

## 20 Agrarian Services Committees in Kalutara District - 2022

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### 1. Audit Opinion

1.1 The audit of the financial statements of 20 Agrarian Services Committees in Kalutara District for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statements of financial performance, statements of changes in equity and statements of changes in net assets for the year then ended and the cash flow statement and notes to the financial statements for the year then ended 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 National Audit Act No.19 of 2018 and Section 58(1) of the 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 In relation to the year 2022, the audit reports in relation to 20 Agrarian service committees in Kalutara district had been issued and, from those reports, a disclaimer of the opinion for one committee and a qualified opinion for 19 committees had been expressed. The material deficiencies caused for that as follows.

### 1.3 Financial Statements

#### 1.3.1 Non-compliance with Accounting Policies including Sri Lanka Public Sector Accounting Standard

The following facts were observed.

Audit Observations	Comments of the Management	Recommendation
(a) As per the sections No.99 to 139 of Sri Lanka Public Sector Accounting Standard No.01, the statement of financial performance and the statement of changes in net assets and accounting notes had not been prepared.	It has been prepared as per the instructions given by the department. It will be correctly present in the future.	It should be prepared in accordance with Sri Lanka Public Sector Accounting Standard No.01 and submitted.
(b) That the financial statements are presented in accordance with "Public Sector Accounting Standards" and all accounting policies used in preparing the financial statements had not been mentioned in the relevant financial statements relating to the 19 Committees.	It will be act according to the standard in future.	That the financial statements have been prepared in accordance with Public Sector Accounting Standards and the accounting policies should be clearly stated.

### 1.3.2 Accounting Deficiencies

The following facts were observed.

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The total salary expenses of 20 committees in the year 2022 amounting to Rs.418,550,583 had not been recorded as government grants to income and the same amount as salary expenses in the financial statements and, accrued expenses amounting to Rs.678,853 had not been accounted for as expenses in the year 2022.	The salary expense and accrued expense will be adjusted after taking instructions.	Financial statements should be prepared including total recurrent income and expenditure for the year and accrued expenditure as well.
(b) The total of Rs.122,738 of fictitious liabilities of 18 Committees which cannot be found the information from the files maintained by the Committees and the total of Rs.2,891,826 fictitious assets which cannot be found information from the files of 17 Committees had been recorded as assets and liabilities in the financial statements and the financial statements had been prepared.	Accept. These fictitious assets and fictitious liabilities will be removed from the financial statements.	Action should be taken to remove these fictitious assets and fictitious liabilities from the accounts.
(c) While accounting the acreage tax income of the year 2022, 08 committees had under-accounted the total of Rs.115,779 income, and another 09 committees had over-accounted the same total income of Rs.177,798.	It will be checked and corrected in the year 2022.	Acreage tax income should be properly accounted.
(d) When recording the stock in the statement of financial position as of 31 December 2022, total of Rs.251,686 of outdated seeds, plants and fertilizers in relation to 12 committees had been recorded as usable active stock.	Approval has been sought to remove these outdated stocks.	Outdated stock should be removed and only used stock should be recorded as the stock.
(e) A total of Rs.16,896,605 had been incurred for the restoration project of "Remuna" lake under the Madurawala	Net value has been recorded in the statement of financial position.	Income and expenses cannot be offset against each

Committee and a total income of Rs.17,660,256 had been collected. This income and expenditure had not been recorded in the statement of financial performance and the balance amounting to Rs.763,651 net value had been erroneously accounted as current assets in the statement of financial position.

other and should be recorded separately in the income statement.

### 1.3.3 Un-reconciled Credit Control Accounts or Records

Audit Observation	Comments of the Management	Recommendation
There were discrepancies in the balances amounting to Rs.676,712 between the financial statements and the corresponding reports relating to 22 accounting subjects of 13 committees.	It will be corrected in the 2023 accounts.	Actions should be taken to rectify the accounts.

### 1.3.4 Unauthorized Transactions

Description of Unauthorized Transaction	Comments of the Management	Recommendation
In accounting journal entries for all 20 Agrarian Service Committees and Agrarian Banks in the year 2022, journal entries had been accounted without preparing journal vouchers and also without obtaining the approval.	Journal vouchers will be prepared and accounted after obtaining the approval in the year 2023.	Journal vouchers should be prepared with supporting evidence and it should be accounted in the Journal after taking approval.

