

## 22 Agrarian Service Committees of Trincomalee District - 2022

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### 1. Audit Opinion

- 1.1 The audit of the financial statements of 22 Agrarian Service Committees of Trincomalee 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 and cash flow statement for the year then ended 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 provisions of the National Audit Act, No.19 of 2018 and section 58(1) Agrarian Development Act, No. 46 of 2000. The report containing my comments and observations that I feel should be tabled in Parliament.
- 1.2 Audit reports had been issued in relation to the 22 Agrarian Service Committees of Trincomalee district in relation to the year 2022 and a qualified opinion had been expressed for all 22 committees and the quantitative deficiencies that had caused it are shown below.

### 1.3 Comments on the Financial Statements

#### 1.3.1 Accounting Deficiencies

|     | <b>Committee/<br/>Committees</b>   | <b>Audit Observations</b>   | <b>Comments<br/>Management</b>   | <b>of<br/>Recommendations</b>                                   |
|-----|--|---|--|---|
| (a) | Killiveddi<br>Kinniya<br>Kurinchankerny<br>Seruvila<br>Thoppur<br>Eachchalampatru<br>Muthur<br>Kuchchaveli | According to the section 04 of agrarian development department circular no.107 date 16 October 1981, the depreciation for furniture and equipment should be 10 percentages of diminishing balance method. However, the committee had been made different methods and rates of depreciation. As a result the expenditure over income had been understated by Rs.393,210. | Action will be taken to ensure that the depreciation for furniture and equipment is correctly calculated in future financial statements. | Action should be taken as per circular provision.               |
| (b) | Nilaveli<br>Kinniya<br>Kurinchankerny<br>Seruvila  | The debit balance of Rs.1,159,150 resulted from the distribution of two-wheel tractors with concessionary pricing to the beneficiaries had not been disclosed by the financial statement.   | It will be disclosed in the financial statements in future.  | Action should be taken to disclose in the financial statements. |

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| (c) | Seruvila<br>Eachchalampatru<br>Nilaveli                         | The organic fertilizer, valued at a total of Rs.305,096, produced by the committees in 2020 and 2021, had been stored idle without being packed for sale.                                       | Action will be taken with the advice of commissioner.  | Action should be taken to properly pack and sell the organic fertilizers.  |
| (d) | Eachchalampatru   | The office building value of Rs.2,842,453 constructed in 2021 had not been capitalized.   | Action will be taken to include the value of building renovation under the non-current assets. | The value of the constructed building should be accounted under non-current assets.                                  |
| (e) | Kuchchaveli<br>Munnampodiveddai<br>Pulmoodai<br>Gomarankaduwela | The buildings and furniture owned by the agrarian committees had not been accounted for.  | Action will be taken in future.  | Action should be taken to account hose non-current assets.   |
| (f) | Kuchchaveli   | The organic fertilizer worth total of Rs.105,330 had not been shown in the financial statements.  | Action will be taken to determine the value and disclose it in the accounts in the future.     | Opening and closing stocks should be properly valued and disclosed in the accounts.                                  |
| (g) | Kuchchaveli<br>Pulmoodai  | Four cultivation machines received for agrarian development committees as donations from the CSIAP donor organization had not been assessed, and their value was not disclosed in the accounts. | Action will be taken to determine the value and disclose it in the accounts in the future.     | Action should be taken to determine the value for the machineries provided by CSIAP and disclose it in the accounts. |
| (h) | Kurinchkerny  | Sum of fertilizer purchasing Rs.22,041,100 had been shown in the financial statement as Rs.69,244,400.  | January and February 2023 balance of Rs.47,703,300 had been returned.                          | Fertilizer sales should be disclosed correctly.  |
| (i) | Kurinchkerny  | The 3,340 kg of urea fertilizer with a total value of Rs.668,000 provided by Van-Ela Agrarian Service Center had not been accounted in the financial  | Particular fertilizers were directly distributed to the farmers.                               | Action should be taken to include to the stock value.  |

