

17 Agrarian Services Committees of Batticaloa District - 2022

1. Audit Opinion

1.1 The audit of the financial statements of 17 Agrarian Service Committees of Batticaloa District for the year ended 31 December 2022 comprising the statements of financial position as at 31 December 2022 and the statement of financial performance and cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies 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 read in conjunction with the provisions of the National Audit Act, No.19 of 2018 and section 58(1) Agrarian Development Act, No. 46 of 2000. My comments and observations which I consider should be report to Parliament appear in this report.

1.2 The audit reports had been issued relating to 17 Agrarian Service Committees in Batticaloa District for the year 2022, a qualified opinion had been expressed for all the 17 committees. Even that the material deficiencies that caused it are as follows.

1.3 Comments on the Financial Statements

1.3.1 Accounting Deficiencies

	Audit Observations -----	Comments of Management -----	Recommendations -----
(a)	Action had not been taken to make valuation and disclose the value of land, office buildings, fertilizer store, and sales center in the financial statements of the 17 Agrarian Service Commissions.	Action will be taken to take over the land and conduct the valuation of all non-financial assets.	Action should be taken to conduct the valuation for land and buildings and other assets.
(b)	03 computers, 04 grass cutters, 03 power sprayer, 04 seeds paddy plantation machines, 04 weeder machine, paddy shredder machine, 01 black gram Skin Remover, 01 dozer machine and photocopier had not been included in machineries in the financial statements of the Ayiththiyamalai Agrarian Service Committee.	Action will be taken to disclose value in future.	Action should be taken to conduct the value of property, plant and equipment.
(c)	Debtor balance of Rs.642,134 from two-wheel tractors sale had not been shown in financial statements of the Ayiththiyamalai Agrarian Service Committee.	Installment payment for two-wheel tractors will be recovered and sent to Commissioner and action will be taken to make entries in future.	The financial statement should be prepared accurately.

- (d) The value of 01 computer, 01 shredder machine, 11 grass cutters, 01 photocopier, 04 power sprayer, 03 chemical sprayer, 32 electrical sprayer, 02 computer display, 02 power generator, 01 compass, 01 WIFI router, 01 safety locker, 01 lock and 01 agrarian bank counter had not been shown in the financial statements of Vakarai Agrarian Service Committee. Action will be taken to include in the accounts. The financial statement should be prepared accurately.
- (e) The fixed deposit receivable interest income of Rs.637, 175 had not been shown in the financial statement. As a result profit and receivables for the year understated by that amount in Mandapathkadi Agrarian Service Committee. Action will be taken in disclose the in the future. The financial statement should be prepared accurately.
- (f) During the year under review, the Department of Agrarian Development provided 27 pieces of equipment belonging to 05 different types. However, the value of these equipment items was not shown in the financial statement for the same period Kokkaddichchulai Agrarian Service Committee. Action will be taken to determine the value and disclose it in the accounts in the future. The financial statement should be prepared accurately.
- (g) The greenhouse, metal tents, and constructions completed in at a cost of Rs.589,955 in the year 2016 in 02 Agrarian Service Committees. Action will be taken in disclose the in the future. The financial statement should be prepared accurately.
- (h) 66 assets with a total value of Rs.459,562 were affected by the civil war in 2008, and in relation to this, a police complaint was registered. However, no action had been taken to write off those assets in terms of Financial Regulations 103 and 104 and The action will be taken to write off. Action should be taken to write off in terms of Financial Regulations 103 and 104.

they had been included in the non-financial assets for a long period in Karadiyanaru Agrarian Service Committee.

- (i) Quality control laboratory equipment, with a total value of Rs.3,067,900, provided by the office of Assistant Commissioner of Agrarian Development Department to the Kirinchankerny Agrarian Service Committee had not been shown in the financial statements. Action will be taken to shown in future. The financial statement should be prepared accurately.
- (j) The values of 18,160 kg free organic fertilizer and 4,472 liquid fertilizers had not been included in the stock account of the Kallady Agrarian Service Committee. Action will be taken to include in future financial year. The financial statement should be prepared accurately.

