

22 Agrarian Services Committees in Trincomalee District - 2023

1. Audit Opinion

1.1 The audit of the financial statements of the 22 Agrarian Service Committees in Trincomalee 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 22 audit reports issued in relation to 22 Agrarian Service Committees in Trincomalee district, a qualified opinion has been expressed in all 22 audit reports and material deficiencies that had been caused to these are shown below.

1.3 Financial Statements

1.3.1 Accounting Deficiencies

	Audit Observations	Comments of Management	Recommendations
(a)	According to the section 04 of Agrarian Development Department circular No.107 date 16 October 1981, although the depreciation for furniture and equipment should be used 10 percentages of diminishing balance method, the 04 Agrarian Service Committees had been made different methods and rates of depreciation. As a result the income had been understated by Rs.294,224.	This will be corrected in future financial statements and depreciated for furniture and equipment according to the relevant method from the accounting records.	Depreciation should be made as per the circular.
(b)	The value of Rs.1,080,668 due for two-wheeled tractors provided to farmers at subsidized prices by 03 Agrarian Service Committees had not been stated in the financial statements.	Action will be taken to include this to the financial statements in the next year.	The due balance should be included in the financial statements.
(c)	The acreage tax revenue of 06 Agrarian Service Committees had been understated by Rs.477,192 in the Statement of Financial Performance and the due acreage tax revenue had been understated by Rs.378,081 in the Statement of Financial Status.	Action will be taken to include it in the financial statements in the future.	Action should be taken to correct the information in the financial statements.

- | | | | |
|-----|---|--|---|
| (d) | The Uppuweli Agrarian Services Committee had not been included 04 computers, 04 computer desks, a loudspeaker and a freezer had purchased during the year under review with an actual value of Rs.1,602,150 as non-current assets in the Statement of Financial Position. | The amount of Rs.1,602,150 will be shown under non-current assets. | Purchased capital assets should be included in the financial statements as non-current assets. |
| (e) | The profit for the year under review was overstated by Rs.30,000 due to the fact that 303 bushels of seed paddy worth Rs.1,097,650 purchased by the Kurinchankarni Agrarian Services Committee during the year under review were shown as Rs. 1,067,650 in the seed paddy sales account. | Answers had not been given. | Action should be taken to include the correct value to the financial statements. |
| (f) | At the end of the year under review, the Thoppur Agrarian Services Committee had 480 bags of TSP fertilizer worth a total of Rs.4,800,000 and it was understated of Rs.200,000 in the inventory account as 460 bags of TSP fertilizer worth Rs.4,600,000 | Answers had not been given. | Action should be taken to correct |
| (g) | The acreage tax revenue, which was previously received for the year 2024, totaling Rs.602,350, had not been adjusted to the financial statement of the Thoppur Agrarian Services Committee in the year under review. | Answers had not been given. | Action should be taken to adjust the income received for the coming year to the financial statements. |
| (h) | The net cash flow from operating activities was understated and net cash flow from investing activities was also overstated by that amount due to the purchase of non-current assets worth Rs.592,731 purchased by the Mullipothana Agrarian Services Committee during the year under review was shown as cash flows under operating activities in the cash flow statement. | The value of non-current assets purchased during the year under review has been incorrectly stated under the heading of operating activities in the cash flow statement. This will be corrected. | Cash flow statements should be prepared accurately. |
| (i) | Although the total seed paddy sales of the Uppuweli Agrarian Services Committee during the year under review | This error occurred while bringing the total from the wholesale distribution account | The correct value should be checked and reconciled in the |

	was Rs.6,631,800, the total of the seed paddy sales account was stated as Rs.6,520,200, which was understated of Rs.111,600.	to the sales account. In future years, such errors will be corrected through profit adjustment statements.	financial statements.
(j)	The value of the total amount of paddy rice purchased from two paddy suppliers of the Uppuveli Agricultural Services Committee during the year under review was Rs.5,572,700, which was overstated by Rs.247,800 in the paddy seed sales account as Rs.5,820,500.	This error occurred while bringing the total from the wholesale distribution account to the sales account. In future years, such errors will be corrected through profit adjustment statements.	- do -
(k)	The total value of urea and MOP fertilizers sold to farmers for cash by the Kilivetti Agrarian Services Committee during the year under review was Rs.25,195,093, which was stated as Rs.41,347,054 in the cash flow statement.	The value of urea and MOP fertilizers sold for cash will be corrected in the cash flow statement in the account report for the year 2024.	- do -
(l)	Although the amount payable for chemical fertilizers purchased from a company by the Kilivetti Agrarian Services Committee during the year under review was Rs.18,804,510, it was stated as Rs.16,529,579 in the Statement of Financial Position.	The relevant amount payable for the purchase from the company will be corrected in the account reports for the year 2024.	Action should be taken to correct it after formal investigation.
(m)	The balance of Rs.1,027,525 in the savings account of the Bank of Ceylon in the name of the Kuchchaveli Agrarian Services Committee at the end of the year under review had not been included in the closing cash and cash equivalents in the cash flow statement.	Will be corrected in the year 2024. It will be included in the cash flow sitatement.	- do - -
(n)	The building of the Echchilampattu Agrarian Services Committee had been renovated in 2024 at a cost of Rs.2,842,453, and that value had not been capitalized.	Action will be taken to rectify.	It should be corrected.
(o)	The Shredder machine worth Rs.3,269,400 provided by the Department of Agriculture to the Echchalampattu Agrarian Services	Steps will be taken to include it in future accounting reports.	Steps should be taken to include the assets owned by the committee in the

Committee in the year 2021 had not been included in the fixed assets in the financial statement of the year under review.

financial statements.

