

18 Agrarian Services Committees in Puttalam District - 2023

1. Audit Opinion

- 1.1** The audit of the financial statements of 18 Agrarian Services Committees in Puttalam District for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statements of financial performance for the year then ended and the cash flow statement and notes to the financial statements including material accounting policy information 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 2023, the audit reports related to the 18 Agrarian service committees in Puttalam district had been issued and a qualified opinion had been expressed in those reports. The material deficiencies caused for expression of qualified opinion are presented as follows.

1.3 Financial Statement

1.3.1 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Action had not been taken to assess and account the values of non-financial assets in the form of 24 acres 31 perches of land, 18 soil testing toolkits, 12 warehouses, 06 office buildings, 5 quarters, a seed warehouse and 02 air conditioner machines and a tissue culture plant related to the 18 Agricultural Service Committees.	That letters have been forwarded to the provincial valuation department for the valuation of land and buildings of 6 Agrarian Service Centers and that all the buildings of other centers will be assessed and accounted in the future.	The balance of non-financial assets should be accurately accounted.
(b) Machinery and vehicles worth Rs.762,618 which were auctioned in the two Agrarian Service Committees and assigned to other institutions had not been removed from the financial statements.	02 reapers have been auctioned and a tractor has been handed over to the paper company and the machinery and vehicles have been handed over to the Navagattegama Agrarian Service Committee.	Accounts should be corrected.
(c) Action had not been taken to assess and account the values of 28 non-financial assets items in the form of 08 weeding machines, 11 paddy seedling planters, 4 seed planters which has been received under the Climate	It has been given to the Agrarian Service Centers by the project of CSIAP and action will be taken to take values from the project office and accounted.	The balance of non-financial assets should be accurately accounted.

Smart Irrigation Agriculture Project for 04 Agrarian Service Committees in the year 2022 and a smart TV received from the “Waw Gam Pubuduwa” Project.

1.3.2 Un-reconciled Control Accounts and Reports

Audit Observation	Comments of the Management	Recommendation
There was a total difference of Rs.1,336,875 when comparing the balances shown in the financial statements relating to 10 accounting subjects of 04 Agrarian Service Committees with the corresponding reports.	That the correction will be made in preparing the accounts for the next year.	Un-comparison should be compared.

1.3.3 Documentary evidence not made available for Audit

Audit Observation	Comments of the Management	Recommendation
Due to the absence of evidence such as notes, valuation reports, balance confirmation certificates, loan registers, fixed asset registers, title certificates and creditor age analysis, 55 assets items totaling Rs.49,302,963 and 16 liabilities items totaling Rs.22,913,124 in the 18 Agrarian Service Committees have could not be satisfactorily verified during the audit.	That the action will be taken to correct the detailed notes, valuation reports, balance confirmation certificates, loan registers, fixed asset registers, title certificates.	Actions should be taken to submit relevant evidence to verify the balance of assets and liabilities.

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

Reference to Laws, Rules and Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Agrarian Development Act No.46 of 2000 Section 53(4)	Although the agricultural land registers should be revised every 03 years, 10 Committees had not acted accordingly.	That it will be done according to the instructions of the Commissioner General of Agrarian Development.	Provisions of the Act should be followed.
(b) Financial Regulation 880 of the Financial	Although all the officers authorized to deal with cash	According to the letter No.7/2/15/3/3 (vii) dated	The financial regulations and

Regulations of the Democratic Socialist Republic of Sri Lanka and Section 09 of Part II of Public Finance Circular No.01/2020 dated 28 August 2020

or stocks are required to post bail, the agricultural research and production assistants of 17 agrarian service committees had not posted bail.

23 January 2023 of the Commissioner General of Agrarian Development, that the Agrarian Research Production Development officers have been exempted from depositing the bail.

provisions of circular should be followed.

(c) Circulars of the Commissioner General of Agrarian Development

(i) Circular No.392/94 dated 16 March 1994

Although the receivable money from other institutions or individuals should be recovered immediately, the balance of Rs.5,930,746 which has existed for several years in 12 Agrarian Service Committees has not been recovered.

According to the letter No.7/5/12/10/19 dated 26 April 2024, the Committees have been instructed to recover a balance of Rs.481,794.63 and that the remaining balances will be recovered as per circular instructions in the future.

Actions should be taken to recover the outstanding balances as per the circular instructions.