1.3.2 Un-reconciled Control Accounts or Records

	Items	As per financial statements Amount	As per schedules Amount	Different	Comments of Management	Recommendations
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		(Rs.)	(Rs.)	(Rs.)		
(a)	Input sales Receivable	310,550	385,000	74,450	Action will be taken to correct in future financial year.	The action should be taken to correct the different.
(b)	Scholarship funds	75,367	264,691	189,324	Payable shown as current liabilities.	The action should be taken to correct the different.

1.3.3 Unauthorized Transactions

	Audit Observations	Comments of Management	Recommendations
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(a)	Without the proper approval by the Kaththankudi Agrarian Service	Action will be taken to use this fund in term of	Action should be taken to use this fund in term of

Committee, the collected financial lease rent and annually income had been shown in the financial statement. Accordingly, that income had been used to make expenditures of the Commission. Furthermore, a sum of Rs.1.5 million had been deposited in a fixed deposit account at the Bank of Ceylon on six occasions by the agrarian development officer. Interest on the fixed deposit from the date of deposit had been transferred to the current account and used for council expenditures.

Government ordinance.

land

Government Ordinance.

Land

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| (b) | The 0.6514-hectare government land, which was not handed over to the Palukamam Agrarian Service Committee in terms of provisions of the Land Ordinance, had been given to 02 individuals under a 30-year lease agreement by the Assistant Commissioner of the Agrarian Development Department, contrary to the Land Ordinance. | The land was given with the approval of Assistant Commissioner. | Action should be taken to use this fund in term of Government Land Ordinance. |
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1.3.4 Suspense Accounts

	Items	Comments of Management	Recommendations
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(a)	The council has not taken action to recover the outstanding amounts for the two-wheel tractors and equipment provided by the Japan Jen Project in the period from 2008 to 2010 of 08 Agrarian Service Committees and they have not been taken back to the Council.	Action will be taken to recover the amount back.	Action should be taken to recover the outstanding amount.
(b)	Solar water pumps were provided to the farmers for installment bases under the Sustainable Development Management Project in 2010 in the 03 Agrarian Service Committees. However, no action has been taken to recover the outstanding amounts from them.	Action will be taken to recover that amount.	Action should be taken to recover the outstanding amount.

- (d) In the year under review, no action had been taken to recover debtor balances of Rs.703,094 outstanding in the Vakarai Agrarian Service Committee. Action will be taken to recover that amount. Action should be taken to recover outstanding soon.
- (e) No action had been taken to recover debtor balances from credit sales of fertilizer and chemicals in 2018 and the year under review in the Mandoor Agrarian Service Committees. Action will be taken to recover that amount. Action should be taken to recover outstanding soon.

1.3.5 Documentary Evidences not made available for Audit

	Items	Amount	Audit Evidences were not furnished	Comments of Management	Recommendations
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		(Rs.)			
(a)	Property, plant and equipments	10,148,427	Fixed assets register and schedules.	The action will be taken to maintained fixed assets register.	Action should be taken to maintain fixed assets register.
(b)	Receivables	3,881,931	Debtor schedules, registers, letter of confirmations and analysis.	The action will be taken to prepare debtor schedules, registers, letter of confirmations and analysis.	Action should be taken to prepare and maintained debtor schedules, registers, letter of confirmations and analysis.
(c)	Current Liabilities	4,785,304	Relevant documents and creditor registers, primary ledgers.	The action will be taken to make correction in future.	Action should be taken to maintain Relevant documents, creditor registers.

1.4 Non-compliances with Laws, Rules, and Regulations

	Reference to Law, Rules, and Regulations	Non-compliance	Comments of Management	Recommendation
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(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
	Financial Regulation			

(i)	110	Stock and losses register had not been maintained by the 17 Agrarian Service Committees.	Action will be taken to maintain stock and losses registers in future.	The action should be taken to maintain Stock and losses registers.
(ii)	262(ii)	The "paid" stamp had not been placed on the payment vouchers and other supportive documents by the 03 Agrarian Service Committees.	Action will be taken to place "paid" stamp on payment vouchers and other supportive documents in future.	Action should be taken in terms of Financial Regulation.
(iii)	454(2)	The register for electrical equipment had not been maintained by the 09 Agrarian Service Committees.	Action will be taken to register in future	Action will be taken to register for electrical equipment.
(iv)	880	Security deposit had not been obtained from the officers who are doing financial transactions in 17 Agrarian Service Committees.	Action will be taken in term of the Agrarian Development Department circular.	Action should be taken in terms of Financial Regulation.

