

## 09 Agrarian Services Committees in Vavuniya District - 2024

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### 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 2024 comprising the statements of financial position as at 31 December 2024 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 All 09 audit reports issued in relation to 09 Agrarian Service Committees in the Vavuniya District have been issued with a qualified opinion, and the material deficiencies that have caused to the qualified opinion are shown below.

### 1.3 Financial Statements

#### 1.3.1 Accounting Deficiencies

	<b>Audit Observations</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a)	Since the previous year's income of Rs.4,654,758 of 09 Agrarian Service Committees was accounted for as income of the year under review, the surpluses of the year under review had been overstated by that amount.	Necessary steps have been taken to avoid such accounting shortcomings.	Arrangements should be made to maintain accounts on an accrual basis.
(b)	Since the income of 06 Agricultural Service Committees of Rs. 598,562 in the year under review had not been accounted for, the surpluses of the year under review had been understated by that amount.	I will take steps to correct the accounts for the coming financial year.	All income for the year under review should be accounted for on an accrual basis, and appropriate adjustments should be made to the financial statements and errors should be corrected.

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| (c) | The value of the current assets of 08 Agrarian Service Committees had been understated by Rs. 1,156,789.   | I will adjust the relevant value to the accumulated fund.  | Assets should be accurately identified and accounted for, and the relevant balance should be accurately reconciled to the financial statements.      |
| (d) | Since buildings and machinery worth Rs. 4,115,706 of 03 Agrarian Service Committees had not been accounted for, the value of non-current assets in the year under review had been understated by that amount.  | I will take action to account for the value of the assets and make adjustments to the accumulated fund.  | - do -   |
| (e) | Current liabilities were understated by the value of Rs. 299,246 due to non-accounting of current liabilities of 02 Agrarian Service Committees.   | Documents related to liabilities will be obtained and arrangements will be made to pay in installments.  | Liabilities should be accurately accounted for and corrected.  |
| (f) | Since the distribution expenses of Rs. 2,766,784, which had been reimbursed in respect of the previous financial year by 09 Agrarian Service Committees, had been shown as income in the year under review, the surplus for the year under review had been overstated by that amount.                                | The handling costs related to the sale of fertilizer with the subsidy money from the State Fertilizer Corporation are included in the financial statements as they are received as income by the district offices. | Action should be taken to accounted for the reimbursed expenses as receivables.  |
| (g) | Due to the fact that the outstanding acreage tax of Rs. 31,588 for the year 2023, which was collected in the year under review by 02 Agrarian Service Committees, has been shown as income in the financial performance statement for the year under review, the revenue surplus had been overstated by that amount. | The relevant value will be adjusted to the accumulated fund in the future.   | Revenue should be included to the statement of financial performance on an accrual basis, and a formal control system should be introduced for this. |

(h) In calculating the depreciation of buildings of 02 Agrarian Service Committees, depreciation was understated by Rs.234,715 due to depreciation based on the diminishing balance instead of the cost of the assets, and therefore the surpluses of the year under review had been overstated by that amount.	I would like to inform you that the depreciation calculations for buildings and machinery will be carried out properly in the future.	Appropriate depreciation should be carried out and accounted for based on correct financial policies.
(i) Since the fixed deposit interest income of Rs. 41,197 of 03 Agricultural Service Committees was not shown as income in the year under review, the surpluses had been understated by that amount.	In the future, I will calculate the interest income accordingly and show it in the accounting statements.	Revenues related to the period should be accurately identified and accounted for on an accrual basis.
(j) The Kovilkulam Agrarian Service Committee had been understated the surplus and current assets for the year under review by the same amount due to the rental income of Rs. 446,670 belonging to 03 types of rental income was not accounted for as income in the year under review.	Due to the failure to provide insurance coverage and revenue licenses for the tractor, it has been impossible to collect rent. Since this matter needs to be discussed and decided, I have not taken steps to record this amount as a receivable.	Rental income should be accounted for on an accrual basis and the correct balances should be shown in the financial statements.

### 1.3.2 Lack of Written Evidence for Audit

<b>Audit Observations</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) Although the receivable balances of 08 Agrarian Service Committees as at the end of the year under review, stated as Rs. 10,119,075 and the payable balances of 05 Committees stated as Rs. 4,450,717, the necessary evidence to substantiate those balances had not been submitted for audit.	Since the documents required to substantiate the relevant accounts have been destroyed, the Assistant Commissioner of Agrarian Services Development was informed to grant approval to write off this balance.	Sufficient written evidence to substantiate the balances stated in the accounts should be submitted to the audit or appropriate action should be taken regarding the balances after a formal investigation.
(b) Assets worth Rs. 267,345 stated in the financial statements of 03 committees for the year under review had not been physically presented for audit.	A committee will be appointed by the department in this regard, recommendations will be obtained and action will be taken to resolve the matter accordingly with the approval	The assets stated in the accounts should be physically submitted to the audit for verification, and if those assets are not available, necessary investigations

of the Assistant should be made and appropriate action taken.

- (c) Fixed deposit certificates relating to 02 fixed deposits worth Rs. 8,754,026, which were stated in the financial statements of the Pampeimadu Agrarian Services Committee, had not been submitted for audit. The bank will be notified and arrangements will be made to obtain a new one. Arrangements should be made to submit fixed deposit certificates for audit.

#### 1.4 Non-compliance to Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules and regulations	Non-compliance	Comment of the Management	Recommendation
Agrarian Development Act No 46 of 2000			
(a) Section 25(1)	Supervisory committees had not been appointed in 09 Agrarian Service Committees.	The Commissioner General of Agrarian Services Development Council Supervisory Committees.	Supervisory committees should be appointed in accordance with the relevant section of the Act.
(b) Section 44 (1)	According to the Act, the annual accounts of 09 Agrarian Service Committees had not been subjected to internal audit.	Action will be taken to check the accounts in the future.	Action should be taken in accordance with the relevant section of the Act.

