

18 Agrarian Services Committee in Monaragala District - 2022

1. Audit Opinion

1.1 The audit of the financial statements of 18 Agrarian Services Committee in Monaragala 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 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 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 18 Agrarian Service Committees in Monaragala District are expressed under paragraph 1.3.

1.3 Financial Statements

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

Audit Observations	Comments of the Management	Recommendation
(a) Although the Agrarian Bank is a unit of the Agrarian Service Committee, the 18 Agrarian Service Committees had not prepared consolidated financial statements.	Action will be taken to prepare consolidated financial statements.	Consolidated financial statements should be prepared.
(b) The purchased price, accumulated depreciation and net value of the fixed assets of the Monaragala Agrarian Service Committee had not been shown in the statement of financial position and schedules had not been presented with the financial statements so that, their cost, additions, disposals, annual depreciation and accumulated depreciation and net value for the year shown separately.	Documents will be prepared correctly and submitted.	A schedule containing the details shown in the observation should be submitted with the financial statements.

1.3.2 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
(a) The value of the land on which the centers are located in 15 Agrarian Service Centers was not assessed and accounted.	It will be assessed in the future and entered it in the account reports.	The land owned by the Committees should be properly ascertained and the value should be accounted.

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| (b) The 33 units of equipment received to 07 Agrarian Service Committees from Monaragala Agrarian Development Commissioner's Office and 16 units of equipment received as donations from 02 farmer organizations in the years 2016, 2017 and 2021 had not been assessed and accounted. | Action will be taken to account that equipment as fixed assets. | All assets received by the Committee should be assessed and included in the financial statements. |
| (c) The dividend receivable of Rs.573,910 to the Committee from the Agrarian Bank from the year 2002 to the year under review in the Aluth Wewa Agrarian Service Committee had been omitted from the financial statements and, as a result, the current assets and accumulated fund in the statement of financial position had been understated by that value. | It will be corrected in the future. | Dividends receivable should be properly accounted. |
| (d) The fixed deposit interest income receivable of Rs.597,545 for 12 fixed deposits held by 04 Agrarian Service Committees in the year under review was not accounted and therefore the surplus and current assets of the year had been understated. | Being under-calculated by an omission is corrected in the future. | The fixed deposit interest should also be included and the accounts should be prepared correctly. |
| (e) Although the stock should be valued at the lower of cost or net realizable value, the stock value of Rs.2,876,013 which had no sale value of 10 Agrarian Service Committees had been included as remaining stock in the statement of financial position and therefore false assets had been shown by that value. | Action will be taken to remove value from the books. | Work of disposals should be done in relation to obsolete stocks and adjustments should be made in the account statements. |
| (f) Fixed assets amounting Rs.664,000 which had been depreciated and removed from the books but are currently in use related to 02 Agrarian Service Committees had not been revalued and included in the financial statements. | Assets will be revalued and accounted. | The relevant assets should be revalued. |
| (g) Due to the facts that, the basic amount of Rs.702,240 paid to that institution for obtaining 02 shops on rental basis from the Urban Development Authority of Kataragama Agrarian Service Committee were account as a non-current asset and making depreciation provision of Rs.35,112 for the year under review on that value, the deficit of the year was overstated by that amount. | It will be corrected in the future. | Accounts should be correctly prepared. |
| (h) Although the Rs.1,300,000 of fixed deposits opened during the year under review should be shown | Correct accounting method will be followed in | Accounts should be |

under investing activities in the cash flows statement, it had been shown under financing activities. the future. correctly prepared.

- (i) Although the 43 accounts receivables of Rs.533,939 related to 03 Agrarian Service Committees and 38 accounts payables of Rs.667,962 related to 04 Agrarian Service Committees had been written off from the financial statements in the year under review, formal approval had not been obtained for that. It has been written off by Committee approvals and action will be taken to obtain a formal approval in the future. The account balances should be removed from the books after obtaining formal approval.
- (j) The 04 false liability balances with a value of Rs.560,440 related to 03 Agrarian Service Committees had been included in the financial statements. It will be corrected in the future. Appropriate action should be taken against false liabilities.

1.3.3 Un-reconciled Control Accounts or Records

Audit Observations

Comments of the Management Recommendation

A difference of Rs.10,652,869 was observed between the values stated in the financial statements of 13 account balances and the values stated according to the corresponding reports in relation to 08 Agrarian Service Committees in the reviewed year.

Corrective actions will be taken. The balances shown in the financial statements and the balances according to the corresponding reports should be correctly adjusted.