(ii) Section 5.6(i) of Circular No.4/2012 dated 29 February 2012

Since the Agrarian Bank is a unit of the Agrarian Service Committee, even though all the accounts related to the Agrarian Bank should be included in the Annual Final Accounts of the Agrarian Committee and prepared consolidated financial statements, all the 18 Agrarian Service Committees had not act accordingly.

That the consolidated financial statements will be prepared as soon as advised by the head office.

Circular instructions should be followed.

(iii) Circular No.04/2013 dated 08 March 2013

Although it had been advised to use the premises of the Agrarian Service Center to sell agricultural products, run temporary canteens and sell the products of farmers' organizations, 17 Agrarian

At the present, opportunities have been given to sell Sithamu women's agrarian products, hold fairs, auctions, and stalls in all 18 Agrarian Service

Circular instructions should be followed.

Service Committees had not Centers.
act accordingly.

- (iv) Paragraph 2.6.1 of Circular No.9/2020 dated 08 October 2020
- Although every registered farmer organization shall open and maintain the savings account of the farmer organization in the Agrarian Bank (Pilot) project of the agricultural services area of authority and all the transactions of the farmer organization should be done through the savings account, 436 out of 638 registered farmer organizations of 17 committees had deposited Rs.140,662,511 in other banks.
- The regional officers of the respective area of authority have informed the farmers' organizations in writing and that, cash deposits have been developed by now.
- Instructions of the circular should be followed.

2 Financial Review

2.1 Financial Results

According to the presented financial statements, the total of the 18 Agrarian Service Committees in the year 2023 was a net surplus of Rs.21,470,908, and the total of the 18 Agrarian Banks was a surplus of Rs.13,505,619 and, correspondingly the total of the 18 Agrarian Service Committees was a net surplus of Rs.10,006,805 and the total of the 18 Agrarian Banks was a surplus of Rs.10,807,301 in the previous year.

2.1.1 Analytical Review

- i. An increase of Rs.11,698,539 in the surplus was observed due to there had a surplus of Rs.22,010,149 in 16 Agrarian Service Committees in the year under review and correspondingly, the surplus of 16 Agrarian Service Committees in the previous year was Rs.10,311,610 and therefore. An increase of Rs.234,436 in the deficit was observed due to the deficit of 02 Committees in the year under review was Rs.539,241 and correspondingly, the deficit of 02 Committees in the previous year was Rs.304,805.
- ii. The total sales income of the 18 Agrarian Service Committees related to the sale of fertilizers, agrochemicals, seeds, plants, agricultural equipment and other agricultural goods was Rs.149,936,017 in the reviewed year and the total gross profit was Rs.11,829,039. Accordingly, the total gross profit rate of the 18 Agrarian Service Committees was 8 percent.
- iii. The details of the financial position of the 18 Agrarian Service Commissions as on 31 December of the year under review as per the financial statements submitted as follows.

	Rs.
➤ Value of Accumulated Funds (Net Assets)	= 155,214,101
➤ Long term debt value	= 21,792,754
➤ Current Liabilities	= 225,563,688
➤ Total Assets	
• Current Assets	= 284,970,282
• Non-current Assets	= 117,600,261

3. Operational Review

3.1 Investing Surplus Money

Audit Observation	Comments of the Management	Recommendation
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<p>As of 31 December 2023, the 18 Agrarian Service Committees and the 18 Agrarian Banks had held a total of Rs.14,622,167 in current accounts of the 2 Government Commercial Banks without effectively investing them and a total of Rs.47,613,091 had been invested in savings deposits that received low interest income. Accordingly, it was observed that the surplus money was not invested effectively.</p>	<p>That, money is maintained in the accounts for the transactions of the committee and the needs of the farmers.</p>	<p>Funds should be used into more effective investment channels.</p>
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3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
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| <p>(a) Although the 18 Agrarian Service Committees had paid Rs.308,358 for the implementation of a computer software program and Rs.183,042 for the training of the Agrarian Bank officers in the year under review, these projects had not been implemented until now.</p> | <p>That it will be implemented in the future under the guidance of the head office.</p> | <p>Action should be taken to implement the projects without delay.</p> |
| <p>(b) The amount of Rs.2,110,289 to be recovered due to a financial irregularity committed by a saleswoman working in the sales department of Madampe Agrarian Service Committee in the year 2009 had not been recovered by the end of the year under review.</p> | <p>That the observation is accepted.</p> | <p>Actions should be taken to recover money related to financial irregularities from the responsible parties.</p> |