(b) **Agrarian
Development
Act, No. 46
of 2000**

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| (i) | Section 44
(1) | The accounts of each Farmer Organization should be audited by a representative of the Agrarian Development Department. However, the accounts of the Farmer Organizations of the 17 Agrarian Service Committees had not been audited. | Action will be taken to audit the Farmer Organization's account. | According to the legal provision, action should be taken to audit the Farmer Organization's account. |
| (ii) | Section 53
(1) | The paddy land register (PLR) had not been certified by the Agrarian Development Commissioner after a review period of once every three years in the 17 Agrarian Service Committees. | Action will be taken to certify the paddy land register (PLR) by the Agrarian Development Commissioner after a review period of once every three years in the future. | According to the legal provision, action should be taken to review and certify the paddy land register (PLR). |

2. Financial Review

- (a) During the year under review, the operational achievement of the 17 Agrarian Service Committees with surplus of Rs.8,768,326. Correspondingly, the surplus from the previous year was Rs.8,393,661. Accordingly, the financial performance increased by Rs.373,665. The main reason for this was an increase in the acre tax income, fertilizer sale income and interest income from fixed deposit of the committees.
- (b) According to the submitted financial statements, the operational achievement of the 17 agrarian developments banks, with surplus during the year under review was Rs.3,136,839. Correspondingly, the surplus of the previous year was Rs.3,309,447. As a result, the financial performance had been decreased by Rs.172,607. The main reason for this was decrease of loan interest by 07 percentages of the banks.

3. Operational Review
3.1 Financial Management

Audit Observations	Comments of Management	Recommendations
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(a) A sum of Rs.2 million was transferred to the fertilizer account of Vakarai Agrarian Service Committee. However, that amount had not been returned to the Agrarian Development Council's account even after completion of the fertilizer purchasing process.	During the distribution time, action will be taken in proper manner.	Action should be taken to return back that amount to the ADC account.
(b) In the year 2019, a cheque valued at Rs.1.3 million was brought to the Commissioner General of the Agrarian Development Department for the balance fertilizer sale of the 2016/2017 Maha season. However, action had not been taken up to the date of the audit to realize that cheque.	Proper action will be taken.	Action should be taken to make correction.
(c) During the year under review, no action had been taken by the Kokkaddichchulai Agrarian Service Committee to settle or write off the 17 creditor balances of Rs.1,702,001 shown in the account for longer periods of time.	Action will be taken to write off in future.	Proper action should be taken to settle the creditor balances.
(d) The balance subsidiary urea fertilizer occurred after the 2021/2022 Maha season had been sold at Rs. 2,244,021 to the farmers of cone cultivation. However, no action had been taken to send these amounts to the fertilizer secretariats.	Due to instructions not being received from the Commissioner, the amounts were not sent to the fertilizer secretariats.	The payable should be settled timely.

3.2 Unidentified Losses

Audit Observations -----	Comments of Management -----	Recommendations -----
(a) The chemicals had been purchased at a cost of Rs.475,715 in 02 Agrarian Service Committees and they had been expired. However, no action had been taken to destroy or dispose of them.	The request for approval was sent to the District Commissioner to destroy it.	Action should be taken in accordance with Financial Regulations from 102 to 109.
(b) Due to the abnormal situation in 2009, assets valued at Rs.2,086,912 belonging to the Thanthamalai Agrarian Service Committee were lost and a police complaint had been registered regarding this. However, no further action has been taken to settle this, even though 14 years have passed.	Action will be taken to correct this.	Action should be taken in accordance with Financial Regulations from 102 to 110.
(c) In 2007, the report was made that assets valued at Rs.446,151 were destroyed in the Karadiyanaru Agrarian Service Committee. However, it had not been written off by the end of the year under review.	Action will be taken to write off it.	Action should be taken to write off it.

