

11 Agrarian Services Committees in Mullathivu District – 2024

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 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 11 audit reports issued in relation to 11 Agrarian Service Committees in the Mullathivu 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

Audit Observations	Comment of the Management	Recommendation
(a) The value of 221.10 metric tons of subsidized fertilizer held by 7 Agrarian Service Committees as of 31 December of the year under review had not been disclosed in the financial statements.	The amount was not shown due to the payment made after the sale. Steps have been taken to show the relevant amount in the upcoming financial statements.	Steps should be taken to indicate the value of subsidized fertilizer stock in the financial statements.
(b) During the year under review, the total value of buildings, televisions and agricultural equipment belonging to 03 Agrarian Committees, amounting to Rs.1,016,703, had not been disclosed in the financial statements.	Action will be taken to include this in next year's financial statements.	All fixed assets should be disclosed in the financial statements.
(c) During the year under review, Rs.335,035, which had been reimbursed to 05 Agrarian Service Committees for the expenses of the previous year, had been accounted for as income in the year under review.	Such mistakes will be corrected in the coming years.	Steps should be taken to account for only the expenses related to the year and the balance to be recovered should be recorded as receivable assets.

(d)	Due to the overstatement of income of Rs.1,349,542 in 03 Agrarian Service Committees, the surplus of the year under review had been overstated by those amounts.	Steps will be taken to disclose only the income related to the year in the relevant financial years.	Steps should be taken to account for the correct income for the year under review, and relevant corrections should be made.
(e)	During the year under review, the total annual depreciation of 3 Agrarian Service Committees had been overstated by Rs. 56,560.	Necessary steps will be taken to correct this.	Only the depreciation value relevant to the year should be identified and accounted for and the relevant corrections should be made.
(f)	Due to the previous year's expenditure of Rs.207,754 relating to 02 Agrarian Service Committees being shown as expenditure in the year under review, the surplus of the year under review had been understated by those amounts.	Relevant adjustments will be made in the financial statements.	Steps should be taken to accurately account for the expenses related to the year.
(g)	During the year under review, capital expenditure of Rs. 492,999 had been accounted for as recurrent expenditure by 03 Agrarian Service Committees.	Relevant adjustments will be made in the 2025 financial statements.	Capital expenditures and recurrent expenditures should be accurately identified and accounted for, and the relevant adjustments should be made.

1.3.2 Lack of Written Evidence for Audit

Audit Observations	Comment of the Management	Recommendation
(a) Since the necessary written evidence was not submitted to confirm the assets and liabilities of Rs. 56,900 receivables, Rs.700,000 payables and 02 tractors with no value stated shown in the financial statements of 03 Agrarian Service Committees for the year under review, it could not be satisfactorily verified in the audit.	Steps will be taken to achieve this in the future.	Steps should be taken to submit relevant evidence for audit.

1.4 Non-compliances

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)	Section 44(1) of the Agrarian Development Act No. 46 of 2000	No steps had been taken to examine the accounts of 07 farmer organizations in the relevant jurisdiction.	Steps will be taken to review the accounts appropriately in the future.	The relevant accounts should be checked in accordance with the provisions of the Act, and action should be taken against officers who fail to do so.
(b)	Section 9.1 of the State Finance Circular No. 01/2020 dated 28 August 2020	No action had been taken in the last 4 years to obtain the relevant bail deposit from the officers engaged in duties related to cash, cheques and stores of 6 Agrarian Service Committees.	Steps will be taken to obtain bail money.	Bail deposits should be obtained in accordance with the provisions of the circular.

2. Financial Review

2.1 Financial Results

The total operating result of 11 Agrarian Committees in the Mullaitivu District for the year under review was a deficit of Rs. 3,959,229, Accordingly, the deficit in the previous year was Rs. 1,070,006. Accordingly, an increase in the deficit of Rs. 2,889,223 was observed in the financial results of the year under review.

3. Operating Review

3.1 Management Deficiencies

	Audit Observations	Comment of the Management	Recommendation
(a)	Effective action had not been taken for the past 11 years to settle the accounts receivable of Rs. 3,042,604 and accounts payable of Rs.13,622,366 shown in the financial statements of the	Actions are underway to recover and pay.	Action should be taken against officers who have not taken timely steps to settle the balances, and appropriate actions should be taken to recover the

11 Agrarian Service Committees as at 31 December of the year under review.

receivables and settle the balances due.

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| (b) | No action had been taken to collect the outstanding loan installments of Rs. 1,099,600 due for two-wheeled tractors provided to beneficiaries on loan basis by 3 Agrarian Service Committees during the past 11 years and to take action in accordance with the agreements regarding the outstanding loans. | Actions are underway to recover outstanding debts. | Appropriate actions should be taken to recover receivables and act in accordance with agreements, and action should be taken against officers who fail to do so. |
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1.2 Money not used for specific purposes

Audit Observations	Comment of the Management	Recommendation
(a) Although Rs. 2,081,720 had been collected from various parties to provide prizes to the children of farmers and employees who passed the grade 5 scholarship examination of 07 Agrarian Service Committees, the relevant funds had not been used to provide prizes to eligible students during the past 01 to 09 years.	Steps are being taken to provide scholarships.	The relevant funds should be utilized for the intended purpose under proper approval.

3.3 Vehicle Management

Audit Observations	Comment of the Management	Recommendation
(a) 107 Agriculture equipment provided to the 10 Agrarian Service Committees had been idle for the past 4 to 7 years and no necessary measures had been taken to use them effectively.	Necessary action will be taken in the future.	Necessary measures should be taken to use assets efficiently and effectively.

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observations	Comment of the Management	Recommendation
(a) In accordance with the Sustainable Development Act No. 19 of 2017, steps had not been taken to identify and implement the targets to be achieved annually, what needs to be implemented to achieve those goals and indicators to measure progress by the 11 Agrarian Service Committees for the past 7 years in order to achieve the Sustainable Development Goals by 2030.	Action will be taken.	Actions should be taken in accordance with the provisions regarding the Sustainable Development Goals.

4.2 Internal Audit

Audit Observations	Comment of the Management	Recommendation
(a) The Assistant Commissioner of Agrarian Development had not taken steps during the past 11 years to conduct an internal audit of activities of the 11 Agrarian Service Committees in accordance with Financial Regulations 133 and 134.	Action will be taken.	Internal audits should be conducted in accordance with financial regulations.

5. Agrarian Bank

Audit Observations	Comment of the Management	Recommendation
(a) The Farmers' Banks of 5 Agrarian Service Committees had not taken steps to recover agricultural outstanding loans amounting to Rs. 2,334,299 from the loans given to farmers in the last 12 years by the end of the year under review.	Action will be taken to recover outstanding balances.	Action should be taken against officers who have not collected loans on time, and necessary actions should be taken to recover outstanding balances in accordance with loan agreements.