

31 Agrarian Services Committees in Badulla District - 2023

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 2023 comprising the statement of financial position as at 31 December 2023 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 In the 31 audit reports issued in relation to 31 Agricultural Service Committees in Badulla district, a qualified opinion has been expressed, and the material deficiencies that had been caused to the qualified opinion are shown below.

1.3 Financial Statements

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

Audit Observation	Comments of the Management	Recommendation
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.	The consolidated financial statements should be prepared.

1.3.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The value of 21 buildings, 06 lands and 05 other assets owned by 13 committees had not been identified and accounted.	A committee did not provide answers and that the 12 committees will be account the assets in the future.	The value of assets owned by committees should be recognized and accounted.
(b) In the 26 Committees, 408 Receivable account balances totaling Rs.34,338,825 from 4	02 Committees did not provide answers and that the 24 Committees will check and	Unverifiable balances should be dealt with appropriately under formal

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| | years to 35 years had been listed as debtors without recovery or due process. | recover from the relevant parties or if it is not possible to write off. | approval and recoverable balances should be recovered. |
| (c) | 261 account balances totaling Rs.51,971,341 from 2 years to 37 years in 22 committees were listed as creditors without formal approval and due process. | 02 Committees did not provide answers and 20 Committees will check and identify the relevant parties and make payments or if it is not possible to get an approval and cut off the balances. | The loan balances should be dealt with appropriately under a formal approval after verifying the balances and if there are outstanding balances, they should be paid promptly. |
| (d) | The 02 Committees had accounted for physically non-existent a tractor and a garage worth Rs.496,559 under fixed assets. | That the adjustments will be made as appropriate in the future. | Adjustments should be made to the financial statements as appropriate. |
| (e) | Fixed assets which were purchased and built by 04 Committees during the year under review amounting to Rs.473,184 were not accounted as capital expenditure but were accounted as recurrent expenditure. | That will be correctly accounted for in future financial statements. | Financial statements should be prepared with correct classifications. |
| (f) | Rs.1,338,374 of expenditure reimbursements of 12 committees were accounted as income in the year under review. | One Committee did not provide answers and that will be properly accounted for in future financial statements by 11 Committees. | Revenues should be properly recognized and accounted for. |
| (g) | Rs.1,148,649 received from farmers for subsidized fertilizers and Rs.811,216 paid to the Deputy Commissioner of Agricultural Services for the same were shown as income and expenditure of the year under review in the financial statements. | That will be correctly accounted for in future financial statements. | Revenues and expenditures should be properly recognized and accounted for. |
| (h) | The value of current assets of 03 Committees had been | That will be correctly accounted for in future financial | The correct value of the current assets should be |

understated by Rs.769,774 and statements.
the value of current assets of 03
Committees had been overstated
by Rs.452,736.

recognized and accounted
for.

- (i) Rs.1,155,905 advances paid for the computers and devices to be acquired for the computerization of the accounting system of 04 Committees had been accounted as expenses in the year under review. That will be correctly accounted for in future financial statements. The advances should be recognized and accounted for.

1.3.3 Un-reconciled Control Accounts or Reports

Audit Observation	Comments of the Management	Recommendation
(a) A difference of Rs.10,069,725 was observed when comparing the value according to the financial statements of 88 accounting subjects related to 16 Agrarian Service Committee with the value according to the corresponding reports.	That the one committee did not provide answers and 15 committees will work to correct it in the future	Comparisons should be made and corrected.
(b) A difference of Rs.1,106,954 was observed between the payable and receivable balances between the Farmers' Bank and the Committee of 04 Agricultural Service Committees.	That will be corrected in the future.	Comparisons should be made and corrected.
(c) Kumbalwela Agricultural Service Committee had not prepared bank reconciliation statements from July to November of the year under review and at the end of the year, the cash balance was Rs.854,745 according to the cash book and daily receipts, but according to the financial statements, the cash balance was Rs.638,993, and a difference of Rs.215,752 was observed.	That only Rs.90,000 was banked by the committee clerk.	Comparisons should be made to correct or formal action should be taken if there is a deficiency.

