

## 31 Agrarian Services Committees in Badulla District - 2022

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### 1. Audit Opinion

1.1 The audit of the financial statements of 31 Agrarian Services Committees in Badulla District for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance for the year then ended, cash flow statement 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 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 The material deficiencies that had been caused to the expressed qualified opinion on the financial statements of 31 Agrarian Service Committees in Badulla District are as follows.

### 1.3 Financial Statements

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

The following observations are made.

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The actions had not been taken by 25 Committees for revaluation and accounting of fixed assets in accordance with paragraph 42 of Sri Lanka Public Sector Accounting Standard 07.	That the corrections will be made in the preparation of financial statements in the future.	The fixed assets should be revalued according to Sri Lanka Public Sector Accounting Standards.
(b) Although the Agrarian Bank is a unit of the Agrarian Service Committee, the consolidated financial statements of 31 Agrarian Service Committee in Badulla District had not been prepared.	That the actions will be taken in future after taking instructions from the Head Office.	Action should be taken to prepare the consolidated financial statements.

### 1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The value of 18 buildings, 10 lands and 04 other assets owned by 13 committees had not been identified and accounted.	That the action will be taken to account the assets in the future.	The value of assets owned by committees should be recognized and accounted.
(b) The 331 account balances amounting to Rs.29,580,002 which were being brought forward as outstanding balances from 04 years to 34 years in 23 Committees were shown as debtors instead of being recovered or dealt with appropriately and therefore fictitious assets in that value had been stated in the statements of financial position.	That it will be checked and recovered from the relevant parties or if it is not possible, take an approval and write it off.	Appropriate action should be taken under formal approval in respect of the balances which unable to confirm that it should be recovered and recoverable balances should be identified and recovered.
(c) The 308 account balances amounting to Rs.29,803,433, which were being brought forward as payable balances from 02 years to 40 years in 21 committees were shown as creditors instead of receiving formal approval and dealing with them appropriately and therefore fictitious liabilities in that value had been stated in the statements of financial position.	That the action will be taken to pay for the relevant parties after identifying or if that is not possible, the balances will be written off after taking an approval.	Appropriate action should be taken under formal approval in respect of the balances which unable to confirm that it should be paid and payable balances should be identified and paid immediately.
(d) The 02 Committees had accounted for 02 physically non-existent tractors worth Rs.499,361 under fixed assets.	That it will be settled in the future.	Adjustments should be made to the financial statements as appropriate.
(e) The surplus for the year had been overstated in the financial statements by Rs.570,614 due to the facts that the depreciation of Rs.248,429 related to the year under review for office equipment worth Rs.1,118,781 purchased by the Rambukpotha Agrarian Service Committee during the year under review and related to the building improvements worth Rs.2,731,028 had not	That it will be corrected in the future.	Depreciation for fixed assets for the year should be accounted under expenses in the statement of financial performance.

been taken into account, and the depreciation of assets amounting to Rs.322,185 had not been shown under expenses in the financial performance statement by the Lunugala Agrarian Service Committee.

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| (f) | Even though the correct sum of the debit balances should be Rs.4,478,064 and the correct sum of the credit balances should be Rs.4,428,360 in the trail balance submitted by the Uvapanagama Agrarian Service Committee, the trail balance had been erroneously balanced by stating as Rs.4,424,461. And even though the sum of the debit balances was Rs.4,470,551 and the sum of the credit balances was Rs.4,470,058 in the trail balance of the Bambarapana Agrarian Services committee, it had been erroneously balanced by stating those values as Rs.4,470,561 and Rs.4,470,511 respectively. | That it will be corrected in the future.                            | Correct balances should be entered and balanced in the trail balance.  |
| (g) | Fixed assets worth Rs.345,807 purchased by 04 Committees during the year under review had not been accounted under fixed assets and had been accounted as revenue expenses.  | That it will be correctly accounted in future financial statements. | Financial statements should be prepared with correct classifications.  |
| (h) | Although the total asset balance in the statement of financial position of Uvapanagama Committee should be Rs.6,405,789, it had been erroneously added as Rs.3,213,790 and it was observed that the statement of financial position is not balanced by Rs.3,191,999.   | That it will be corrected in the future.                            | Actions should be taken to balance the financial statements correctly. |

### 1.3.3 Un-reconciled Control Accounts or Records

#### Audit Observations

#### Comments of the Management Recommendation

A difference of Rs.6,610,793 was observed when comparing the value according to the financial statements of 15 accounting subjects related to 08 Agrarian Service Committee with the value according to the corresponding reports.