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|     |   | statements of the year under review.  |  |  |
| (j) | Mullipothane<br>Eachchalampatru<br>Kiliveddi<br>Munnampodeveddai<br>Thampalakamam | The action had not been taken to account for the 5 Shutter Machines valued Rs.2,724,500 donated by the Department of Agrarian Development.  | The action will be taken to correct this error in financial statements.  | This assets should be taken in to statement of financial position as non-current assets. |
| (k) | Seruvila  | Chemical fertilizers worth Rs.707,157 which were purchased from Lankan Agriculture Chemical Fertilizer Sales Station had not been shown in the financial statements of the year under review. | Action will be taken to enter in to the stock register.  | The value of Chemical fertilizers should be shown in financial statements.               |
| (l) | Thampalakamam   | The cash sales of urea fertilizer totaling Rs.2,756,474,000 had been shown in the statement of cash flow as Rs.55,129,480.  | The answer was not given.  | The difference should be identified, and corrections should be made.                     |
| (m) | Thampalakamam   | The purchases of urea fertilizer totaling Rs.30,490,000 had been shown in the financial statements as Rs.3,031,000,000  | The answer was not given.  | The difference should be identified, and corrections should be made.                     |
| (n) | Uppuveli  | The 3 capital works worth Rs.1,565,365 were completed during the year under review. However, it had not been capitalized.   | Action will be taken to correct the error and include it in the proper manner.   | These assets should be included in non-financial assets.                                 |
| (o) | Gomarankaduwela   | The difference of Rs.924,000 in relation to 4,620 kg of fertilizer is observed between the stock verification report and the fertilizer stock book.   | The accounting documents will be systemized by the authorized officer, and action will be taken to correct the balances. | Action should be taken to find out the difference and correct it accordingly.            |

**1.3.2 Documentary Evidences not made available for Audit**

|     | <b>Committee/<br/>Committee</b>   | <b>Items</b> | <b>Amount<br/>Rs.</b> | <b>Audit<br/>Evidences<br/>were not<br/>furnished</b>                          | <b>Comments of<br/>Management</b>   | <b>Recommendations</b>   |
|-----|---|--------------|-----------------------|--|---|--|
| (a) | Killiveddi<br>Kinniya<br>Kuchchaveli<br>Mullipothana<br>Kurinchankerny<br>Muthur<br>Nilaveli<br>Sampoor<br>Seruvila<br>Thampalakamam<br>Thopur<br>Uppuveli<br>Eachchalampatru<br>Gomarankaduvela<br>Munnampodevedd<br>ai<br>Pulmoodai | Receivables  | 38,328,518            | Debtor<br>confirmation<br>letters,<br>conformation<br>of debtor's<br>register. | The action will<br>be taken after<br>approval from<br>Assistant<br>Commissioner | The action should<br>be taken to<br>maintained updated<br>registers.                                       |
| (b) | Killiveddi<br>Kinniya<br>Kuchchaveli<br>Mullipothana<br>Kurinchankerny<br>Muthur<br>Nilaveli<br>Sampoor<br>Seruvila<br>Thampalakamam<br>Thopur<br>Uppuveli<br>Eachchalampatru<br>Gomarankaduvela<br>Munnampodevedd<br>ai<br>Pulmoodai | Payables     | 56,047,084            | Creditor<br>confirmation to<br>letters, creditor<br>register                   | The action will<br>be taken after<br>approval from<br>Assistant<br>Commissioner | The action should<br>be taken to obtain<br>confirmation letters<br>and maintained<br>registers up to date. |

