

09 Agrarian Services Committees in Vavuniya District - 2023

1. Audit Opinion

1.1 The audit of the financial statements of the 09 Agrarian Service Committees in vavuniya District for the year ended 31 December 2023 comprising the statements of financial position as at 31 December 2023 and the statements of financial performance, cash flow statements 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 provisions of 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 09 audit reports issued in relation to 09 Agrarian Service Committees in Vavuniya district, a qualified opinion had been expressed and the material deficiencies had been caused to that are shown below.

1.3 Financial Statements

1.3.1 Accounting Deficiencies

	Audit Observations	Comment of the Management	Recommendation
(a)	Fertilizer storage buildings and paddy drying premises valued at Rs.6,925,295 belonging to 03 Agrarian Service Committees were not shown in the financial statements.	That the manure storage buildings will be valued and included in the financial statements and the value of the paddy drying premises will be included in the financial statements in the year 2024.	The correct value of fixed assets should be accounted for.
(b)	14 units of assets worth Rs.1,165,250 received as donations by 03 Agrarian Service Committees were not included in the financial statements.	That the donated assets will be included in the 2024 financial statements.	Steps should be taken to include the value of the donated assets in the financial statements.
(c)	The Gurukkal Pudukkulam Agrarian Service Committee had repaired the tractor at a cost of Rs.1,249,456 in the year 2022, and the value of the asset was disclosed in the statement of financial position as Rs.169,266 without capitalizing its value.	That the steps will be taken to correct the year 2024 accounts.	The correct value of fixed assets should be accounted for.
(d)	Although depreciation was to be calculated on the straight line method of 05 percent and 20 percent respectively for the	Kindly informed that action will be taken as per circular.	Action should be taken as per the circular.

buildings and machinery of Settikulam Agrarian Service Committee, depreciation was calculated using the declining balance method.

1.3.2 Lack of Written Evidence for Audit

	Audit Observations	Comment of the Management	Recommendation
(a)	The amount of receivables and payable balances of 09 Agrarian Service Committees in the reviewed year had been presented as Rs.21,533,397, but due to the lack of sufficient evidence to prove them, the audit could not be verified satisfactorily.	As the verification documents related to the accounts have been destroyed, that has been sent to the Commissioner General for approval to write off these balances.	A formal investigation should be made regarding the relevant account balances and appropriate action should be taken.
(b)	Fixed deposit certificates relating to two fixed deposits of Rs.8,133,436 shown in the financial statements of Pambeimadu Agrarian Service Committee had not been submitted for audit.	Wartime Fixed Deposit Certificates have gone missing. That it report to the bank and arrange to get new certificates.	Fixed deposit certificates should be obtained and submitted for audit.

1.4 Non-compliance

1.4.1 Non-compliance to Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules and regulations	Non-compliance	Comment of the Management	Recommendation
Circular of the Agrarian Development Department No.08/2020 dated 25 June 2020	Bail money Rs.160,000 had not been collected from the officers of 08 Agrarian Service Committees.	That the steps are being taken to recover the bail money.	Circular should be followed.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, the operational results of 09 Agrarian Service Committees in the reviewed year was an excess of Rs.3,260,796 and Similarly, previous year's deficit was Rs.2,296,467. Accordingly, an increase of Rs.5,557,263 was observed in the financial results.

3. Operating Review
3.1 Management Deficiencies

Audit Observations	Comment of the Management	Recommendation
(a) Rs.115,000 arrears of rent related to the tractor of Settikulam Agrarian Service Committee had not been collected since last 02 years and renewal work of the contract had not been done after 21 July 2022. Arrears of Rs.240,000 were also due for the period when the contracts were not renewed.	Arrangements are being made to submit this matter to the Conciliation Board. That the concerned person has been informed to pay the rent for the non-contracted period.	Actions should be taken to recover the arrears in due time and to extend the contract period.
(b) As per condition No. 10 of the agreement entered into between the Settikulam Agrarian Service Committee and the farmers on 21 July 2021, An additional fee of Rs.2,000 per day shall be charged for each day that the hired tractor is kept after the contract period. Even so, 502 days had elapsed since the termination of the agreement, but no action had been taken to recover the additional fees of Rs.1,004,000.	That this matter is being presented to the Conciliation Board.	Steps should also be taken to collect the additional fees in terms of the agreements.
(c) 07 Agrarian Service Committees had purchased 2,684 boundary stones worth Rs.2,019,735 had been kept in storage for more than 03 to 07 years without being used for the respective purposes.	By introducing new types of boundary stones, steps will be taken to use the old types of boundary stones in the meantime.	Boundary stones should be used to mark the boundaries of the lakes and the respective work should be completed.