1.3.4 Unauthorized Transactions

Description of Unauthorized Transactions

Comments of the Management Recommendation

According to the Circular No.11/2018 dated 17 June 2018 of the Commissioner General of Agrarian Development and the letter of the Commissioner General of Agrarian Development No.7/5/2-1/2 (i) dated 17 May 2018, although the withdrawals from bank accounts exceeding cash limit of Rs.50,000 should be made with the approval of the Assistant Commissioner for Agrarian Development, such approval had not been obtained while paying Rs.19,484,328 in 06 cases of 02 Agrarian Service Committees.

Action will be taken not to make such mistakes in the future. It should be act as per the Circular.

1.3.5 Suspense Accounts

Audit Observations	Comments of the Management	Recommendation
The credit balance of Rs.203,469 in Suspense Account which brought forward from 17 years ago in relation to 02 Agrarian Service Committees in the year under review had not been settled.	Action will be taken to settle the Suspense Accounts balances.	The existing balance in Suspense Accounts should be corrected.

1.3.6 Documentary Evidences not made available for Audit

Audit Observations	Comments of the Management	Recommendation
In relation to the 93 balances of assets, liabilities, income, expenses and equity of 18 Agrarian Service Committees amounting to Rs.55,290,329 in the year under review, the written evidence required to confirm them had not been submitted.	Action will be taken to obtain balance confirmations in the future.	Evidence should be submitted to verify account balances.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 53(4) of the Agrarian Development Act No.46 of 2000	Although the list of land owners in the Agrarian Service Center should be revised every 03 years and checked and certified by the Commissioner General of Agrarian Development, it had not been revised after 2016 in Medagama Agrarian Service Committee and after 2019 in Bibila Agrarian Service Committee.	Revisions will be made in the future.	Immediate action should be taken to revise the land owner registers.

**(b) Financial
Regulations of
the Democratic
Socialist
Republic of Sri
Lanka**

Financial
Regulations 316

Although a safety drawer should be used to keep cash and documents with financial value, three Agrarian Service Committees had not complied with that.

Action will be taken to obtain drawers.

A safety drawer be used for the safety of cash and non-monetary documents.

**(c) Government
Procurement
Guidelines
2006**

Section 8.9(b)

Although the purchases of goods or services exceeding Rs.500,000 should be made by signing formal contracts, the Monaragala District Assistant Commissioner's Office had not entered into agreements with the supplier in accordance with those terms when purchasing 14 computer machines worth Rs.3,846,600 for the use of Agrarian banks.

It will be act correctly in the future.

Procurement guidelines should be followed.

**(c) Circular
No.107 dated
16 October
1981 of
Commissioner
General of
Agrarian
Development**

(i) Paragraph 30(1)

The stocks, cash, merchandise and all other tangible assets owned by the committee had not been checked and certified and signed by the secretary including at least one member of the committee at the end of the financial year.

It will be act correctly in the future.

It should be act as per the provisions of Circular.

- (ii) Paragraph 30(2) Although confirmation certificates should be obtained from debtors and creditors to confirm assets and debts, confirmations had not been obtained from 32 debtors amounting to Rs.306,315 and from 32 creditors amounting to Rs.32,489,140 in Kataragama and Medagama Agrarian Service Committees. It will be act It should be act as correctly in the per the provisions of future. of Circular.

2. Financial Review

2.1 Financial Results

The operating result of the Agrarian Service Committees in the year under review was a surplus of Rs.9,530,611 and corresponding surplus of the previous year was Rs.2,825,337. Accordingly, a growth of Rs. 6,705,274 was observed in the financial result. This growth was mainly due to the increase in the operational activities of the Agrarian Service Committees in the year under review compared to previous years.

3. Operational Review

3.1 Identified Losses

Audit Observations

Comments of the Recommendation Management

The responsible parties regarding 08 stock, cash shortages and losses amounting to Rs.7,097,850 from 08 years to 16 years in relation to 06 Agrarian Service Committees have not been identified and recovery of deficiencies as per the provisions of Financial Regulation 156 had not been made even as on 23 May 2023 which was the date of audit.

Preliminary investigations have been initiated. Letters are forwarded for collection. The responsible parties will be identified and actions will be taken to recover the shortages.

Actions should be taken to cover cash shortages and losses by following the financial regulations.

3.2 Management Inefficiencies

Audit Observations

Comments of the Recommendation Management

- (a) Although Rs.3,417,687 had been spent to rehabilitate 02 anicuts belonging to Medagama Agrarian Service Center area of authority under the 2021 fallow paddy and minor irrigation project of the Department of Agrarian Development, the constructed anicuts and canals were unused and was born weeds without proper maintenance and it had not been maintained and put to useful use.

