

13 Agrarian Services Committees in Mannar District - 2023

1. Audit Opinion

1.1 The audit of the financial statements of the 13 Agrarian Service Committees in Mannar 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 For the audit reports issued in relation to 13 Agrarian Service Committees in Mannar district in the year 2023, 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 Accounting Deficiencies

Audit Observations	Comment of the Management	Recommendation
(a) The value of land, buildings and property, equipment and machinery belonging to 05 Agricultural Service Committees was assessed and not included in the financial statements of the year under review, so the value of non-current assets was understated.	That the value of the assets after taking over will be assessed and included in the financial statements.	Actions should be taken to assess the values and show them in the financial statements.
(b) Rs.3,121,925 due to 03 Agrarian Service Committees had not been shown in the financial statements.	That the steps will be taken to properly disclose the relevant values.	Final balances should be entered and financial statements should be prepared correctly.
(c) Uylankulam Agrarian Service Committee disclosed the Rs.244,000 received as donation income as a credit and the amount was over-credited and understated the surplus in the financial statements.	That the steps have been taken to transfer donation contribution to income and instructions have been given to prevent such errors from happening in the future.	- do -
(d) The fertilizer advance of Rs.170,000 received by the Silawathura Agrarian Service Committee had not been shown as a credit in the financial statements.	That the steps have been taken to pay the amount received as advance in installments.	- do -

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| (e) | Periyapullachchi Potkeni Agrarian Service Committee had not calculated the depreciation for the building and tractor yard which cost Rs.7,830,000 as shown under non-current assets in the statement of financial position of the year under review. | No comments. | - do - |
| (f) | The Artkattiveli Agrarian Service Committee had not taken steps to include the machinery of Rs.7,685,000 received as donations in the year 2010 in the financial statements of the committee. | That this value will be added to the Accumulated Fund after the ownership is transferred and steps will be taken to adjust the Accumulated Fund. | - do - |
| (g) | The income surplus of 10 Agrarian Service Committees which was Rs.2,932,284 over the expenditure had been overstated due to various reasons. | That the steps will be taken to correct such accounting errors. | - do - |
| (h) | The sum of current assets of 03 Agrarian Service Committees of Rs.863,540 had not been disclosed in the financial statements. | That the steps will be taken to disclose it as current assets in the future. | - do - |

1.3.2 Lack of Written Evidence for Audit

Audit Observations	Comment of the Management	Recommendation
The 02 advance balances totaling Rs.12,101,368, fixed deposits balances, 08 receivable cash balances, 02 payable balances and donations disclose in the financial statements in the year under review related to 09 Agrarian Service Committees could not be satisfactorily verified in audit due to non-submission of require evidence.	Since there is insufficient informations, these are being worked on to adjust the accounts.	Necessary evidence to verify the relevant balances should be submitted to the audit.

1.3.3 Suspense Accounts

Audit Observations	Comment of the Management	Recommendation
In the balance sheet of the Uylankulam Agrarian Service Committee, no effective steps have been taken to investigate and settle the outstanding cheque receipts of Rs.447,462 from the year 2011.	That the pending (debit) receipts have been sent for the advice of the Commissioner General of Agricultural Development.	Appropriate action should be taken.

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
(a) Agrarian Development Act No. 46 of 2020			
(i) Section 44(1)	Although it was stated that the annual accounts of every agrarian organization should be checked by an officer authorized by the Commissioner General, the accounts of 13 Agrarian Service Committees were not checked in that way.	That the instructions have been given to check the accounts as scheduled in the future.	Actions should be taken in accordance to the provisions of the act.
(ii) Section 45(1)	Although agrarian land records were to be certified by the Commissioner of Agricultural Services, the records of 13 Agrarian Service Committees had not been certified by the Commissioner of Agricultural Services.	After completion of each paddy land survey program, that the agricultural land records will be certified by the Commissioner of Agricultural Services.	- do -
(b) Paragraph 9.1 of part II of State Finance circular dated 28 August 2020	13 Agrarian Service Committees had not been taken bail money from the officers engaged in cash, cheques and warehouse management since last 04 years.	That the process of collecting the bail money from the related officers and depositing it in the bank is going on.	Actions should be taken in accordance to the provisions of the act.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operating results of the 13 Agrarian Service Committees in the year under review were a surplus of Rs.24,799,740, Similarly that, previous year's deficit was Rs. 10,918,767. According that, an increase of Rs.35,718,507 was observed in the financial results.