1.3.2 Lack of Written Evidence for Audit

Audit Observations	Comments of Management	Recommendations
(a) Due to the failure to submit balance confirmation letters and debtor documents totaling Rs. 103,432,248 due from 17 Agricultural Service Committees, it was not possible to satisfactorily verify in the audit.	The relevant action will be taken after approval from Assistant Commissioner	Steps should be taken to submit the requested evidence to the audit required to verify the balances.
(b) The payable balances from 17 Agrarian Service Committees totaling Rs.180,089,670 could not be satisfactorily verified due to the failure to submit confirmation letters and purchase vouchers for audit.	The relevant action will be taken after approval from Assistant Commissioner	- do -
(c) The total current asset balances of 5 Agrarian Service Committees amounting to Rs.556,296, the total current liability balances of 5 committees of Rs. 11,144,357, the total non-current asset balances of 6 committees of Rs.420,674 and the total non-current liability balances of 7 committees of Rs.1,041,750 could not be satisfactorily verified due to reasons such as the non-availability of the basic documents requested by the audit to substantiate the same and the inability to verify physical existence.	The relevant action will be taken after approval from Assistant Commissioner	Relevant evidence to be substantiated during the audit should be submitted.

1.4 Non-compliances with Laws, Rules, and Regulations

	Reference to Laws, Rules, and Regulations	Non-compliance	Comments of Management	Recommendation
(a)	Agrarian Development Act, No. 46 of 2000			
i.	Section 43 (9)	The Committee had not taken steps to hold annual general meetings of the 10 Agrarian Service Committees and meetings related to the 123 farmers' organizations for more than two years.	The action will be taken to conduct the Annual General Meeting of farmer organization in the current year.	The provisions of the Act should be implemented.
ii.	Section 55(1)	08 Agrarian Service Committees had not been taken steps to survey agricultural lands.	The attention of the District Office has been drawn to the need to conduct land surveys.	- do -
(b)	The Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
i.	F.R.110	13 committees had not been maintained records of damages and losses.	Actions will be taken to maintain it in the future.	Financial regulations should be followed.
ii.	F.R. 502(02) and 756	12 committees had not been maintained the fixed assets register, and 4 of them had not been physically verified the fixed assets.	Actions will be taken to maintain it in the future.	- do -
(c)	State Finance Circular No. 01/2017 dated 17 February 2014	The annual action plan for the year under review had not been prepared in accordance with the circular provisions of 9 Agrarian Service Centers.	The complete draft plan will be implemented in accordance with the departmental instructions.	Action should be taken in accordance with the provisions of the circular.

2. Financial Review

2.1 Financial Results

- (a) During the year under review, The operating result of the 22 Agrarian Service Committees was a surplus of Rs. 11,897,451 and accordingly, the financial result of the year under review had increased by Rs.10,634,676 compared to the previous year, due the surplus of the previous year was Rs.1,262,775. The increase in surplus was mainly due to the increase in operating income and decrease in operating expenses of the committees.
- (b) According to the income and expenditure account presented, the operating result of 22 Agrarian Development Banks during the year under review was a surplus of Rs.2,296,586 and accordingly, the financial result had increased by Rs.1,001,518 as the surplus of the previous year was Rs.1,295,068.

3. Operational Review

3.1 Operational inefficiencies

	Audit Observations	Comments of Management	Recommendations
(a)	According to the Paddy Land Registers and Data System, out of the 6110 acres of paddy land that can be cultivated in the area under the jurisdiction of the Thoppur Agrarian Service Center, 46 acres of paddy land had not been registered.	Taxes have been levied only on cultivated paddy lands.	Steps should be taken to register the entire area of paddy lands in the Paddy Land Register in accordance with legal provisions.
(b)	579 complaints received by 6 Agrarian Service Committees regarding paddy lands in the previous year and the year under review had not been examined.	Relevant activities have been planned for examination (for testing).	Action should be taken to investigate complaints received within the relevant period.
(c)	The model estates developed by two Agrarian Service Committees at a cost of Rs.375,578 remained underutilized.	Action is taken to ensure the physical existence of long-term investments and generate income from them.	The physical existence of long-term investments should be proven and action should be made to generate income from them.
(d)	The Gomarankadawala Agricultural Services Committee had 480 bags of 50 kg TSP fertilizer worth Rs. 4,800,000	No answers were given.	The fertilizer bags in the warehouse should be sold, and appropriate action should be taken

purchased from the National Fertilizer Company in previous years, which remained unsold in the warehouse and another 90 bags of fertilizer worth Rs. 162,000, which had been purchased from a private company, had been damaged during the year under review.

after a formal inspection of damaged fertilizer.