#### 1.4 Non-compliances with Laws, Rules, and Regulations

| Committee/<br>Committees   | Reference to<br>Law, Rules,<br>and<br>Regulations | Non-compliance   | Comments<br>of<br>Management   | Recommendation  |
|--|---|--|--|---|
| <b>Agrarian Development Act, No. 46 of 2000</b>  |   |  |  |   |
| Kiliveddi<br>Kinniya<br>Kuchchaveli<br>Mullipotana<br>Kurinchankerny<br>Muthur<br>Nilaveli<br>Sampoore<br>Seruvila<br>Thampalakamam<br>Thoppur<br>Uppuveli<br>Eachchalampatru<br>Munnampodiveddai<br>Pulmoodai | Section 43 (9)                                    | The action had not been taken to conduct the Annual General Meeting for more than two years. | The action will be taken to conduct the Annual General Meeting of farmer organization in the current year. | The action should be taken to conduct the Annual General Meeting. |

#### 2. Financial Review

- (a) During the year under review, the operational achievement of the 22 agrarian developments committee, the income over expenditures was Rs.1,262,775. Correspondingly, the income over expenditure from the previous year was Rs.28,828,016. Accordingly, the financial performance decrease by Rs.27,565,241. The main reason for this was a decrease in the operational revenue of the committees.
- (b) According to the submitted financial statements, the operational achievement of the 22 agrarian developments banks with income exceeding the expenditure during the year under review was Rs.1,295,068. Correspondingly, the income exceeding the expenditure of the previous year was Rs.1,117,975. As a result, the financial performance had been improved by Rs.177,095.

**3. Operational Review**  
**3.1 Financial Management**

| <b>Committee/<br/>Committees</b>                                    | <b>Audit Observations</b>   | <b>Comments of<br/>Management</b>                | <b>Recommendations</b>   |
|---|---|--|--|
| Muthur<br>Mullipothane<br>Pulmoodai<br>Munnampodeveddai<br>Uppuveli | At the end of the year review, an aggregate amount of Rs.7,576,959 had been deposited in savings and current accounts by the committee. However, action had not been taken to earn income by investing this amount in fixed deposits. | Action will be taken to invest in fixed deposit. | Action should be taken to invest the excess money of the committee in a proper manner. |

**3.2 Management Inefficiencies**

| <b>Committee/<br/>Committees</b>          | <b>Audit Observations</b>   | <b>Comments of<br/>Management</b>   | <b>Recommendations</b>  |
|---|---|---|---|
| (a) Kinniya<br>Kurinchankerny<br>Seruvila | The relevant officer has not taken action on 1085 complaint applications received by the Committee in the preceding and reviewed years regarding paddy land. The complaint applications are still processing.   | The plans were prepared to complete the inquiries.  | Action should be taken to conduct the inquiries on time regarding the complaint applications.                             |
| (b) Munnampodeveddai                      | The model agriculture gardening project implemented in 2016 at a cost of Rs.279,358 by the agrarian development Committee has been in an unusable condition for more than 6 years. As a result, the expenditure incurred for this project has been ineffective. | The physical reliability of the long-term investment will be confirmed, and action will be taken to generate revenue from it.     | Action should be taken to be confirmed the physical reliability of the long-term investment and generate revenue from it. |
| (c) Uppuveli                              | The action had not been taken to register the 4,217.5-acre highland in the area of authority of the agrarian development committee in the highland land register.   | The action will be taken to register the highland by the end of this year, and after the confirmation of updated information, the | Action should be taken to include to the acre tax register or online database system.                                     |