3.2 Operating Inefficiencies

Audit Observations	Comment of the Management	Recommendation
Rs.818,485 worth of organic fertilizer given by the Agricultural Development Department for 04 Agrarian Service Committees was kept at the center without being given to the beneficiaries.	As chemical fertilizers were approved as per government policies, the demand for these from farmers remained low. At present, the sale is done according to the demand of the farmers and steps are being taken to use it in the center.	Actions should be taken to use the fertilizers for its intended purpose.

3.3 Receipts and Payments

	Audit Observations	Comment of the Management	Recommendation
(a)	09 Agrarian Service Committees had not been taken steps to collect Rs.10,973,032 from the debtors during the last 1 to 12 years.	That the instructions have been given to write off the outstanding receivables from the books and recover the balances.	Steps should be taken to recover the amount receivable in due time.
(b)	In the last 10 to 12 years, steps had not been taken to recover the arrears amount of Rs.10,007,184 due for the tractors given to 72 farmers by 08 Agrarian Service Committees.	That further work is being done to recover the two-wheeler tractor loan given by the Agrarian Service Center.	Steps should be taken to recover the arrears loan in due time.
(c)	Rs.7,942,589 to be paid to 07 Agrarian Service Committees had not been settled in more than 13 years since 01 last year.	That the arrangements are being made to remove the outstanding dues from the books for a long time and to pay the amounts from 2017 to 2023 to the relevant persons.	Steps should be taken to pay the amount due within the period.

3.4 Transactions of Contentious Nature

	Audit Observations	Comment of the Management	Recommendation
	Rs.513,580 collected for subsidized fertilizers by the Settikulam Agrarian Service Committee had been shown as debits in the financial statements for a long time without being refunded to the beneficiaries.	That due to not updating the details of the concerned farmers correctly, refunds are not possible and that the outstanding amounts due for a long time are being written off from the books.	Steps should be taken to refund the relevant money to the beneficiaries or take it as income under a formal approval.

3.5 Vehicle Management

	Audit Observations	Comment of the Management	Recommendation
	The Vavunia District Secretariat had handed over 07 repaired tractors at a cost of Rs.7,039,193 to 05 Agrarian Service Committees on 16 August 2022, but no action had been taken to use them.	In need of further repair. Repairs will be made and arrangements will be made to use them for plowing activities.	Actions should be taken to implement a formal program for using tractors.

3.6 Assets Management

Audit Observations	Comment of the Management	Recommendation
It was observed that the fertilizer warehouse built by the Ministry of Economic Development for the Kanagarayan Kulam Agrarian Service Committee in 2011 at a cost of Rs.1.5 million has remained unused since 2018.	That they are making efforts to use that fertilizer store in a useful way for another purpose.	Actions should be taken to use the fertilizer storage.

4. Agrarian Banks

Audit Observations	Comment of the Management	Recommendation
Although it has been stated in the Circular No. 04/2012 of the Commissioner General of Agricultural Development dated 29 February 2012 of the Department of Agricultural Development that the seed loans given to the beneficiaries of 07 Agrarian Committees should be recovered within 06 months from the date of granting, the total amount of Rs.21,844,327 loan provided by the agrarian banks was not taken from the beneficiaries for more than from 01 to 14 years.	Steps have also been taken to recover the files of 28 beneficiaries by the Agrarian Conciliation Boards. That further steps will be taken to recover the remaining loan amount in the next financial year.	Steps should be taken as per the circular.