

14 Agrarian Services Committees in Kegalle District - 2022

1. Audit Opinion

1.1 The audit of the financial statements of 14 Agrarian Services Committees in Kegalle District for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022, the statement of financial performance and cash flow statement for the year then ended, notes to the financial statements and 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 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 A qualified opinion has been expressed in the 14 audit reports issued in relation to the 14 Agrarian Service Committees in Kegalle district, and the material deficiencies that had been caused to the expressed qualified opinion are as follows.

1.3 Financial Statements

1.3.1 Non-compliance with Accounting Policies including Sri Lanka Public Sector Accounting Standards

Committee/ Committees	Audit Observation	Comments of the Management	Recommendation
Ruwanwella, Batuwatta, Aranayaka, Panawala	Depreciation percentages had not been disclosed in the financial statements.	That the action will be taken to rectify.	Sri Lanka Public Sector Accounting Standards should be followed.

1.3.2 Accounting Deficiencies

Committees	Audit Observation	Comments of the Management	Recommendation
(a) Ruwanwella, Pinnawala, Deliwala, Ussapitiya	There had no approval for 111 Journal Entries worth Rs.34,904,195. (Annexure-1)	Approval will be taken for Journal Entries. It will be corrected in the future.	Approval should be obtained for Journal Entries
(b) Ruwanwella	Although there were 02 creditor balances amounting to Rs.610,400 as of 31 December 2022 according to the schedule	That error was caused by a printing mistake in the schedule of creditors.	Schedule of Creditors should be maintained accurately.

of creditors, there had no such balances according to the statement of financial position.

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| (c) | Yattogoda | Rs.592,258 spent with the purpose of reimbursement from the Farmers' Welfare Fund had not been reimbursed. | That amount cannot be reimbursed since there had payments for past projects. | The relevant amount should be reimbursed. |
| (d) | Yattogoda | The suspense debit balance of Rs.2,707,992 from the year 2013 according to the financial statements had not been settled. | That suspense account will be settled and revised accounts will be prepared in the future. | Suspense Account should be settled. |
| (e) | Pinnawala | Purchases and creditors had been understated by Rs.132,050 each in the year under review since credit purchases was not recorded in the accounts. | It will be corrected in the future when preparing the financial statements. | Accounts should be accurately prepared. |
| (f) | Pinnawala | Rs159,300 more than the balance as at 31 December 2022 according to the debtor register had been stated in the statement of financial position as at that date. | Action will be taken to rectify the debtor register. | Source documents should be able to compare with financial statements. |
| (g) | Deliwala | Due to not making proper provisions in the year 2021, a payment of Rs.464,350 made to the creditors in relation to that year had been written off against the profit of the year 2022. | Purchases in last year were recorded as an expense of this year as they were not included in the purchase ledger. | Provisions should be made in relation to the respective years. |
| (h) | Ussapitiya | The 18 different creditor balances amounting to | Kindly inform that the approval will be obtained | Formal approval should be obtained |

Rs.319,310 in the financial statements of last year and Rs.14,883 of electricity and telephone expenses payable had been adjusted to the accumulated fund and removed from the books. There was only a committee decision for this and even the approval of the Assistant Commissioner for Agrarian Development had not been obtained.

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| (i) | Ussapitiya | Although goods were sold on credit basis to 02 farmer organizations, the sales and debtors for the year had been understated by Rs.135,845 each as they were not accounted for. | It is informed that it will be entered in the debtor register. | Credit sales should be accurately accounted. |
| (j) | Aranayaka | The 04 transactions of Rs.1,441,756 made in cash during the year under review had not been included in the cash flow statement. | That balance was not included in the cash flow as it was received during the year and paid during the year itself. | Cash Flow Statement should be accurately prepared. |
| (k) | Deraniyagala | There was no evidence to confirm the payments of Rs.190,770 made on 4 occasions in contravention of Financial Regulation 264. | Kindly inform that the bills for those vouchers were attached and corrected. | Supporting evidences should be submitted for all payments. |
| (l) | Beminiwatta | It was not possible to verify the accuracy of debits and credits adjustments totaling Rs.751,115 to the debtor account in the General Ledger. | Journal Entries were not kept by a mistake and action will be taken to correct it. | Accounts should be accurately prepared. |

1.3.3 Un-reconciled Control Accounts or Reports

Committee/ Committees	Subject	Value according to the Financial Statements Rs.	Value according to the correspondi ng Records Rs.	Difference Rs.	Comments of the Management	Reccommendation
Ruwanwella	Agriculture Research Production Assistant Debtor Account	2,351,304	2,166,322	184,982	Incorrectly ledgering the credit sales of seed paddy.	The balances of General Ledger and the balances in trail balance should be the same.
Aranayaka	Trade Sales	1,631,175	1,711,020	79,845	Changes have been taken	The balances of General Ledger and the balances in trail balance should be the same.
	A.R.P.A Debtor Account	280,835	363,230	82,395	place when entries are made in the books on a daily basis.	