It will be done the right thing in the future.

Actions should be taken to provide an economic value commensurate with the amount spent.

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| <p>(b) The Kataragama Agrarian Service Committee had spent Rs.879,008 from the committee fund to repair the committee building last year and then the entire building was demolished and a new committee building was being constructed by the end of the year under review. It was observed that the amount of Rs.879,008 spent on building repairs last year was an idle expenditure due to repairs without formal planning.</p> | <p>Accept. It will be checked whether departmental allocations is available for the repair of the centers in the future and repair them with the funds of the committee.</p> | <p>Regarding the idle expenses incurred due to acting without formal planning should be dealt with appropriately.</p> |
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3.3 Operational Inefficiencies

Audit Observations	Comments of the Management	Recommendation
<p>(a) Action had not been taken to recover the 325 accounts receivables worth Rs.7,884,878 related to 13 Agrarian Service Committees which have been brought forward in the financial statements from 1993 to 2021 even by 31 December of the year under review.</p>	<p>Actions will be taken in the future as per the instructions of the Agrarian Development Commissioner.</p>	<p>Action should be taken to promptly recover the accounts receivables.</p>
<p>(b) Action had not been taken to settle the 41 accounts payables worth Rs.13,238,595 from the year 1989 to the year 2021 related to 15 Agrarian Service Committees which are being brought forward in the financial statements even by 31 December of the year under review.</p>	<p>Action will be taken to settle in the future.</p>	<p>Action should be taken to promptly settle the accounts payables.</p>
<p>(c) The receivables of Rs.579,546 from 11 officers of 03 Agricultural Service Committees from 1989 to 2010 had not been recovered by 31 December of the year under review.</p>	<p>Actions will be made to recover in the future as per the instructions of the Commissioner General of Agrarian Development.</p>	<p>The receivables should be recovered promptly.</p>
<p>(d) An amount of Rs.2,147,060 collected from 08 beneficiaries by 04 Agrarian Service Committees from 1999 to 2020 had not been remitted to the district office even by 31 December of the year under review.</p>	<p>Action will be taken to correctly settle in the future.</p>	<p>Actions should be made to settle the values to be remitted.</p>

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| <p>(e) According to Section 2.6.2 of Agrarian Bank Circular No.04/2012 dated 29 February 2012 of Agrarian Development Commissioner General, although the Agricultural Research and Production Assistant Officers in charge of domain should have performed the following tasks, those tasks had not been performed.</p> <ul style="list-style-type: none"> (i) Maintain good discipline regarding loans. (ii) Acting as the secretary of the loan sub-committee established in farmers' organizations and responsible for its work. (iii) Maintaining an up-to-date data system related to farmers and agrarian banks in the domain. (iv) Identifying the loan needs of the farmers in the domain, advising them to complete them, guiding them and recovering the loans properly. (v) Timely recovery of loans issued to farmers in the domain. | <p>It will be act correctly in the future.</p> | <p>Agricultural Research and Production Assistants should work as per section 2.6.2 of Agrarian Bank Circular No.04/2012 dated 29 February 2012 of the Commissioner General of Agrarian Development.</p> |
| <p>(f) The performance evaluation of the Agricultural Research and Production Assistant Officers in charge of domains should be done as per Chapter VII of the Establishment Code, and they should earn annual increments based on the performance of the officer. When the officers in charge of domain did not perform their specific tasks, they had been given annual salary increments without evaluating their performance.</p> | <p>Actions will be taken to act correctly in the future.</p> | <p>The performance of Agricultural Research and Production Assistant Officers should be dealt with in accordance with Chapter VII of the Establishment Code.</p> |

3.4 Idle or Underutilized Property, Plant and Equipment

Audit Observations	Comments of the Recommendation Management	
<p>(a) A building of 50 square meters provided to the soil testing unit by the Agrarian Development District Office in 2019 and 98 items of testing equipment that had been obtained for the unit on 28 November 2017 had been unused even as of the audit date of 15 June 2023.</p>	<p>Action will be taken to act purposefully in the next year.</p>	<p>Immediate actions should be taken to obtain the relevant building and testing equipment into use.</p>