That it will be corrected in the future.

Comparisons should be made and corrected.

### 1.3.4 Suspense Accounts

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The Suspense Accounts debit balance of Rs.910,382 of 07 Agrarian Service Committee brought forward from 10 years ago and the Suspense Accounts credit balance of Rs.1,241,623 of 04 Agrarian Service Committee brought forward from 10 years ago had not been settled.	That it will be corrected in the future.	The causes to occur the Suspense Accounts should be identified and corrected.

### 1.3.5 Documentary Evidences not made available for Audit

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The 173 asset balances totaling Rs.38,900,852 related to 22 Agrarian Service Committee and 101 liability balances totaling Rs.108,373,673 related to 16 Agrarian Service Committee could not be satisfactorily verified in audit due to non-submission of schedules, fixed asset registers, debtor and creditor schedules and balance confirmations.	That the necessary actions will be made in the future.	Necessary evidence should be submitted to substantiate all balances shown in the financial statements.

### 1.4 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Value Rs.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Agrarian Development Act No.46 of 2000				
Section 55 (1)		Although actions should be made to measure agricultural land within its area of authority, 22 Committees had not act accordingly.	That the land surveying is currently undertaking.	The provisions of the Agrarian Development Act should be followed.

- (b) Section 40 of the National Audit Act No.19 of 2018 and Sections 133 and 134 of the Financial Regulations
- Internal audit had not been done in 21 Committees.
- That the further action will be taken with instructions from the head office.
- The provisions of the Act and the Financial Regulations should be followed.
- (c) Financial Regulations of Democratic Socialist Republic of Sri Lanka
- (i) Financial Regulation 396 (d) 494,179
- Regarding 23 cheques issued by 08 committees and not presented to the bank for payment beyond 06 months, had not been dealt with according to the financial regulations regarding.
- That it will be deal with according to the financial regulations in future.
- Financial Regulations should be followed.
- (ii) Financial Regulation 571 774,353
- In relation to 09 balances that have been deposited in the Badulla Agrarian Services District Office and exceeded more than 02 years had not been dealt with according to the referred financial regulations.
- That the imprest will be received and settled in the future.
- Financial Regulations should be followed.
- (iii) Financial Regulations 880 and Circular No.8/2020 of the Commissioner General of Agrarian Development dated 25 June 2020
- The 199 officers who are in charge of goods and money of 18 Committees have not deposited bail.
- That it will be done as scheduled in the future.
- Financial Regulations should be followed.

(d) Circulars of the Commissioner General of Agrarian Development

(i) Paragraph 1 of 2,983,513  
Circular No.264  
dated 21 October  
1986

The room rents receivables in respect of the year under review and the previous years have not been recovered.

That it will be informed the relevant institutions and collected rent.

It should be preceded as per the provisions of the Circular and collected the room rent.

(ii) Circular  
No.04/2012 dated 29  
February 2012

Section 3.4.9

Although a list of the farmers who have given loans in every month should be sent to the Head Office with copies to the District Deputy / Assistant Commissioner before the 15<sup>th</sup> day of the next month and the copies should be displayed at the Agrarian Service Center, this had not been done.

That it will be dealt with properly in the future.

It should be preceded as per the provisions of Circulars.

(iii) Circular No.07/2014  
(Amendment  
No.107) dated 22  
August 2014

Although the maximum amount that can be retained daily as cash in hand is Rs.10,000, the 11 committees have exceeded that limit and retained cash in 486 occasions.

That it will be act correctly in the future.

It should be proceed as per the provisions of Circulars.

(iv)Circular No.107  
dated 16 October  
1981

Although financial statements related to a particular year should be submitted for audit before 31 March of the following year, 15 committees had submitted financial statements with a delay of 01 to 03 months.

That it will be done in future according to the circular.

Actions should be taken to submit the financial statements within prescribed period according to the provisions of Circular.

## 2. Financial Review

### 2.1 Financial Results

The total operating result of the year under review for 31 Agrarian Service Committee in Badulla District was a surplus of Rs.6,624,036 and correspondingly the surplus of the previous year was Rs.15,342,794. Accordingly, a decline of Rs.8,718,758 was observed in the financial result. This decline was mainly due to decrease in sales revenue, increase in water and electricity expenses and equipment repair expenses.