- | | | | |
|-----|--|---|--|
| (e) | It was observed that 1,747 acres of paddy land in the Pulmude Agrarian Services Area had been abandoned without paddy cultivation. | Letters have been sent to departments requesting approval to release abandoned lands within our agricultural service area when documentation is available. After approval is received, steps will be taken to clear the land and use it for paddy cultivation. | Steps should be taken to make uncultivated lands cultivable with proper supervision. |
| (f) | Rs.120,000 out of the value of the two-wheeled tractor worth Rs.200,000 provided on loan to a farmer in the year 2008 on the basis of installment payments by the Kinniya Agrarian Services Committee had not been recovered up to the end of the year under review. | Although a case had been filed with the Agrarian Tribunal to recover the money from his sons since the person had died, the Agrarian Tribunal had not initiated proceedings to date. However, steps will be taken to continue the relevant case in the coming period. | Steps should be taken to promptly collect the outstanding installment amount in a proper manner. |

3.2 Management Inefficiencies

Audit Observations	Comments of Management	Recommendations
(a) 04 paddy cultivation machines provided by CSIAP Institute to the Gomarankadawala Agrarian Service Center in February 2022 remained unused and idle due to lack of instructions on how to use them and the high cost of using them.	No answers were given.	Steps should be taken to utilize the asset effectively or transfer it to another required agricultural committee under formal approval.
(b) No steps had been taken to efficiently utilize the amount of Rs.216,966 that had been in the bank current account of	The amount of Rs.216,966 in this account will be invested in a fixed deposit	Efforts should be made to effectively utilize the money lying idle in the

the Pulmuda Agrarian Services Committee for more than 10 months or to invest it in a fixed deposit. with the approval of the Assistant Commissioner and the interest will be earned. accounts.

- (c) A stock of organic fertilizer totaling Rs. 359,970 from 2 Agrarian Service Committees relating to previous years remained idle even on the last day of the year under review, while a stock of organic fertilizer totaling Rs. 1,324,873 from 3 Committees had been expired. Furthermore, it was observed that 23,958 kg of expired organic fertilizer and 13,354 liters of organic liquid fertilizer remained in the warehouses of 2 Agrarian Service Committees. That the action will be taken after receiving advice from the District Assistant Commissioner and steps will be taken to remove the relevant fertilizer. Steps should be taken to obtain organic fertilizers considering the needs of farmers, and these stocks should be distributed to farmers before they expire.

3.3 Idle or underutilized property, plant and equipment

Audit Observations	Comments of Management	Recommendations
An unrepaired tractor and 5 agricultural liquid sprayers with unspecified value in 02 Agrarian Service Committees lying idle.	While the tractor was not provided and 3 other liquid sprayers were in usable condition.	Tractors should be repaired and rented out and liquid sprayers should be provided to farmers for use under a formal system.

3.4 Human Resource Management

Audit Observations	Comments of Management	Recommendations
During the year under review, 33 Development Officers were excess in 22 Agrarian Service Councils and 10 Agrarian Development Officers, 12 Management Assistants, 78 Agricultural Research Production Assistants, 04 Watchmen and 06 Office Assistants were vacant.	Information on human resources has been submitted to the District Assistant Commissioner.	Steps should be taken to re-review the staff and fill the necessary vacancies and release surplus staff to other institutions.

4. Agrarian Banks

Audit Observations	Comments of Management	Recommendations
(a) Formal steps had not been taken to recover the total amount of Rs.17,473,652 in loans and interest, which had been given to 228 farmers	In the year under review, steps will be taken to recover the debts of farmers who have not paid their debts by	Action should be taken to recover the debt in a proper manner.

in the year under review and referring them to the previous years, but which had not been recovered by the end of the year under review, despite the expiry of the contract period of 16 Agrarian Service Committees. Mediation Board.

- (b) During the year under review, 4 Agrarian Banks had provided agricultural loans totaling Rs.4,011,400 to 60 farmers, but these loans were provided without obtaining the relevant documents and without properly completing the loan applications. Since the officers at the Agricultural Development Bank have little knowledge of accounting, the documents were not completed properly, and the officers in charge of the sections give approval and take steps to provide loans under the full supervision of the Agricultural Development Officers. The loan should be granted after the completion of all necessary legal requirements and documents.
- (c) In accordance with the Agrarian Bank Management Circulars No. 09/2020 dated 08 October 2020 and No. 04/2012 dated 29 February 2012 regarding Financial Control and Reporting of the Department of Agrarian Development, 15 agricultural banks had not taken any action to improve shareholder and depositor participation during the year under review. In the future, steps will be taken to increase the participation of shareholders and depositors. Circulars should be followed.