3.3 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) According to the sample inspection, the tanks and embankments belonging to 05 Agrarian Service Committees had not been measured and the related area had not been protected.	There are 1651 minor irrigation canals in Puttalam district and out of which that the surveying work has been done through the survey department and the rest of the surveying work is expected to be done by the information management unit of the department.	The tanks and embankments belonging to the Committees should be surveyed and protected.
(b) Although the cultivation of 2023 Yala season in Puttalam District Agrarian Service Committees had started in March 2023, fertilizer subsidy vouchers worth Rs.297,348,000 for that season had been given by the Agrarian Development District Office in June 2023. Accordingly, as the urea and MOP fertilizers given under the subsidized fertilizer vouchers could not be applied in accordance with the recommendations of the Director General of Agriculture and, the desired objectives of the subsidized fertilizer program were not fulfilled.	That the related top departments will be informed in order to overcome these weaknesses in the future.	Subsidy programs should be implemented within the stipulated time in such a way that the desired objectives can be achieved.
(c) The information about the harvest in the agrarian services area of authority was not the information which obtained from statistical harvest surveys method and was prepared based on the approximate information provided by the Agricultural Research and Production Assistant officers in charge of each domain. Accordingly, the reliability of the information was reduced.	It is the responsibility of the Department of Statistics, and that it will be implemented at the level of A.R.P.A. to survey the deficiencies.	Information reports should be prepared based on actual data.

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| (d) | Rs.84,080 of acreage tax in relation to the year 2023 and Rs.54,340 in relation to the year 2022 of the Serukele Agrarian Service Committee and, Rs.48,670 for the year 2023 of the Rajakadalua Agrarian Service Committee was to be charged. | A part has been recovered in the year 2024, and the rest will be recovered. | Arrears of acreage tax should be recovered without delay. |
| (e) | At the end of the year under review, 265.87 acres of A grade paddy land, 873.27 acres of B grade paddy land capable of cultivating other crops and 960 acres of uncultivable C grade paddy land remained fallow in the district. | Cultivable paddy lands have been cultivated, and uncultivable paddy fields remain fallow. | Paddy land should be used effectively for cultivation. |
| (f) | The 118 tractors had been given under the 2 KR - 2006, 2008, 2010 project to 118 farmers on loan basis as 93 land masters for Rs.250,000 and 25 land masters for Rs.200,000. An amount of Rs.5,685,420 should have been further collected from 50 farmers as on 31 December of the year under review. The number of land masters which were not assigned to the farmers even though the money was paid was 46. And due to the lack of spare parts in the market for repairs, most of the land masters remain idle nowadays. | That the district officers have been instructed to collect the arrears before 15 July 2024 and that tractors with arrears will be repossessed and sold through tenders to collect the relevant money and hand over the tractors of the farmers who complete the payment. | A program should be implemented to recover outstanding debts, hand over unassigned land masters and bring in spare parts for repairs. |

3.4 Transaction in Controversial Nature

Audit Observation

Although transmission and distribution devices of the electronic data communication company had been constructed in a 12 x 14 feet area of the land of the Palakudawa Agrarian Service Committee, which has been assigned right to the Department of Agriculture, any fee has not been obtained for that to the government or the Agrarian Service Committee.

Comments of the Recommendation Management

The officer-in-charge of the center has been informed to inquire from the company and send a letter and accordingly the proceedings will be taken.

Fees should be collected from the relevant company in a formal manner and credited to the state revenue.

3.5 Idle or Under Utilized Assets

Audit Observation	Comments of the Management	Recommendation
(a) The 3118 kg of TSP, 5600 kg of ERP and 3078 kg of MOP out of the fertilizer received for free issues to farmers in the 2021 Yala season in the district and 9450 kg of ERP fertilizer, 843 liters of organic liquid fertilizers and 1780 liters of bio-liquid fertilizers for the 2022 Yala season in 02 committees, 112 kg of MOP and 417 kg of KCL received in the year 2020 and 2021 of Nainamadama Committee and 1527 kg of MOP received to distribute in the 2021/2022 Maha season of Madurankuliya Committee were idle in the store without utilizing.	Action will be taken on the instructions of the Commissioner of Agrarian Development in future.	Action should be taken to issue the relevant fertilizer stock to the farmers before the expiry.
(b) The tissue culture plant constructed in 2012 by the Vanathavilluwa Agrarian Service Committee with the intervention of World Vision institute has being underutilized and there was a cumulative decline of Rs.1,056,526 in the financial result when comparing its income and expenditure since 2012.	Further action will be taken for the cultivation of mushrooms in the tissue plant.	A program should be developed for fully utilization of assets.