## 2. Financial Review

### 2.1 Financial Results

According to the presented financial statements, the total net surplus of 09 Agrarian Service Committees in the year 2024 was Rs. 11,481,157, accordingly that, due to the surplus of the previous year was Rs. 3,260,796, an increase of Rs. 8,220,361 was observed in the financial result.

**3. Operating Review**  
**3.1 Management Deficiencies**

<b>Audit Observations</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) It was observed that 2029 boundary stones worth Rs. 1,459,160 purchased by 05 Agrarian Service Committees for marking tank boundaries were being retained at the relevant centers without being used for the relevant purpose.	In the future, measures will be taken to complete the measurement of tanks that have not yet been demarcated and to erect boundary stones.	Steps should be taken to use boundary stones efficiently and effectively for the relevant purpose.
(b) Although the Madukanda Agrarian Services Committee had collected an overpayment of Rs. 61,600 in fertilizer subsidies for the years 2014/2015 in 2018, no action had been taken to send that amount to the relevant institution for more than 06 years.	Steps will be taken to send the relevant amount to that institution in the future.	Prompt action should be taken to send the collected money to the relevant institution.
(c) Agrarian Dining Hall belonging to the Settikulam Agrarian Services Committee had not entered into proper agreements with the relevant party to carry out commercial activities since October 2023.	Necessary steps are being taken to sign the necessary agreements to maintain the dining hall in 2025.	Steps should be taken to enter into a formal written agreement with the relevant parties.

**3.2 Operating Inefficiencies**

<b>Audit Observations</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) The expired stocks worth Rs. 719,791 of 02 Agrarian Service Committees had been kept in the warehouse without taking necessary action for a period of 10 to 16 years.	A committee has been appointed regarding the above stocks and necessary steps are being taken to remove them from the books.	Necessary action should be taken promptly regarding expired stocks under formal approval.
(b) The stock of organic fertilizer produced by 02 Agrarian Service Committees in the year 2021 at a cost of Rs. 355,710 had not been released to the beneficiaries and had remained idle.	Necessary action will be taken in this regard with the approval of the Assistant Commissioner.	Necessary steps should be taken to effectively utilize the stock of organic fertilizer.

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| (c) | The Madukanda Agrarian Services Committee had collected Rs. 285,000 from farmers in 2016 for issuing identity cards to farmers, but the amount had been withheld for more than 8 years without being used for the relevant purpose. | Since the necessary information is not available, action will be taken as per the instructions of the Assistant Commissioner. | Necessary actions should be taken to accomplish the intended task. |
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### 3.3 Identified Losses

<b>Audit Observations</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) As stated in the statement of financial position of the Kovilkulam Agrarian Services Committee, it was observed that a loss of Rs. 2,131,815 had been incurred due to the decrease in the stocks of seeds, paddy and plants at the center in the year under review and previous years.	Necessary action is being taken regarding the loss of Rs. 2,131,815 to the center, and the Assistant Commissioner has been informed.	A formal investigation should be conducted, the responsible parties should be identified, and steps should be taken to recover the relevant losses.

### 3.4 Assets Management

<b>Audit Observations</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) It was observed that 61 tractors, 15 tractor trailers and 45 items of 6 types of asset in 08 Agrarian Service Committees had not been utilized for more than 08 years.	Action will be taken to repair and reuse or dispose of it in the future.	Steps should be taken to repair and utilize it or transfer it to another committee or dispose of it properly.

### 3.5 Procurement Management

<b>Audit Observations</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) Procurement procedures had not been followed for 805,117 kilograms of seed paddy and 10,450 kilograms of chemical fertilizer worth Rs. 172,752,795 purchased by 09 Agrarian Service Committees in the year under review.	Steps will be taken to follow the relevant procedures in future purchases.	All purchases must follow the relevant procedures as per the procurement guidelines, and action should be taken against parties who fail to do so.

### 3.6 Receivable and Payable Balances

<b>Audit Observations</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) As of 31 December 2024, steps had not been taken to recover the amount of Rs.8,875,545 due from 52 debtors in 9 Agrarian Service Committees for a period of 2 to 24 years.	Action will be taken to recover it in the coming years.	Action should be taken against officers who have not taken steps to collect the outstanding loans in a timely manner and their recovery should be expedited.
(b) As of 31 December 2024, steps had not been taken to pay the amount of Rs.7,805,739 due to 28 creditors for years 02 to 14 in 7 Agrarian Service Committees.	Necessary action will be taken regarding the relevant outstanding amount in the coming years.	Necessary steps should be taken to ensure that the loan balance is confirmed in a formal manner and the relevant money are paid promptly.

## 4. Accountability and Good Governance

### 4.1 Internal Audit

<b>Audit Observations</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) It was observed that for more than 10 years, adequate internal audits had not been conducted in 09 Agrarian Service Committees in accordance with Financial Regulations 133 and 134.	An internal audit will be conducted in accordance with financial regulations for the activities of the Agrarian Service Centers.	An internal audit should be conducted in accordance with financial regulations.

## 5. Agrarian Ban Activities

<b>Audit Observations</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) According to the Agrarian Bank Circular No. 04/2012, although the loans given by 08 Agrarian Committees were to be recovered within 06 months, the outstanding loan amount of Rs.5,184,919 to be recovered from 141 beneficiaries had not been taken up for a period of between 02 and 12 years.	Rs.511,502 of the relevant amount has been recovered. Further, necessary steps are being taken to recover Rs.4,673,417.	Action should be taken against officers who have not collected outstanding loans on time and necessary steps should be taken to promptly recover the outstanding loans.