1.3.4 Suspense Account

Committee/ Committees	Subject	Value Rs.	The time that existed as uncertain	Comments of the Management	Reccommendation
Yattogoda	Non-current Assets	2,707,992	10 Years	Action will be taken to settle this Suspense Account.	Suspense Account should be settled.
	Current Liabilities	32,429	10 Years	No answer.	Suspense Account should be settled.
Ussapitiya	Credit Balance	12,661	5 Years	Necessary advices will be taken for this.	Suspense Account should be settled.
Deliwala	Current Assets	4,900	5 Years	This balance will be checked and rectified.	Suspense Account should be settled.

1.4 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The following points were observed.

Committee/ Committees	Reference to Rules and Regulations	Laws, and Rs.	Non-compliance	Comments of the Management	Reccommendation
Ruwanwella, Paragammana, Deraniyagala, Yatiantota, Deliwala, Batuwatta, Panawala, Ambepussa	(a) Section 52 (1) Agrarian Development Act No.46 of 2000		Agricultural program had not been prepared for the area of authority before each cultivation season.	This will be corrected in the future.	Action should be taken according to the 52 (1) of the Act.
Ruwanwella, Yattogoda, Yatiantota, Deliwala, Batuwatta, Dedigama, Panawala, Ambepussa, Baminiwatta Deraniyagala	(b) Circular No.264 dated 21 October 1986 of Commissioner for Agrarian Development		The room rents receivable as at 31 December 2022 around for a long time according to the Statement of Financial Position were Rs.1,183,793.	It could not be recovered as it cannot be found the information.	Room rent should be recovered as per Circular.
Ambepussa, Ussapitiya, Baminiwatta Panawala, Yatiantota Yattogoda, Deraniyagala Paragammana, Ruwanwella Pinnawala, Batuwatta Dedigama, Deliwala	(c) Circular No. 08/2020 dated 25 June 2020 of Commissioner General for Agrarian Development		The 336 Agrarian Development Officers, Center Clerks and Agricultural Research and Production Assistant Officers who were required to post security had not given securities.	It will be proceed according to the relevant circular after receiving the necessary instructions.	Actions should be taken according to the Circular.

2. Financial Review

2.1 Financial Results

The operating result of the year under review and the operating result of the previous year and its growth/deterioration are shown below.

Name of Agrarian Service Committee	Operating Result		Growth/deterioration of Operating Result
	Year under Review	Previous Year	
	Rs.	Rs.	
Paragammana	1,175,975	501,998	673,977
Yattogoda	(349,574)	559,198	(908,772)
Dedigama	195,793	299,496	(103,703)
Ambepussa	225,902	399,608	(173,706)
Batuwatta	547,311	406,036	141,275
Pinnawala	582,066	1,204,050	(621,984)
Deliwala	36,913	902,128	(865,215)
Ussapitiya	552,376	455,234	97,142
Aranayaka	352,482	112,433	240,049
Ruwanwella	1,382,600	1,508,218	(125,618)
Deraniyagala	462,610	(31,175)	493,785
Yatiantota	377,552	365,228	12,323
Panawala	1,364,545	306,431	1,058,114
Baminiwatta	1,764,934	1,660,368	104,566

3. Operational Review

3.1 Management Inefficiencies

Committee/ Committees	Audit Observation	Comments of the Management	Recommendation
Yattogoda	Rs.636,080 had to be paid as compensation as a result of taking legal action against the committee for terminating the service of an employee who was employed on daily wages.	The committee had to pay such amount.	Government rules and regulations should be followed.
Baminiwatta	Rs.356,127 had been spent in the year 2022 for the celebration of the 65 th anniversary of the Department of Agrarian Development. Only Rs.282,680 out of that had been forwarded to the district office for reimbursement, and that amount had not been received by March	It is kindly informed that, actions were taken according to the letter of the Commissioner General of Agrarian Development No.7/3/2/65-ANIVERSERY/22 and dated 29.09.2022.	Circulars should be followed.

2023. This event had been held during the period in which it was announced that public funds should not be used for events held by government entities according to paragraph 03(xvi) of the National Budget Circular No.03/2022 dated 26 April 2022.