### 1.3.5 Documentary Evidences not made available for the Audit

Audit Observations	Comments of the Management	Recommendation
Due to non-availability of written evidence such as shares, deposit and cheque registers, bank reconciliation reports, small group deposit registers, fixed asset registers, credit balance registers and balance confirmation certificates related to the total value of Rs.28,276,248 of 17 Agrarian Service Committees, those accounting subjects	The relevant schedules and written supporting evidence will be presented with the financial statements of the year 2023.	Relevant written evidence should be submitted along with the financial statements of the year 2023 as per the answer.

could not be satisfactorily examined during the audit.

**1.4 Non-compliance with Laws, Rules, Regulations and Management decisions etc.**

The following facts were observed.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>	
(a)	Agrarian Development Act No.46 of 2000	(i) Section 21 Although applications had been received annually for the revision of the list of land sizes used by Paddy field owners and the tenant farmer of the 20 Agrarian Service Committees according to this section, there were 135 applications that were not updated from the year 2011 to the year 2022.	Accept.	It should be act as per the provisions of the Agrarian Development Act.
		(ii) Section 56 All the acreage taxes that should have been legally collected by 20 Agrarian Service Committees had not been collected.	Accept.	It should be act as per the provisions of the Agrarian Development Act.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka	(i) Financial Regulations 133 and 134 The transactions of the committees were not subjected to internal audit and copies of those reports had not been submitted to the Auditor General.	Accept.	Financial Regulations should be followed.

(ii)	Financial Regulations 756	Action had been taken to remove the damaged goods identified in the annual board of survey.	Accept.	Financial Regulations should be followed.
(iii)	Financial Regulations 880	The officers who were supposed to place security had not taken actions to place security.	Accept.	Financial Regulations should be followed.

## **2. Financial Review**

### **2.1 Financial Results**

- (a) The total value of the operating results of the year under review of 10 committees was a profit of Rs.3,786,075 and correspondingly, the total value of the last year's profits of those 10 committees was Rs.858,992. Accordingly, a growth of Rs.2,927,083 was observed in the financial results of those 10 committees. These growths were mainly due to increase in acreage tax income, increase in fixed deposit interest income and increase in outlet income.

Also, although the total value of the operating result of the year under review of 04 Committees was a profit of Rs.439,808, inconsistently, the total value of losses of those 04 Committees in last year was Rs.508,304. Accordingly, a growth of Rs.948,112 was observed in the financial results of those 04 committees. These growths were mainly due to the increase in acreage tax income, increase in fertilizer income, decrease in repair costs and increase in toll income.

- (b) The total value of the operating results of the year under review of 03 Committees showed a loss of Rs.1,765,550 and inconsistently, the total value of the previous year's profits of those 03 Committees was Rs.3,719,173. Accordingly, a deterioration of Rs.5,484,723 was observed in the financial results of those 03 committees. This decline was mainly due to the decrease in soil sales income, increase in tractor repair costs and increase in stationery costs.

Also, the total value of the operating results of the 03 Committees in the year under review was a loss of Rs.267,221 and correspondingly, the total value of the last year's losses of the 03 Committees was Rs.331,706. Accordingly, a growth of Rs.64,485 was observed in the financial results of those 03 committees. This growth was mainly due to increases in acreage tax income, increases in sales income and increases in fertilizer income.

- (c) The total value of the operational results of the 20 Agrarian banks in the year under review was a profit of Rs.3,191,040 and correspondingly, the total value of the profits of those 20 banks in the previous year was Rs.2,541,108. Accordingly, a growth of Rs.649,932 was observed in the financial results of those 20 Agrarian banks. This growth was mainly due to actively lending to farmers and reducing the expenses of bank.

**3. Operational Review**  
**3.1 Management Inefficiencies**

The following facts were observed.

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Although a program should be prepared to get the support of the agriculture advisor, Grama Niladhari and a development officer named by divisional secretary in addition to the department officers in recommending that the farmer is eligible to receive fertilizer in the distribution of urea fertilizer in the 2022 Yala season, such a program had not been prepared for all the 20 committees.	Accept the observation.	Instructions should be followed.
(b) The Audit fee of total value of Rs.186,240 of 12 Agrarian Service Committees had not been paid according to the Act until October 2023.	Payment will be done in future.	Audit fees should be paid within the stipulated time.
(c) The 168 complaints from the 726 farmer complaints received in the period from 2020 to 2022 related to 12 committees had not been resolved.	Actions are taking to provide solutions.	The committee had not provided prompt solutions to farmers' complaints.
(d) Action had not been taken to take over the ownership of the lands kept by 11 committees by the divisional secretariats.	Actions are taking to land acquisition.	Actions should be taken to take over according to the answers.

