

11 Agrarian Services Committees in Mullathivu District - 2023

1. Audit Opinion

1.1 The audit of the financial statements of the 11 Agrarian Service Committees in Mullathivu 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 11 audit reports issued in relation to 11 Agrarian Service Committees in Mullathivu district, a unqualified opinion for 02 committees and a qualified opinion for 09 committees 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 Accounting Deficiencies

	Observations	Comment of the Management	Recommendation
(a)	The value of Rs.51,558,611 of the 291.16 tons of subsidized fertilizer stocks in the warehouse as on the last day of the year reviewed had not been stated in the financial statements by 06 Agrarian Service Committees.	That the steps will be taken to show in the financial statements in the future.	Steps should be taken to disclose in the financial statements.
(b)	The value of Rs.237,400 worth of computers purchased by 02 Agrarian Service Committees was not accounted for as non-current assets, but it had been stated in the financial statements as recurring expenses.	That the steps will be taken to match from the accumulated fund in the financial statements of the year 2024.	Steps should be taken to show the value of computers as fixed assets in the financial statements.
(c)	The value of 03 laptop computers donated to 02 Agrarian Service Committees in the year under review was Rs.521,557 had not been stated in the financial statements.	That the steps will be taken to show in the financial statements in the future.	Steps should be taken to show in the financial statements.
(d)	A difference of Rs.492,440 was observed due to the balance of Women Farmers Organization Savings Account of Udaiyarkattu Agrarian Service Committee Rs.776,928 shown as Rs.284,488 in financial statements.	That the account report will be corrected with the approval of the Assistant Commissioner for this year.	Reasons for the change should be inquired and corrective actions should be taken.

1.3.2 Lack of Written Evidence for Audit

Observations	Comment of the Management	Recommendation
Due to non-submission of necessary evidence related to the verification 02 tractors, 07 payments and receivable rent shown in the financial statements belonging to 03 Agrarian Service Committees with a value of Rs.6,188,638, those balances could not be satisfactorily verified / vouched during the audit.	That these will be obtained and submitted for audit in the near future.	The relevant evidence should be submitted to the audit.

1.4 Non-compliance

1.4.1 Non-compliance with the Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules and regulations	Non-compliance	Comment of the Management	Recommendation
(a) Financial Regulation 109(i) of the Democratic Socialist Republic of Sri Lanka	The tractor rental balance of Rs.2,622,002 in the previous year's financial statements of 03 Agrarian Service Committees was written off from the books by the Assistant Commissioner of Agricultural Development without formal inspection.	That the relevant amount has been temporarily transferred to the accumulated fund and corrected.	Steps should be taken to recover the receivables or write off the irrecoverable balances after formal verification under formal approval.
(b) Paragraph 9.1 of the Public Finance circular No.01/2020 dated 28 August 2020	05 Agrarian Service Committees had not been taken steps bail money from the officers engaged to collect cash, cheques and warehouse activities.	That the arrangements are being made to pay the bail money.	Circular should be followed.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, the operational result of 11 Agrarian Service Committees in the year under review was a deficit of Rs.802,781, Correspondingly that, the previous year's deficit was Rs.9,137,645. Accordingly, a decrease in the deficiency of Rs.8,334,864 was observed in the financial results.

3. Operating Review

3.1 Management Deficiencies

	Observations	Comment of the Management	Recommendation
(a)	The receivable balances of Rs.2,793,211 and the payable balances of Rs.10,275,795 which had been shown for a long time in the financial statements of 10 Agrarian Service Committees for the year under review had not been taken to recover and pay and settle for a period of 01 to 11 years.	That the steps have been taken to settle.	Actions should be taken to recover the receivables and settle the payables.
(b)	The photocopier purchased by the Sampathanuwara Agrarian Service Committee in the year 2016 was repaired twice in the year under review at a cost of Rs.135,900 and became unusable within 03 months, therefore, the amount spent for this was an idle expenditure.	That after the rats damage repairs, damaged and repaired again.	Safety procedures should be used to protect assets, and repairs should be carried out with a focus on efficiency.