3.6 Delay in execution of Projects

Audit Observation	Comments of the Management	Recommendation
Kudawewa Agrarian Service Centre had not completed the project for the construction of the drain and canal side embankment of U/Haththini Lake with a gross estimated cost of Rs.3.5 million and although Rs.300,864 had been provided by Agrarian Development District Office to the Wanathavilluwa Agrarian Service Committee for the restoration of the Malwila Tank and Ralmaduwa Tank in 2022, the relevant restoration work had not been carried out.	Instructions have been issued to deposit the relevant money in the accounts of the Agrarian Service Committee until the relevant minor irrigation development works are carried out.	Irrigation restoration works should be carried out within the stipulated time.

3.7 Procurement

Audit Observation	Comments of the Management	Recommendation
The 15 Agrarian Service Committees had purchased seed paddy, fertilizers, agricultural equipment, seeds and stationery for Rs.6,110,025, Rs.84,110,897, Rs.183,850, Rs.356,622, and Rs.97,020 respectively from selected suppliers as direct purchases without calling prices in accordance with paragraph 3.4 of the Government Procurement Guidelines 2006.	That, the procurement principles will be followed in future.	Procurement should be carried out in accordance with the guidelines of the Government Procurement Guidelines.

3.8 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
According to the provisions of Section 3.8.2 of Chapter III of the Establishments Code, although an appropriate transfer system should be put in place to accommodate satisfactory service, the Agricultural Research and Production Assistant officers attached to 18 Agrarian Service Committees had served for a long period in the same workplace as they were not subject to transfers under an annual transfer policy.	That it will be brought to the notice of the Commissioner General of Agrarian Development in the future.	A formal transfer policy should be followed.

4. Accountability and Good Governance

Budgetary Control

Audit Observation	Comments of the Management	Recommendation
According to the budget estimates prepared for the year under review, there were variations in the range of 0.33 percent to 1531 percent for 129 income and expenditure subjects of the 18 Agrarian Service Committees. As a result, the budget documents used as a control	Instructions have been issued to prepare clear estimates in the year 2024 and necessary action has been taken.	Estimates should be prepared accurately and expenses should be controlled accordingly.

system were not used as an effective control strategy.

5. Agrarian Bank

Audit Observation	Comments of the Management	Recommendation
(a) The Agrarian Bank has been as a pilot project until now from the establishment and, the requests to develop it in a manner that regulates it as a nationally recognized formal banking system were not forwarded by the Agrarian Service Committees to the Commissioner General of Agrarian Development.	That, it will be brought to the notice of the Commissioner General of Agrarian Development in the future.	Requests should be made for regulation as a recognized banking system.
(b) Due to non-reduction of the advance amount of Rs.1,000,000 given by Madampe Agrarian Bank to a farmers' organization on 27 September 2021 under the 'Wari Diriya Development Programme' in the payment of bills by the District Office at the end of the construction, it could not be recovered the retention money and the money of Rs.428,102 after offsetting as at 02 January 2024..	That the loan has been referred to the Puttalam District Agrarian Tribunal for recovery.	Action should be taken to recover the arrears.
(c) During the inspection of the progress of Rs.8,755,000 of projects given to farmers by 06 Agrarian Service Committees from 2020 to 2023 and 67 project and enterprise loans, 31 projects were not commenced until the date of audit and the physical progress of 13 projects was about 50 percent. Accordingly, follow-up system was not implemented after the loan was disbursed and farmers had not been guided to keep records related to revenue expenditure while implementing the projects.	The relevant Divisional Officers have been informed in writing to conduct follow-up and to take action to recover the loan installments.	Action should be taken to follow up and provide advice after the loan is given.

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| (d) | During the inspection of the disbursements of the project loans, enterprise loans and other loans for 485 domains of 17 Agrarian Service Committees in the district, any type of loan had not been given for 260 domains 53 percent. | Action had been taken to provide loans by implementing the loan scheme in every domain of the district during the year 2024 and to increase their income and recover the loans. | Loans should be issued covering all domains. |
| (e) | Total arrears loan balance of Rs.55,368,217 of agricultural loans, project loans, enterprise loans and other loans granted to 1471 farmers in the 18 Agrarian Service Committees as of 31 December of the year under review for more than 6 months to 20 years had not been recovered. | The arrears borrowers have been referred to the District Agrarian Tribunal and the Magistrate's Court to recover the overdue loan arrears. | Action should be taken to recover the arrears loan balances. |