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| (b) Although the Department of Agrarian Development had constructed a Circuit bungalow in Kataragama and completed the work on 08 October 2021, the building had not been used for the intended purpose by 15 June 2023, and the Circuit bungalow keeper who was assigned to it had been paid Rs.413,356 as salary from 10 October 2022 to June 2023. | Action will be taken to commence after getting the necessary equipment based on the departmental provisions. | The Circuit bungalow should be used for purposeful work immediately. |
| (c) Necessary action has not been taken in respect of 03 vehicles with the District Office that out of in running condition and repairs are not economically viable. | It will be act on the instructions given by the Department of Agrarian Development. | Appropriate actions should be taken promptly under the supervision of a formal and qualified officer regarding the vehicles. |
| (d) According to the Circular No.10/2015 dated 11 June 2016 of the Commissioner General of Agrarian Development, although the agricultural machinery equipment owned by the Agrarian Development Council should not be idle, in relation to 10 Agrarian Service Committees, 11 equipment with a value of Rs.6,650,049 and 36 equipment whose value was not specified remained inactive. | It will be used it profitably in the future or give it to other centers as per the instructions given by the department. | Actions should be taken to utilize inactive assets promptly. |
| (e) Lands, 02 quarters, 03 sales outlets and 05 shops belonging to 06 Agrarian Service Committees remained unused. | Appropriate actions will be taken in the next year. | Actions should be taken to utilize inactive assets promptly. |

3.5 Delays in Project or Capital Works

Audit Observations

The construction industry of Thanamalvila Hela Bojunhala had been assigned to a private institution on 12 July 2021 for a value of Rs.5,357,585 and the contractor had stopped the contract midway in March 2022 after the construction of the building's foundation, tower and construction of the toilet system. The responsible institutions had not taken action to achieve the desired objectives of the project even by 07 June 2023 and the building premises that had been constructed had grown weed.

Comments of the Management Recommendation

Corrective actions will be taken in the future.

Steps should be taken to provide adequate economic value for the amount spent.

3.6 Deficiencies in contract administration

Audit Observations

Comments of the Recommendation Management

The following facts were observed during the inspection conducted on 05 July 2023 regarding the construction of the fertilizer warehouse at the Medagama Agrarian Service Center under the provisions of the Department of Agrarian Development.

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| (a) Although Rs.545,969 was paid for 30.7 cubic meters of concreting of the front yard under estimate subject number C-10, only 22.29 cubic meters of concrete had been used during physical inspection. Accordingly, 8.41 cubic meters of concrete was not used and Rs. 149,563 was paid extra for it, and it was observed that the concrete used was not in proper quality. | Overpayments will be charged in deposit amount. | Payment should be made only for the work done and the overpayment should be recovered. And concrete mix with proper quality should be used. |
| (b) Although Rs.61,502 had been paid for the construction of the back door of the warehouse under subject number 7.1, it was observed that the work was done without the standard due to the presence of gaps between the door boards and the door and the door frames were not properly connected. | Repairing will be done again from the deposit. | Each subject of work should be done to the required standard and if any defects have occurred, payment should be made after restoring them. |

3.7 Human Resource Management

Audit Observations

Comments of the Recommendation Management

Although 139 development officers were assigned to the district office and Agrarian Service Centers from the year 2022 and being working, approval had not been obtained for that.

Actions will be taken to correct these tasks.

The development officers who are working should be formally assigned duties and included in the approved staff.

3.8 Vehicle Systems Management

Audit Observations	Comments of the Management	Recommendation
<p>A difference of 1,384 km was observed due to the mileage of a cab owned by the Agrarian Development District Office was 128,193 kilometers as per the milometer during the physical audit conducted on 09 June 2023 which was the date of the audit and the mileage as per the vehicle's running chart was of 126,809 kilometers. Accordingly, a distance of 1,384 kilometers had been driven without formal approval using 173 liters of fuel according to the fuel balancing rate of the above cab.</p>	<p>Disciplinary proceedings will be conducted through disciplinary investigations and action will be taken to recover the amount on the directives of the Director General of the Department of Agrarian Development.</p>	<p>An investigation should be conducted against unauthorized driving and appropriate action should be taken.</p>

4. Agrarian Banks

Audit Observations	Comments of the Management	Recommendation
<p>(a) A receivable amount of Rs.134,187,719 as crop loan and interest given to farmers from 1999/2000 Maha season to 2022 Yala season in 18 Agrarian Service Committees had not been recovered even by 31 December of the year under review.</p>	<p>It will be act correctly in the future.</p>	<p>Actions should be made for immediate recovery.</p>
<p>(b) The saving percentages of 06 types of savings accounts of Thellulla Agrarian Bank had dropped from 44 percent to 83 percent in the year under review compared to the previous year and any amount had not been deposited in the savings accounts of women farmers' organizations in the year under review.</p>	<p>The 20 farmer organizations are inactive and 32 women farmer organizations have formed small groups and they have started loan transaction process on 01 percent interest.</p>	<p>Actions should be taken to improve the performance of the Agrarian Bank.</p>