cycles issued to 5 officers had been taken to the custody of the Fund, action had not been taken to recover the loan balance of Rs.304,856 by auctioning those motor cycles.

1.2.4 Lack of evidence for audit

The following matters were observed.

- (i) A balance of savings account amounting to Rs.7,241,656 had been shown in the balance sheet under current assets since number of years. But no evidence was made available for audit to confirm that balance.

- (ii) An unidentified liability of Rs.697,644 had been shown in the financial statements since number of years as farmers deposits under non-current Liabilities.

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

The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations etc.

Public Finance Circular No. PF/423 of 22
December 2006

Non-compliance

The Budget of the Fund should be prepared before 15th September of the previous year and get the approval of the relevant Minister and it should be submitted to the Director General of Public Finance and the Director General of National Budget before 30th of September. But it had not been done so.

2. Financial Review

2.1 Financial Results

According to the financial statements presented the operation of the Fund for the year ended 31 December 2011 had resulted in a surplus of Rs.167,551,648 as compared with the surplus of Rs.89,739,136 for the preceding year. Accordingly, a net improvement of Rs.77,812,512 was observed as compared with the preceding year. Increase in "Govisetha" lottery income and investment income by Rs.13,659,260 and Rs.14,754,557 respectively and decrease in development expenditure by Rs.49,401,145 had been the reasons for this improvement.

3. Operating Review

3.1 Performance

The following matters were observed.

- (a) Although a sum of Rs.237.03 million had been estimated in the year under review for the implementation of various development programmes through Departments, Provincial councils and various institutions, only a sum of Rs.118.74 million had been utilized.
- (b) Out of a sum of Rs.118.74 million utilized for the development programmes during the year under review, a sum of Rs.87.63 million had remained as advances and only Rs.30.43 million had been stated as development expenses.
- (c) Two projects valued at Rs.93.87 million had not been implemented during the year under review.
- (d) Although a sum of Rs.19,850,000 had been given to the Commissioner of Agrarian Services on 16 August 2011 by the Fund to accelerate the completion of reconstruction of minor irrigations under the Minor Irrigation Rehabilitation Programme in the year under review, it had not been done even by the end of the year under review.

3.2 Management Inefficiencies

The following matters were observed.

- (a) A sum of Rs.1,988,707 had been given to the North Central Provincial Council for the establishment of 5 pineapple villages project as organic cultivation during the year under review and a sum of Rs.312,622 had been spent out of it for the supply of plastic buckets, mamotees, forks, shovels and wheelbarrows to farmers. However, there was no evidence to verify whether they have been distributed.
- (b) Even though a sum of Rs.138,600 had been given to the Uva Provincial Council for the Manufacture of Bee Boxes Programme had been shown as development expenses, the related bills and progress reports had not been presented.
- (c) A sum of Rs.300,000 had been given to the Hector Kobbekaduwa Agrarian Research and Training Institute on 26 August 2011 for the implementation of the Farmer Leaders Strengthening Training Programme in the Matara District. An attendance register of the farmer leaders who had participated in the programme and the expenditure report were not made available and it had been brought to account as development expenditure of the year under review.
- (d) A loan of Rs.17,800,000 had been granted to the Agrarian Development Department at an interest rate of 2% from the Farmers Trust Fund for a special Maize Project in the Anuradhapura District in the year 2011. Following observations are made in this regard.
 - I. The repayment period had not been indicated in the agreement entered into on this short term loan by the fund.
 - II. According to the plan presented by the Agrarian Development Department, this programme would be commenced in March in the Yala season and should be completed by August by settling the loan too.

Nevertheless loans had been released in June 2011 by the time of completing cultivation activities by farmers.

- III. Out of this loan of Rs.17,800,000 a sum of Rs.500,000 had been given to the Andiyagala and Palagala Agrarian Centres but that money had been returned stating that Maize and Soya harvest for the yala season had been already picked and as such, that money was no more required. Accordingly it was observed that the project had not been approved at a proper time and relevant provision had not been made.

4. Accountability and Good Governance

4.1 Action Plan

An annual action plan for the operation of the Fund had not been prepared.

4.2 Tabling Annual Reports in Parliament

In terms of Public Finance Circular No. PF/423 dated 22 December 2006 of the Deputy Secretary to the Treasury, the annual reports of the Fund should be tabled in Parliament, but it had not been so done.

5. Systems and Controls

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

- (a) Granting and Recovery of Loans
- (b) Implementation of Development Programmes
- (c) Utilization of Funds
- (d) Budgetary Control