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|     |                 |   | acre tax will be collected using the relevant procedure.  |
| (d) | Thampalakamam   | The schedule of property, plant and equipment worth Rs.2,993,817 shown in the financial statement had not been furnished to the audit.  | The answer was not given. The schedule of property, plant and equipment should be included in the financial statements.   |
| (e) | Gomarankaduwela | A television worth Rs.272,524 was provided under the Integrated Management Project to disseminate agricultural information to farmers. However, action had not been taken to use it for its intended purpose.                                       | Appropriate actions will be taken and thereafter, it will be displayed it. Action should be taken to use the television for intended purpose.                                     |
| (f) | Gomarankaduwela | In the past year, 545 bags of 50 kg TSP fertilizer valued at Rs.5,450,000 were purchased from the National Fertilizers Company for cash sales to farmers. However, they have remained idle in warehouses.   | Action will be taken to sell it in the 2023 Maha season. Action should be taken to sell to the farmers or return to the fertilizers company.                                      |
| (g) | Gomarankaduwela | The 90 fertilizer bags valued at Rs.162,000 were purchased from Sasrika Lanka Private Company during the year under review. However, they have not been sold and were damaged.  | The request for approval to remove these items was sent to the Assistant Commissioner. Action should be taken to recover the damage occurred to the Committee.                    |
| (h) | Gomarankaduwela | The total revenue and expenditure of the Agrarian Development Committee were Rs.36,803,656 and Rs.37,400,709 respectively. However, the control register for revenue and expenditure had not been maintained by the Agrarian Development Committee. | Instructions were given to the relevant officer to maintain the register in a proper manner. Action should be taken to maintain the control register for revenue and expenditure. |

### 3.3 Operational Inefficiencies

| Committee/<br>Committees             | Audit Observations  | Comments of<br>Management  | Recommendations   |
|--------------------------------------|---|--|---|
| (a) Thampalakamam<br>Eachchalampatru | In the years 2020 and 2021, the Agrarian Development Committee received 2,370 liters of organic liquid fertilizer. However, they were remained idle in warehouses without being sold.   | The answer was not given.  | Action should be taken to sell the stock in warehouses or returned it to the supplies.            |
| (b) Thampalakamam                    | The Agrarian Development Committee registered 807 acres of paddy lands in the paddy land register without verifying the ownership documents for those lands.  | The answer was not given.  | Action should be taken to register paddy land after document verifications of the land ownership. |
| (c) Gomarankaduwela                  | The 1,051 bottles of liquid fertilizer ranging from 500ml to 1 liter were distributed by Ministry of Agriculture under a credit of Rs.616,627 in 2018. However, they have not been sold and have expired and remained in the warehouse. | The request for approval to remove these items was sent to the Assistant Commissioner. | Action should be taken to remove these expired fertilizers from warehouse.                        |

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

| Committee/<br>Committees  | Audit Observations   | Comments of<br>Management                           | Recommendations   |
|---|--|---|---|
| (a) Kuchchaveli<br>Mullipoththane<br>Kunnampodeveddai<br>Uppuveli<br>Thampalakamam<br>Pulmoodai<br>Kiliveddi<br>Kinniya<br>Seruvila<br>Kurinchankeney | The 145 power sprayers were provided by the Director of Agriculture, Eastern Province to increase the production of organic fertilizer and reduce plant disease control. However, any action had not been taken to use them to intended purpose. | Action will be taken to use power sprayers in 2023. | Action should be taken to use power sprayers to intended purpose. |



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| (b) | Kinniya<br>Kuchchaveli<br>Munnampodeveddai<br>Seruvila<br>Uppuveli     | Action had not been taken to repair and reuse 05 tractors. As a result, rental revenue from those tractors was lost.   | These were in unusable condition and were sent for further action.                               | Action should be taken to sell them.                       |
| (c) | Kinniya<br>Seruvila<br>Kurinchankerny                                  | Action had not been taken to repair and reuse the 06 mat wheels and 09 grass cutters of the Agrarian Development Committee.  | Action will be taken to repair those machineries and earn income by renting them to the farmers. | Action should be taken to use machineries.                 |
| (d) | Muthur<br>Pulmoodai<br>Sampalthivu<br>Thampalakamam<br>Eachchalampatru | In preceding and reviewed years, the Agrarian Development Committee received 21,982 liters of liquid fertilizer as donations. However, they were kept without being sold or use and remained idle inside and outside warehouse for more than one year. | Action will be taken to correct this in future.  | Action should be taken to sell or take appropriate action. |