3.3 Management Inefficiencies

Audit Observations -----	Comments of Management -----	Recommendations -----
(a) The action had not been taken by the Vakarai and Palukamam Agrarian Service Committees to obtain ownership of the land where the council is located as of the date of the audit on May 11, 2023.	Action will be taken.	Proper action should be taken to obtain ownership of the land.
(b) According to Section 53(1) of the Agrarian Development Act No. 46 of 2000, in the Palukamam Agrarian	Ownership documents for lands provided by the divisional secretariat had not	Action should be taken in accordance with the Act

Service Committee only 2,972 acres of paddy lands belonging to 6,925 farmers were registered in the Paddy Land Register during the review conducted in 2020.

been obtained. Due to this, lands without ownership documents were not registered.

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| (c) | A total of 24,404 acres of paddy lands are available in 13 Grama Niladari (GN) divisions of the Kiran Agrarian Service Committee. Out of this, only 8,516 acres of land have been registered in the Paddy Land Register, and no action has been taken to register the remaining paddy lands. | Once the ownership documents are provided, action will be taken to register the remaining paddy lands. | Proper action should be taken to register the paddy lands. |
| (d) | According to section 224(1) of the regulations of the Land Ordinance, the approval of the Land Commissioner should be obtained by the District/Divisional Secretary before providing Government land to any Government Departments. However, Councils have been functioning since 1975, the legal right of land ownership of 17 Agrarian Service Committees has not been provided by the Department of Agrarian Development from 40 years. | The letter signed by the Commissioner General had been sent to the Divisional Secretariat. | Action should be taken to obtain legal right of land ownership. |
| (e) | According to Section 53(1) of the Agrarian Development Act No. 46 of 2000, 3,040 acres of paddy lands belonging to 10,689 farmers of Thanthamalai Agrarian Service Committee had not been registered in the Paddy Land Register during the review conducted in 2020 due to document issues. | Action will be taken to register the paddy lands. | Proper action should be taken to register the paddy lands of the farmers. |

3.4 Operational Inefficiencies

Audit Observations -----	Comments of Management -----	Recommendations -----
(a) In the 2022 Yala season, urea fertilizers for total of 2,623.1 hectare were requested for both less than and more than 50 days' paddy crops in the Ayiththiyamalai Agrarian Service	In the Batticaloa District, paddy cultivation starts earlier than in other districts, and due to delays in receiving fertilizer, it was provided	Action should be taken to provide fertilizer on time to the farmers.

- Commission. Accordingly, a total of 142.55 Metric Tons of urea, costing Rs.3,463,965, were received with a delay of 30 days. Due to this delay, the fertilizer could not be provided to the farmers on time.
- delay to the farmers.
- (b) According to the registrations from the last 5 years of Vakara Agrarian Service Committee, a total of 23,610 acres were registered in the Paddy Lands Register. However, paddy cultivation and fertilizer were issued for only 17,454.25 acres. As a result, 6,155.75 acres of paddy lands were not used for paddy cultivation, but the register for non-cultivated paddy lands had not been maintained by the council.
- Instructions were given to take necessary action in future.
- Proper action should be taken to maintained data.
- (c) It was reported that in the 2021/2022 Maha season, 1,451 liters of bio liquid fertilizers were provided in the Kokkadichcholai Agrarian Service Committee to the farmers, and in the 2022 Yala season, 182 liters of bio liquid fertilizers were provided. However, the fertilizers had not been used, and no action had been taken by the Agrarian Development officer.
- Compare with other district, in the Batticaloa District, paddy cultivation starts earlier than in other districts, and due to delays in receiving fertilizer, it was provided delay to the farmers.
- Action should be taken to distribute the subsidy fertilizer relevant season of cultivation to the farmers.
- (d) In the 2022/2023 Maha season, the sale amount had not been sent to the relevant department in a timely manner in the Eravur Agrarian Service Committee. As a result, Rs.22,961,560 is shown as a liability for the year under review.
- Instructions were given to take necessary action in future.
- Action should be taken to send the sale money for fertilizer without delay.
- (e) No action has been taken by the Kiran Agrarian Service Committee to recover the outstanding balance of Rs.3,363,924 from the agriculture chemical loan, urea loan, and bio liquid fertilizer loan provided to 96 farmers under the condition that the loans should be settled soon after harvesting. Additionally, the credit ledger for those loans has not been maintained by the council.
- Credit ledger for those loans had been maintained and action will be taken to recover the loan in future.
- Action should be taken to recover the loan.