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| (d) | Although the balance of the current account maintained by the Nikpotha Agricultural Service Committee in a state bank branch was Rs.3,709 according to the financial statements, bank reconciliation statement and cash book, but it was overstated by Rs.639,659 as Rs.643,368 in the daily cash receipts register. | That will be corrected in the future. | The reasons for the change should be checked and corrected. |
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1.3.4 Suspense Accounts

Audit Observation	Comments of the Management	Recommendation
In 10 Agricultural Service Committees, the value of suspense account debit balance brought forward from a period of 6-26 years of Rs.1,085,427 and in 05 Committees, the value of suspense account credit balance brought forward from a period of about 09 years of Rs.1,252,723 had not been settled.	That the answers were not provided by 02 committees and suspense account debit balances will be corrected by 08 committees and credit balances by 04 committees in the future.	Arrangements should be made to settle the suspense accounts.

1.3.5 Lack of the Written Evidence for Audit

Audit Observation	Comments of the Management	Recommendation
The 215 asset balances totaling Rs.24,515,935 related to 18 Agrarian Service Committee and 140 liability balances totaling Rs.48,094,164 related to 13 Agrarian Service Committee could not be satisfactorily verified in audit due to non-submission of schedules, debtor and creditor schedules and balance confirmations.	That the 02 Committees have not provided answers and 16 Committees will take necessary action in the future.	Necessary evidence should be submitted to substantiate all balances shown in the financial statements.

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

Reference to Laws, Rules, Regulations etc.	Value Rs.	Non-compliance	Comments of the Management	Recommendation
(a) 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 20 Committees relating to the year under review.	No answers provided.	Should be done according to the provisions of the act and the financial regulations.
(b) Financial Regulations of Democratic Socialist Republic of Sri Lanka				
(i) Financial Regulation 395		Bank reconciliation statements had not been prepared for 02 bank accounts of 02 committees for the year under review.	That we will work according to the financial regulations in the future.	Should be done according to the Financial Regulations.
(c)				
(ii) Financial Regulation 396	261,113	05 committees had not been taken action regarding the 13 cheques issued and not submitted to the bank for payment beyond 06 months.	That the one committee did not provide answers and 04 committees will work according to the financial regulations in the future.	Financial Regulations should be followed.
(d)				
(iii) Financial Regulation 880		238 officers who are in charge of goods and money of 22 Committees have not deposited bail.	That the one committee did not provide answers and 21 committees will	- do -

			work properly in the future	
(c)	Circulars of the Commissioner General of Agrarian Development			
(i)	Paragraph 1 of Circular No.264 dated 21 October 1986	2,241,662	The room rents receivables in respect of the year under review and the previous years had not been recovered by the 20 committees.	That the one committee did not provide answers and 19 committees will inform the relevant institutions and collect rent.
(ii)	Circular No.04/2012 dated 29 February 2012			
(iii)	Paragraph 3.4.11		A farm calamity loan cover account had not been maintained for farmers who took loans from Passara Agricultural Bank.	That they will done correctly in the future Should be done according to the circular provisions.
(iv)	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 14 committees have exceeded that limit and retained cash in 502 occasions.	That the one committee did not provide answers and 13 committees will work correctly in the future.
(v)	Circular No. 7/5/2/1-2 (i) dated 17 May 2018	8,408,029	Although Deputy/Assistant Commissioners of Agricultural Development should be countersigned for	No answers provided. - do -

payment vouchers above Rs.50,000, but 07 vouchers of the Madolsima Agricultural Service Committee had not been countersigned.

2. Financial Review

2.1 Financial Results

The total operating result for the year under review for 31 Agricultural Service Committees in Badulla District was a surplus of Rs.18,577,744 and Correspondingly, previous year's surplus was Rs.6,314,286. Accordingly, an increase of Rs.12,263,458 was observed in the financial result.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Agricultural seeds, agrochemicals and other fertilizers worth Rs.3,006,002 in 05 Agricultural Service Committees, 94kg of fertilizer that was not submitted for audit in one Agricultural Service Committee and 1,280 liters of organic liquid fertilizer in one Agricultural Service Committee had expired but in this regard appropriate action had not been taken.	The decision of the Fertilizer Committee will be followed regarding fertilizers, and regarding other stocks will be dealt in the future.	Actions should be taken to dispose or remove as properly.
(b) 3,600 kg of TSP fertilizer, 3,124 kg of MOP and 112 kg of urea, which had been received by 04 Agricultural Service Committees for free distribution to the farmers, had not been distributed.	Although the relevant institutions have been informed, no action has been taken so far.	Necessary actions should be taken after the taken immediate advice.
(c) Although the quantity of land belonging to 17 Committees had	One Committee did not provide answers and 17	Actions should be taken to take over the legal