## 3. Operational Review

### 3.1 Management Inefficiencies

#### Audit Observations

#### Comments of the Recommendation Management

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| (a) | The 1,330 kg of solid organic fertilizer in one Agrarian Service Committee, 5,531 liters of liquid organic fertilizer in 07 Agrarian Service Committees, 959.5 liters of bio-liquid fertilizer in 01 Agrarian Service Committee, agricultural seeds, agrochemicals and other fertilizers worth Rs.454,579 in 03 Agrarian Service Committees also has been expired and appropriate action had not been taken in this regard. | Action will be taken regarding the fertilizer according to the decisions of the Fertilizer Committee, and it will be dealt with regarding other stocks in the future. | Actions should be taken to dispose or remove appropriately. |
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- (b) The 15 Committees had not taken steps to correctly identify the amounts of land belonging to those Committees and take over their legal rights. That requests have been made from the respective Divisional Secretariats. Actions should be made to take over the legal rights of the lands owned by the Agrarian Service Committee in the name of the Committee.
- (c) Eco Friendly Fertilizer Delivery Program for Paddy Cultivation in 2022 Yala and 2022/23 Maha Season
- The following points were observed during the inspection of fertilizer distribution under the 09 Agrarian Service Committee selected from 31 Agrarian Service Committee in Badulla district.
- (i) According to Section 5.5.1.4 of the guideline of Secretary to the Ministry of Agriculture on the Distribution of Organic Fertilizers for the 2022/23 Maha Season, even though the action should be taken to obtain analytical reports of eco-friendly fertilizer samples from the laboratories within seven working days, and to issue the certificate of conformity to the manufacturer within ten working days of receiving the samples from the manufacturer, it was observed the cases where 09 committees did not act accordingly. That, information will be obtained from the related institutions and answers will be given in the future. The provisions of the relevant Circular should be followed.
- (ii) According to Section 5.5.4.3.2 of the Guideline of Secretary to the Ministry of Agriculture on the Distribution of Organic Fertilizers for the 2022/23 Maha Season, although the District Steering Committee for Eco Friendly Fertilizers should send the samples of the fertilizers distributed from time to time to the National Fertilizer Secretariat to further confirm the quality of the fertilizers, 09 Agrarian Service Committees which were audited had not subjected any quality test after receiving the Eco-friendly fertilizers. That, information will be obtained from the related institutions and answers will be given in the future. The provisions of the relevant guidelines should be followed.



(iii) According to Section 5.5.4.3.6 of the Guideline of Secretary to the Ministry of Agriculture on the Distribution of Organic Fertilizers for the 2022/23 Maha Season, although the District Steering Committee should coordinate with the Department of Agriculture to organize programs to test soil nutrients at the level of range and publish the results, and accordingly prepare a program to advise farmers on the use of fertilizers, it had not been act accordingly regarding 09 committees.

That, information will be obtained from the related institutions and answers will be given in the future.

The provisions of the relevant guidelines should be followed.

(iv) According to Section 7.5.4 of the Guideline of Secretary to the Ministry of Agriculture on the Distribution of Fertilizers for the 2022 Yala Season, the department should refer fertilizers of all local producers for Bathala Goda, Paranthan and Bombuwala field tests and give recommendations on the effectiveness and efficiency of those fertilizers, recommendations had not been made in this regard related to 09 Committees.

That, information will be obtained from the related institutions and answers will be given in the future.

The provisions of the relevant guidelines should be followed.

(d) Urea fertilizer issuance program for paddy cultivation in 2022 Yala Season

The following points were observed during the inspection of the fertilizer distribution process under the 07 Agrarian Service Committee selected from 31 Agrarian Service Committee in Badulla district.

(i) Although the Agricultural Research and Production Assistant Officers in charge of domain should identify the farmers who planted paddy in their domain in the 2022 Yala season through a field visit and give the amount of land they cultivated, the age of the crop and the need for fertilizer to the Agrarian Service Center in writing, the list of farmers to whom organic fertilizers were issued or the details of the farmers mentioned in the paddy land register in the 2022 Yala

That the target for the Yala season has been correctly given by the centers and that the release of fertilizers has been recorded through the Google sheet data system and that field visits have not been done.

Farmers who are cultivating paddy should be identified through field visits and the requirement of fertilizer in the district should be determined accurately.

season had been entered in the Google sheet of the Agricultural Service Center by the 07 Committees without field visits.