### 3.5 Human Resources Management

| Committee/ Committees | Audit Observations | Comments of Management | Recommendations |
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| Kiliveddi<br>Kinniya<br>Kuchchaveli<br>Mullipothane<br>Kurinchankerny<br>Muthur<br>Nilaveli<br>Sampoore<br>Seruvila<br>Thampalakamam<br>Thoppur<br>Uppuveli<br>Eachchalampathu<br>Gomarankaduwela<br>Munnampodeveddai<br>Pulmoodai<br>Agbopur<br>Kantale | There are 46 development officers were in excess, while there were vacancies for 15 agrarian development officers, 81 agrarian research production assistants, 2 watchers, and 3 office assistants. | The human resource information was submitted to District Assistant Commissioner. | Human resource excess and shortages should be mitigated. |
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Van-Ela  
Padavisripura  
Pankulam

| 04. | Agrarian Bank<br>Committee/<br>Committees  | Audit Observations  | Comments<br>of<br>Management  | Recommendations   |
|-----|--|---|---|---|
| (a) | Mullipothana<br>Kurnchankerny<br>Sampoore<br>Seruvila<br>Thampalakamam<br>Gomarankaduwela<br>Pulmoodai | Agricultural loans were given to 237 farmers in preceding and reviewed years. Even after the completion of the agreement period, the loan balance including interest amounting to Rs.8,589,167 remains to be recovered. However, no legal action has been taken for the recovery of the loan. | Action will be taken to recover the advised balance by the mediation board for loan balances of the farmers.  | Action should be taken to recover the loan balances and loan interest.                    |
| (b) | Gomarankaduwela  | Agricultural loans were given to 94 farmers during the year under review. However, loans were provided even though the 6 documents relevant to the farmers' loans had not been received and the loan applications were not properly filed.  | The officers at the Farmer's Bank are with lack of knowledge in accounting. As a result, documents were not properly filled out. Loans will be provided after approval is given by responsible officers in division under the fully monitoring of agrarian development. | All legal requirements should be fulfilled with proper documentation for providing loans. |
| (c) | Gomarankaduwela  | Action had not been taken to maintain the loan register, sub-register of savings accounts, sub-register of small group savings accounts, sub-register of compulsory savings accounts, sub-register of share accounts, and sub-register of savings accounts for documentation of agrarian      | Action will be taken to correct this by providing training to the relevant officers in 2023.  | Action should be taken to maintain the documents relevant to the agrarian bank.           |

bank operations and transactions for the preceding and reviewed years.

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| (d) | Kiliveddi<br>Kinniya<br>Kuchchaveli<br>Mullipotane<br>Kurinchankerny<br>Muthur<br>Nilaveli<br>Sampoor<br>Uppuveli<br>Eachchalampatru<br>Gomarankaduwela<br>Munnampadeveddai<br>Pulmoodai   | According the Agrarian Bank Management circulars no.09/2020 dated 08 October 2020 and 04/2012 dated 29 February 2012 in the Agrarian Development Department regarding financial controls and reporting, the bank should increase the number of shareholders and depositors to improve its operations. However, action had not been taken to improve the incorporation of shareholder and depositors during the year under review. | Action will be taken to incorporation of shareholders and depositors in future.            | Circulars should be followed to improve the operations of the Agrarian Bank.             |
| (e) | Kiliveddi<br>Kinniya<br>Kuchchaveli<br>Mullipotane<br>Kurinchankerny<br>Muthur<br>Nilaveli<br>Sampoor<br>Seruvila<br>Thampalakamam<br>Thoppur<br>Uppuveli<br>Eachchalampatru<br>Gomarankaduwela<br>Munnampadeveddai<br>Pulmoodai | According to section 2.6.3 of the aforementioned circular, all registered agrarian development societies should open a savings account and made all transactions through that account. Nevertheless, action had not been taken accordingly.   | Action will be taken to make all transactions through the agrarian bank account in future. | Savings account should be opened and work should be done through it as per the Circular. |