**3.2 Contentious Transactions**  
**Audit Observations**

It was observed that there are 04 pits that have not been completely covered as prescribed after the completion of mineral resources mining activities in the area of authority of Nagoda committee. According to the permit given for the mining of mineral resources, although the pits should be restored, the committee had not taken any legal action for not acting accordingly.

**Comments of the Management**

Excavated persons have been informed about this situation.

Actions should be taken to restore the relevant land as per the agreement.

### 3.3 Underutilization of Funds

The following facts were observed.

<b>Audit observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The security deposit totaling to Rs.1,605,166 received by the Millaniya Agrarian Service Committee for various tasks had been deposited in a current account of a state bank. Although it was pointed out by the Auditor General's report of the previous year, this long-term security deposit remained underutilized without being used in effective investment by the end of the year under review 2022.	Action will be taken to invest in the year 2023.	It is advisable to get formal approval and invest money in a fixed deposit.
(b) The remaining total of Rs.209,380 received for the development activities of the Ingriya Committee in the years 2015/2016 was remained in the current account of the Committee and underutilized without being used for effective purposes.	Answer has not been given.	This amount which is in a current account should be invested.
(c) A total security deposits of Rs.900,000 including Rs.600,000 taken as a refundable guarantee during the granting of permission to sanding in fields in relation to the Matugama Committee and Rs.300,000 pledged for a field that was referred to a legal action were underutilized in a bank current account without engaging in an effective investment until the money is released.	Accept.	This money existed in a current account should be invested.

### 3.4 Idle or underutilized Property, Plant and Equipment

The following facts were observed.

<b>Audit observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Although 02 hand-tractors received from the Western Province Agriculture Department for 02 Committees in the year 2006 were in the working condition by the audited year 2023, it remained underutilized without being used for effective work.	Agree. It will be used in the future.	It should be used for effective work.
(b) The 02 safes with useable condition given by the Department of Agrarian Development to 02 Committees remained idle for about 10 years due to inability to open them.	Instructions have been requested to open.	Instructions should be obtained to open and used.
(c) The Department of Agrarian Development had built 02 canteens named Hela Bojun Hala in Panadura and Kananwila committee premises at a total cost of Rs.3,292,260. These buildings remained as the idle assets without being used for any productive purpose from the year 2022 by October 2023.	Agree.	These canteens should be used for productive purposes.
(d) The water tanks built for the cultivation of fresh water fish in the Pamunugama committee premises remained idle without being used for any effective purpose.	Accept.	These water tanks should be used for effective purpose.

### 3.7 Human Resource Management

The following facts were observed.

<b>Audit observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Due to Securities employ only for the night shift of 20 Committees, the Committee's resources were at an unsafe condition due to the absence of Securities between the time they started the work and the time they finished the work in the morning.	Although there should be two Securities, the staff has not been provided.	Action should be taken for secure of resources between 06 am and 06 pm.
(b) There were 458 A.R.P.A domains related to 20 Committees and due to number of officers assigned to the respective domains being 363, the acting post had arisen in 95 domains.	Acting posts have to be having due to lack of employees.	Actions should be taken to properly perform the service of the farmers in domains.

## 4. Accountability and Good Governance

### 4.1 Annual Action Plan

<b>Audit observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Although the action plans had been prepared for the committees, the plans had not been prepared so that the physical and financial progress as at 31 December 2022 could be compared with the targets. And none of the prepared plans had not been prepared, checked and approved.	Action will be taken to rectify in the year 2023.	The plan for the year 2023 should be prepared in the year 2022 and taken the written approval.

## 5. Agrarian Banks

The following observations are made.

- (a) The sum of Rs.7,714,341 given to 248 farmers by 13 Agrarian banks had been referred to the tribunals due to non-payment of loans and interest. Because of a total amount of Rs.558,425 could only be recovered as of 31 December 2022, it was impossible to recover Rs.7,155,916 on that date. Nevertheless, action had not been taken to file a case in the court to recover the outstanding loan balance for a long time.

- (b) The Kananwila Agrarian Bank Division had given a sum of Rs.854,900 to a farmer company on two occasions. According to the sub-ledger accounts, Rs.450,000 had been given on 20 October 2000 as , the first installment and the remaining amount of Rs.404,900 had also been given on 19 December 2000 even though the loan installments and interest have not been paid. Nevertheless, the said loan and interest amount had not been recovered until the audited month of October 2023.
- (c) Bank reconciliation statements had not been prepared for the year 2022 for 04 bank current accounts used in the year 2022 in 04 Agrarian banks.