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| <p>been correctly identified, the legal ownership had not been taken over.</p> | <p>Committees made requests from the respective Divisional Secretariats.</p> | <p>ownership of the lands owned by the Agricultural Service Committees.</p> |
| <p>(d) In the year 2011, the Atampitiya Agricultural Service Committee had approved a private company for the installation of a stone grinding machine in a paddy land in Road 01 of Nilaatugoda area for the Badulla Welimada road construction project and at the end of the project, the deposit of Rs.290,443 taken from the company to restore the field to its previous condition was not used for the purpose and was retained until the end of the year under review.</p> | <p>That the deposit has not been released as the paddy field has not been restored.</p> | <p>Arrangements should be made to restore the paddy land.</p> |
| <p>(e) The disciplinary order given to Agrarian Development Regional officer transfer to Ampara district for a period of 02 years in connection with the misuse of fertilizer while working under the Kotawera Agricultural Service Committee had not been implemented.</p> | <p>No answers provided.</p> | <p>Disciplinary orders should be implemented without delay.</p> |
| <p>(f) Rs.12,429,435 due from three officers who served in 05 Agricultural Service Committees had not been recovered according to disciplinary orders.</p> | <p>No answers provided.</p> | <p>Actions should be taken to recover money as per disciplinary orders.</p> |
| <p>(g) The Regional Officer of Ridhipana Agricultural Development had informed the Deputy Commissioner of Agricultural Development on 27 September 2023 that an Agricultural Research and Production Assistant Officer has not reported to work since 13 September 2023. The Deputy Commissioner of Agricultural</p> | <p>No answers provided.</p> | <p>Actions should be taken to recover the wages paid on behalf of the officer who did not report for duty.</p> |

Development informed the accountant to stop the salary of that officer on 09 February 2024 and instead of taking immediate action for an officer who did not report to work, an amount of Rs.217,280 was paid as salary for 05 months.

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| (h) | There was no formal investigation into the misappropriation of funds by an agricultural research and production assistant attached to the Agricultural Bank of the Bathmadilla Agricultural Service Committee. | No answers provided. | A formal investigation should be conducted and appropriate action should be taken. |
| (i) | Rs.755,200 due from the Bandarawela Municipal Council for providing residential facilities at the Bandarawela Agricultural Development Training Center from 27 December 2021 to 31 January 2023 for the Sri Lankan Air Force personnel who contributed labor for the beautification of Bandarawela town had not been recovered. | No answers provided. | Actions should be taken to collect the money due. |
| (j) | Although the committee appointed to conduct an investigation regarding the acreage tax receipt books that were not returned by four agricultural research and production assistant officers who worked in 03 Agricultural Service Committees, those inspection reports had not been submitted for audit. | No answers provided. | Formal inspections should be conducted and appropriate action should be taken accordingly and inspection reports should be submitted for audit. |
| (k) | Rs.823,254 due from 05 officers of 05 Agricultural Service Committees had not been recovered. | No answers provided. | Due balances should be collected. |

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Rs.7,128,910 recoverable for the materials/equipment issued in the reviewed year and previous years on the basis of payment after sales to 59 agricultural research and production assistant officers of 11 Committees had not been recovered.	That the relevant money will be recovered in the future.	Arrangements should be made to recover the relevant money immediately.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
(a) The 09 fixed assets owned by 06 Committees remained unused and idle for a period between 02 and 08 years.	That it will be used in the future. That it will be used in the future.	Actions should be taken to utilize the assets optimally.
(b) Actions had not been taken to repair and use the dilapidated quarters of 02 Committees.	That the Agricultural Development District Office has been informed.	Actions should be taken to repair and use.

3.4 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
There were vacancies of 235 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 Bank

Audit Observation	Comments of the Management	Recommendation
The amount totaling to Rs.106,642,093 as Rs.78,721,568 out of agricultural loans issued by 30 Committees to 3,162 farmers, Rs.15,756,064 out of project loans issued by 25 Committees to 492 farmers, Rs.10,812,343 out of entrepreneurial loans issued by 16 Committees to 387 farmers and Rs.1,352,118 out of agricultural equipment and other loans issued by 09 Committees to 38 farmers during the period from 1999 to 31 December 2023 had not been recovered.	02 Committees did not provide answers and that recovery will be done through taking judicial action, referring to Agrarian Tribunal, conducting office inspections and sending notification letters by the 28 committees.	Actions should be taken to proceed according to the relevant agreements and collect the loan amount.