3.2 Non utilization of Funds for Intended Purpose

	Observations	Comment of the Management	Recommendation
	Rs.2,198,164 collected from various parties to give prizes to the children of farmers in 09 Agrarian Service Committees who passed the Grade 5 scholarship examination had been withheld from the past 02 to 08 years without making arrangements to give them to the respective students.	That will be provided.	Actions should be taken to utilize the funds for the respective purposes.

3.3 Assets Utilization

	Observations	Comment of the Management	Recommendation
(a)	The Udaiyar Kattu Agrarian Service Committee's paddy stores was built in the year 2021 at a cost of Rs.1,340,730 had been left without being used for its intended purpose for over a year.	That the Paddy Marketing Board not buying paddy was caused to this.	Steps should be taken to utilize unused assets.
(b)	106 tractors given to 10 Agrarian Service Committees had been kept in the vehicle yard without taking any action for repair for the past 04 to 07 years.	That it is in progress.	- do -

- (c) A tractor which was taken back from a lessee on 19 June 2019 had been kept unused in the yard till the end of the year under review. That it will be transferred to another farmer. - do -

3.4 Contract Administration

Observations	Comment of the Management	Recommendation
According to the agreement reached between the Mullaitivu District Agricultural Development Assistant Commissioner and the Olumadu Farmers' Organization for the tank restoration work at an amount of Rs.4,814,412, the relevant work should have been completed on 11 December 2023, but the farmers' organization had not completed the work by the end of the year under review.	That the works could not be completed due to rain.	Appropriate action should be taken to complete the respective work.

3.5 Human Resource Management

Observations	Comment of the Management	Recommendation
The posts of Agricultural Development Officer and Secretary of Farmer Organization Committee of 08 Agricultural Service Committees are vacant for a period of 01 to 08 years and the Assistant Commissioner for Agricultural Development had appointed the officers who were working in the position of Management Assistant / Development Officer of the Center without formal approval for those posts.	That action will be taken in consultation with the Assistant Commissioner.	Appointments should be made under a formal system.

4. Accountability and Good Governance

4.1 Annual Action Plan

Observations	Comment of the Management	Recommendation
According to the Department of Agricultural Development Circular No. 02/2020 dated 01 January 2020, action plan had not been prepared.	That the actions will be taken to prepare the annual action plan.	Annual action plan should be prepared as per the circular.

4.2 Budgetary Control

Observations	Comment of the Management	Recommendation
According to paragraph 09 of the Agrarian Development Commissioner General's circular No. 107 dated 16 October 1981, income had not been properly identified, estimated and prepared income estimates for the year under review.	That will be corrected in the future.	The estimate should be prepared as per the circular.

4.3 Sustainable Development Goals

Observations	Comment of the Management	Recommendation
According to the Sustainable Development Act No. 19 of 2017, to achieve the Sustainable Development Goals by year 2030, the goals to be implemented annually by the centers and the necessary activities to achieve those goals and the indicators needed to measure its progress had not been identified and implemented since the period of 06 years.	That the action will be taken.	Actions should be taken to identify indicators and measure annual progress towards achieving the Sustainable Development Goals.

5. Agrarian Banks

Observations	Comment of the Management	Recommendation
(a) Rs.2,955,632 had not recovered from the loan amount given to farmers by the agrarian banks of 11 agrarian committees from last year 01 to 11.	That the steps have been taken to recover the arrears.	Steps should be taken to recover the arrears.
(b) 5,731 agrarian bank accounts worth Rs.3,533,979 of Udaiyar Kattu Agrarian Committee remained inactive bank accounts for more than 02 years.	That the all accounts will be implemented in this year.	Methods should be introduced to keep dormant bank accounts in active.

6. Systems and Controls

6.1 Internal Audit

Observations	Comment of the Management	Recommendation
The Assistant Commissioner for Agricultural Development had not taken action to conduct internal audits in terms of Operations, Finance Regulations 133 and 134 regarding 11 Agrarian Service Committees for the past 10 years.	That the action will be taken.	Actions should be taken in accordance with the financial regulations.