3.5 Transactions of Contentious Nature

Audit Observations	Comments of Management	Recommendation
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According to section 224(7) of the regulation of the Land Ordinance, government land provided to Government Departments for any purposes should not be used for purposes other than the intended purposes without the approval of the Land Commissioner. However, in the Kaththankudy Agrarian Service Committee the lands were leased to four (04) individuals use for commercial purposes other than agriculture from 2002 through action had not taken by the Agrarian Development Officer.	This type of mistake will not occur in the future	Action should be taken in accordance with Land Ordinance.

3.6 Under -utilization of Funds

Audit Observations	Comments of Management	Recommendation
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For a long period of time, no scholarships were provided from the invested amount in fixed deposit, which was received from member representatives of the farmer organization for providing scholarships to students of poor farmers, along with its interest by the 4 Agrarian Service Committees. As a result, a sum of Rs.2,014,948 was not used as intended purposes.	Action will be taken to utilize the fund	Action should be taken to utilize the fund

3.7 Idle or underutilized Property, Plant and Equipment

Audit Observations	Comments of Management	Recommendations
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(a) The Shaper Machines was provided by the honorable Governor of the Eastern Province for the production of organic fertilizer to the 4 Agrarian Service Committees. However, no action was taken to use them for its intended purpose or provide it to the farmers. As a result, it has remained idle without being used for its intended purpose.	Action will be taken to return to honorable Governor.	The assets should be used for intended purpose.

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| (b) | In 2017, the greenhouses were constructed at a cost of Rs.1,498,000 from the allocation of the Agrarian Development Department given to 5 Agrarian Service Committees. However, it remained idle without any production process initiated. Additionally, the council failed to utilize this allocation for production improvement activities. | The expected revenue and objective had not been achieved from this project. | Action should be taken to use the greenhouses for production improvements. |
| (c) | A sum of Rs.2,895,000 worth of fertilizers was purchased during the year under review by the Mandapaththadi Agrarian Service Committee. However, a sum of Rs.2,875,700 worth of fertilizers remained at the store, representing 99 percentage of the total purchasing. | The center was not aware about the repurchasing. | Proper action should be taken to sell them. |
| (d) | The dozer owned by the Mandapaththadi Agrarian Service Committee has been under repair since 2013, and no income has been earned since then. Further, from 2013 to 2018, depreciation of Rs.6,000,000 was made. Due to this, the accumulated fund of the council has been understated by that amount. | The machine was not in a repairable condition, and a letter pursuing approval had been sent to the Commissioner General to transfer it to the Livestock Development Authority. | Action should be taken to correct this. |

3.8 Procurement Management

Audit Observations	Comments of Management	Recommendations
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(a) According to the section 4.2.1 (a) and (b), the master procurement plan had not been prepared by the 8 Agrarian Service Committees.	Action will be taken to prepare procurement plan in future.	Action should be taken to prepare master procurement plan.
(b) According to the provisions of the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka, bids were called for direct purchasing by the Valaichchenai Agrarian Service Committee for paddy packing bags valued at Rs.3,301,700, fruit plants valued at Rs.448,400, and fertilizer costing Rs.735,000.	Action will be taken to follow the Procurement Guidelines in future.	Action should be taken to follow the Procurement Guidelines
(c) The seeds paddy valued at Rs.1,515,450, urea valued at Rs.1,930,000, and agricultural inputs valued at Rs.3,330,750 were purchased without	Action will be taken to follow the Procurement Guidelines in future.	Action should be taken to follow the Procurement Guidelines.

following the Procurement Guidelines by the Kokkaddichchola Agrarian Service Committee.