- (ii) As per the amendment dated 14 July 2022 in paragraph 01 of Circular No.SMFI/03/D/01/06/2022 dated 07 July 2022 of the Secretary to the Ministry of Agriculture, although it has been recommended to release urea fertilizer in the form of 100 kg for a maximum of 02 hectares of land that the age of cultivation is not more than 50 days and 50 kg for a maximum of 02 hectares of land that the age of cultivation is more than 50 days for paddy cultivated paddy lands in Agrarian Service Centers of Badulla district belonging to the dry and intermediate zone, 277,845 kg of fertilizer had been over released in 03 Agrarian Service Committees that underwent sample audit for 5,558.7 hectares of paddy land that has exceeded 50 days considering it as paddy land that did not exceed 50 days.
- According to the Circular No.02/2022 dated 07 June 2022 of the Secretary to the Ministry of Agriculture, that cash was collected from farmers whose age of cultivation were less than 60 days, that all the cash had been collected and credited to the committee accounts when the revised circular was received, that the age of cultivations is less than 50 days when the distribution of fertilizers started on 07 June 2022 and as there was a delay in receiving fertilizer from the centers, the age of the cultivation exceeded 50 days by the time the farmer received the fertilizer.
- The provisions of the Circular should be followed.
- (iii) The farmers had not purchase the entire stock received from the centers due to the Regional Agrarian Development Officers did not charged cash related to the fertilizer requirement from the farmers and did not prepare the order accordingly. During the physical inspection and document inspection, it was observed that 48,635 kg of fertilizers were stored as remaining stock in relation to 03 Agrarian Service Committees.
- The actual requirement of fertilizer in each area of authority has been ordered and since the farmers are not able to purchase fertilizer at a price such as Rs.10,000, there may be a risk of facing a shortage of fertilizer if the entire requirement of fertilizer in the area of authority is not ordered, and that the entire requirement of fertilizer has been ordered and therefore the fertilizer has been remained save.
- Fertilizer ordering and distribution should be done according to a formal plan.

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| (e) | (i) The formal disciplinary inquiries had not been conducted regarding the charge sheets issued to two Management Assistants of Agrarian Service Center on 18 November 2018 and 21 April 2023 respectively by the Badulla Agrarian Services District Office.                          | That a disciplinary inquiry has been conducted against one officer and appeals have been filed by the other officer.   | Formal disciplinary inquiries should be conducted promptly and those matters should be completed. |
|     | (ii) Although between 03 and 06 years have passed since the disciplinary orders were issued by Badulla Agrarian Services District Office against two Agrarian Development Officers, Committee Clerk and a Center Management Assistant Officer, those orders had not been implemented. | That, in respect of one Agrarian Development Officer, advice has been sought from the head office for legal matters and the other Agrarian Development Officer has filed appeals with the Public Service Commission, that the amount due from the Committee Clerk is collected from retirement gratuity and pension and the appeals have been made by the Center Clerk to Public Service Commission. | Disciplinary orders should be implemented without delay.  |

### 3.2 Operational Inefficiencies

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(i) Rs.3,521,873 receivables for the materials/equipment issued to 74 Agricultural Research and Production Assistant Officers on sale and cash payment basis in 14 Committees during the year under review and in previous years had not been recovered.	That the relevant cash will be recovered in the future.	Actions should be made to recover the relevant cash immediately.
(ii) One committee had paid Rs.701,823 as of 21 March 2023 which was the audit date for the construction of the fertilizer warehouse which started work in the year 2021 for a contracted amount of Rs.4,196,740 and had stopped midway.	That the work could not be completed as the provision was not received.	Necessary arrangements to construct the building should be made as per the agreement.

### 3.3 Idle or Underutilized Property, Plant and Equipment

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The 13 fixed assets owned by 07 Committees remained unused and idle for a period between 03 and 15 years.	That it will be used in the future.	Actions should be taken to utilize the assets optimally.

### 3.4 Human Resource Management

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
There was a shortage of 223 employees in 10 posts related to the Agrarian Services District Office and Agrarian Service Committees.	That the head office has been informed about the shortage of employees.	Appropriate action should be taken for vacancies.

## 4. Agrarian Banks

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The amount totaling Rs.116,238,190 as Rs.77,290,093 out of agricultural loans issued by 27 Committees to 4,556 farmers, Rs.24,845,117 out of project loans issued by 24 Committees to 739 farmers, Rs.11,770,338 out of entrepreneurial loans issued by 17 Committees to 413 farmers and Rs.2,332,642 out of agricultural equipment and other loans issued by 11 Committees to 110 farmers from the year 2002 had not been recovered.	That recovery will be done through taking judicial action, referring to Agrarian Tribunal, conducting office inspections and sending notification letters.	Actions should be taken to proceed according to the relevant agreements and collect the loan amount.