3. Operating Review

3.1 Management Deficiencies

Audit Observations	Comment of the Management	Recommendation
(a) 10 Agrarian Service Committees had not been taken steps to collect receivable money of Rs.7,887,653 due for a long time.	That it has been sent for the approval of the Commissioner General of Agricultural Development for adjustment in the accounts reports.	Effective actions should be taken to recover the amount due.
(b) 06 Agrarian Service Committees had not been taken steps to pay the outstanding amount of Rs.3,157,855 for a long time.	- do -	Effective actions should be taken to clear the dues.

3.2 Idle Property, Plant and Equipment

Audit Observations	Comment of the Management	Recommendation
59 tractors and 18 assets of 04 types in 10 Agrarian Service Committees have been idle for more than 08 years and no actions had been taken to properly dispose of them or reuse them.	That it has been sent for approval of the Commissioner General of Agricultural Development for the reusable ones are used and the remaining ones are assessed and sold in public auction.	Assets should be fully utilized or properly disposed of.

3.3 Human Resource Management

Audit Observations	Comment of the Management	Recommendation
In 13 Agrarian Service Committees, information on approved staff and actual staff as of December 31, 2023 had not been submitted to the audit and it was observed during the audit that no formal Human Resource plan had been prepared.	That in the near future, the relevant details will be submitted to the audit and a formal human resource plan will be prepared.	Human resource plan should be made while entering the staff details.

3.4 Vehicle Management

Audit Observations	Comment of the Management	Recommendation
Actions had not been taken to take ownership of the tractors in 13 Agrarian Service Committees and to keep the vehicle log books and daily running records up to date.	That the steps will be taken to take over the ownership of all the tractors available in the agrarian service centers and to keep the daily running records up to date.	Steps should be taken to take ownership and keep log books and running records up to date.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observations	Comment of the Management	Recommendation
As per Agricultural Development Circular No. 02/2020 dated 01 January 2020, the Annual Action Plan had not been prepared.	That the 13 Agrarian Service Committees have been instructed to prepare the annual action plan in the future.	Actions should be taken in according to the relevant circulars.

4.2 Budgetary Control

Audit Observations	Comment of the Management	Recommendation
According to paragraph 09 of the Commissioner General of Agricultural Development's Circular No. 107 dated 16 October 1981, incomes from 01 to 16 had not been properly identified, assessed and prepared income estimates for the year under review.	That revenue estimates are prepared in accordance with the format prepared by the head office.	Revenue estimate should be prepared as per the circular.

4.3 Sustainable Development Goals

Audit Observations	Comment of the Management	Recommendation
According to the Sustainable Development Act No. 19 of 2017, in order to achieve the Sustainable Development Goals (in the year 2030), the Agrarian Service Committees had not been taken steps to identify and implement the goals to be achieved annually, the things to be implemented to achieve those goals and the indicators to measure its progress.	In order to achieve sustainable development objectives, that the goals to be achieved annually and the achievement of those goals and the indicators to measure its progress will be identified and implemented.	Steps should be taken to fulfill the relevant requirements as per the provisions of the Act.

5. Agrarian Banks

Audit Observations	Comment of the Management	Recommendation
07 Agrarian Committees have not recovered Rs.1,460,759 from the loan amount given to farmers in the period 2018-2022.	That the reminders have been sent by phone and letter to those who have received the due loan and steps have been taken to collect the relevant loan amount.	Steps should be taken to recover the arrears loan amount.

6. Systems and Controls

Audit Observations	Comment of the Management	Recommendation
In terms of Finance Regulations 133 and 134, the Assistant Commissioner for Agricultural Development has not taken steps for over 10 years to conduct an internal audit of the activities of the Executive Committees of 13 Agrarian Service Committees.	That internal audit checks will be conducted in the near future.	Financial Regulations should be followed.