3.9 Defects in Contract Administration

Audit Observations -----	Comments of Management -----	Recommendations -----
15 tank level transmitters were provided by the District office of the Agrarian Development Department to install tanks in the administrative area of the Kaluvanchikkudy Agrarian Service Committee. Out of these, 04 tank level transmitters had not been installed. As a result, there are possibilities; the measurement for those tanks shall not be reported during disaster periods.	Action will be taken to install it in the received order, and reports will be provided.	Action should be taken to install it.

3.10 Human Resources Management

Audit Observations -----	Comments of Management -----	Recommendations -----
As of December 31, 2022, the approved cadre for the councils had not been furnished to the audit by the 17 Agrarian Service Committees. Due to this, the confirmation regarding the efficient utilization of human resources was not made during the audit.	Approved cadre made available at District Office and it will furnish to the audit in future.	Action should be taken to furnish the cadre information to the audit.

04. Accountability and Good Governance

4.1 Budgetary Control

Audit Observations -----	Comments of Management -----	Recommendations -----
Budget information, actual amount comparison, and disclosing under notes had not been shown in the financial statements in Araiampathi Agrarian Service Committee.	Action will be taken to include the disclosures, which were under notes, in future financial statements.	Action should be taken to in accordance with the guidelines for preparation of financial statements.

4.2 Sustainable Development Goals

Audit Observations	Comments of Management	Recommendations
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According to the circular No. A.S.General/2018/61 dated 23 April 2018; the action plan for the achievement of sustainable development goals had not been developed by agrarian development by 17 Agrarian Service Committees.	Action will be taken to develop the action plan in future financial year.	Action should be taken in accordance with the circular.

05. Agrarian Bank

Audit Observations	Comments of Management	Recommendations
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(a) According to section 3.4.6 of the Agrarian Development Department Circular No. 4/2012 (F.B) dated 29 February 2012, and No. 08/2019, during the period from 2010 to 2020 for both Maha and Yala seasons; loans were provided to 46 farmers in Kokkadichchulai Agrarian Service Committee with a balance of Rs.2,367,200. However, by the end of the year under review, it had not been recovered.	Action will be taken to recover on time.	Action should be taken to recovery of the loan and its interest in accordance with the Circular.
(b) According to section 3.2 (viii) of Farmer's Bank Circular No. 04/2012, 10 percent of the loan provided to the farmers should be retained in the group serving account. However, loans amounting to Rs.1,080,000 (each Rs.30,000) were provided by the Vantharumoolai Agrarian Service Committee to 36 farmers in the Yala season, and Rs.3,750,000 was provided to 125 farmers in the Maha season without meeting the requirement of retaining the 10 percent serving amount.	Action will be taken to follow this guideline in future loan distributions.	Action should be taken to provide loan in accordance with the Circular.
(c) According to section 3.4.6 of Agrarian Development Department Circular No. 4/2012 (F.B) dated 29 February 2012, for the period from the 2019/2020 Maha season to the 2021/2022 Yala seasons, loans were provided by the Vantharumoolai Agrarian	It was submitted to mediation board and legal action will be taken in future.	Action should be taken to recovery of the loan and its interest in accordance with the Circular No. 4/2012.

Service Committee to 17 farmers with a balance of Rs.429,500, and their interest had not been recovered. Additionally, legal action had not been taken against these farmers.

06. System and Controls

Audit Observations	Comments of Management	Recommendations
----- According to Public Administration Circular No. 09/2009, all government officers should confirm their arrival and departure using the fingerprint machine. However, although fingerprint machines were installed in each center at a cost of Rs.16,500, the arrival and departure of the Council's staff had not been confirmed through the fingerprint machine.	----- Action will be taken to confirm the arrival and departure of the officers through the fingerprint machine.	----- Action should be taken to confirm the arrival and departure through the fingerprint machine in accordance with the Public Administration Circular.