3.2 Operational Inefficiencies

Committee/ Committees	Audit Observation	Comments of the Management	Recommendation
Pinnawala, Ambepussa, Panawala, Aranayaka, Ruwanwella	There were expired stocks of Rs.904,588 under plants, agricultural equipment, agrochemicals, seeds and fertilizers in the final stocks.	It is informed that, the stock will be removed from the books and warehouse in the year 2023.	Financial Regulations should be followed.
Aranayaka, Ussapitiya, Deraniyagala, Yatiyantota	The 827 liters of liquid fertilizers and 16529 kg of fertilizers received to distribute free of charge for the 2021 Yala season had been kept in warehouse as of February 2023.	It was due to non-availability of fertilizers within the stipulated time.	Required fertilizers should be distributed on time.

3.3 Accounts Receivable and Payable

Committee/ Committees	Audit Observation	Comments of the Management	Recommendation
Baminiwatta, Deliwala, Batuwatta, Ambepussa, Ussapitiya, Yatiyantota, Aranayaka, Ruwanwella, Deraniyagala, Panawala, Pinnawala, Yattogoda, Dedigama,	Action had not been taken to recover the 192 debtor balances totaling Rs.14,682,675 shown in the financial statements without recovery for a long time by 31 December 2022 and to settle the 207 creditor balances totaling Rs.11,911,161.	Taking necessary instructions to settle these balances and taking actions to write off the existing balances on the basis of not being able to confirm the information, and to check and correct other balances.	Arrangements should be made to promptly recover arrears loan balances and settle creditor balances.
Paragammana Baminiwatta, Ambepussa,	Rs.3,513,516 should have been received from 92 officers at the end of the year under review in	It will be recovered from the salary.	Arrangements should be made to settle the arrears

Pinnawala	relation to the goods given to the officers of the A.R.P.A on cash-on-sale basis and Rs.2,192,450 for the goods given to 51 out of them had not been settled even it passed 01 to 05 years. Specific time period also not identified for settlement of the items supplied on cash-on-sale basis.		immediately.
Yatiantota	Action had not been taken to bring back a tractor and a trailer amounting tRs.1,066,845 until now which was brought by the Army in the year 1992.	As information cannot be found regarding this, it could not be removed from the accounts.	Actions should be taken to bring back the relevant assets.

3.4 Idle or Underutilized Property, Plant and Equipment

Committee/ Committees	Audit Observation	Comments of the Management	Recommendation
Aranayaka	The "Polytunnel" and "Shadow House" built in the year 2021 at a cost of Rs.256,000 remained underutilized by 21 April 2023 i.e. date of audit.	The maintenance of these assets is assigned to the Multi-purpose Development Officers. Action will be taken to cultivate in it.	Assets should not be kept unused.
Dedigama	The building that was built at the Center premises to hold the weekly fair remained unused for about 03 years.	The number of farmers visiting these fair has decreased due to the construction of new outlets. Therefore, traders had refused to come here to sell goods.	Assets should not be kept unused.
Yatiantota	Although it had been referred to the Assistant Commissioner of Agrarian Development for approval to complete the balance of Rs.187,600 after completing the half of repair of a tractor, the tractor had been kept in a garage as the cash was not received by April 2023.	It is expected to do that after receiving the approval of the Agrarian Development Commissioner to make the payment for the repair of the tractor.	Assets should not be kept unused.

Yattogoda	The Kegalle District Agrarian Training Center building which was on the committee premises had been dilapidated and idle for several years.	Contracts have been signed for the repair of this building and it will be used in the future.	Assets should not be kept unused.
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3.5 Human Resource Management

Committee/ Committees	Audit Observation	Comments of the Management	Recommendation
Paragammana, Ruwanwella, Ambepussa, Pinnawala, Panawala, Baminiwatta, Yatiyantota, Deliwala	As of 31 December 2022, there were vacancies for Agricultural Research and Production Assistant Officers in 99 domains out of the 320 Agricultural Research and Production Assistant domains in 08 committee area of authority and the time of those vacancies existed was between 02 and 05 years.	The Commissioner General of Agrarian Development has been informed in this regard.	Necessary arrangements should be made to fill up the vacancies.

4. Agrarian Banks

Committee/ Committees	Audit Observation	Comments of the Management	Recommendation
Ambepussa, Paragammana, Yattogoda, Pinnawala, Panawala, Dedigama, Ussapitiya, Batuwatta, Deliwala, Aranayaka, Deraniyagala	The arrears from 1537 borrowers as on 31 December 2022 were Rs.56,130,220 and Rs.15,178,006 in that balance had to be recovered from 227 borrowers who did not pay any installment.	To recover arrears of debts; Preparation of plans, informing the officers, asking for instructions to write off the balance, informing the debtors in writing etc. had been done.	Action should be taken to recover the arrears of debt promptly.