

Agrarian Service Committees of Nuwara Eliya District - 2022

1. Audit Opinion

1.1 The audit of the financial statements of the 20 Agrarian Service Committees in Nuwara Eliya District for the year ended 31 December 2022 comprising the statements of financial position as at 31 December 2022 and the statements of financial performance, cash flow statements and notes to the financial statements for the year then ended, 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 The audit reports had been issued relating to 20 Agrarian Service Committees in Nuwara Eliya District and in those reports, the opinion of 18 committees had been expressed a qualified opinion and for the other two committees, an adverse opinion and a disclaimer opinion has been expressed. The following are the material deficiencies due to the expression of opinion.

1.3 Financial Statements

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

	Audit Observations	Comments of the Management	Recommendation
(a)	Accounting policies had not been disclosed in the financial statements of 08 Agrarian Service Committees.	That will be corrected in the future.	Accounting policies should be disclosed.
(b)	According to the Circular No. 518/2000 of the Commissioner General of Agricultural Development dated 06 June 2000, the financial statements of the Agrarian Bank of the 20 Committees had not been consolidated with the financial statements of the Agrarian Services Committee.	That the relevant instructions were not given by the Agricultural Services District Office.	Circular instructions should be followed.

1.3.2 Accounting Deficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	A stock of seeds of Rs.99,914 in two Agrarian Service Committees, a stock of urea fertilizer of Rs.7,738,650 in	That it will be corrected by 2023 accounts	All stock and loans should be accounted

Rikilagaskada Agrarian Service Committee and an agrarian bank loan of Rs.200,000 in Pallobowala Agrarian Service Committee had not been accounted as at 31 December in the year under review.

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| (b) | Buildings and safes of Nuwara Eliya Agrarian Service Committee totaling Rs.558,800 and a physically unidentifiable tractor of Rs.127,712 of Munwatta Agrarian Service Committee had been accounted under current liabilities. | That a committee will be appointed and balance corrected and it will be corrected in 2023 accounts | Accounts balance should be corrected |
| (c) | The money spent on the construction of the Hela Bojunhala of the Ragala Agrarian Service Committee had been under-accounted by Rs.199,250. | That it will be corrected by year 2023 accounts reports. | Accounts balance should be corrected |
| (d) | A balance of Rs.214,580 due on December 31 of the year under review of Pallobowala Agrarian Service Committee had been recorded twice in the statement of financial position. | That it will be corrected in the future | Correct values should be accounted. |

1.3.3 Un-reconciled Control Accounts or Reports

Audit Observations	Comments of the Management	Recommendation
According to the sub-register of fixed assets of Ragala Agrarian Service Committee, although the net value at the end of the year was Rs.4,004,728, as it was stated as Rs.4,424,734 in the statement of financial position, a difference of Rs.420,007 was observed.	That will be corrected.	Correct values should be accounted.

1.3.4 Contingent Account

Audit Observations	Comments of the Management	Recommendation
The balance of Rs.557,061 had not been settled since the period of 1996-1999 of 03 Agrarian Service Committees.	That the details for settlement cannot be found as the balances have been around for a long time.	Contingent account balances should be identified and settled.

1.3.5 Lack of Written Evidence for Audit

Audit Observations	Comments of the Management	Recommendation
Due to the non-availability of relevant schedules, balance confirmations, bank pass books for 155 assets balances totaling Rs.25,091,217 and 98 liabilities balances totaling Rs.18,738,264 stated in the financial statements as at 31 December in the year under review in 19 agrarian services committees, they could not be satisfactorily verified in the audit.	That these balance is a brought forward balances, that the necessary instructions will be taken and will be corrected.	Evidence must be submitted to prove assets and liabilities.

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

The following observations are made.

Reference to Laws, Rules and regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) Section 16(2) of the National Audit Act No.19 of 2018	Annual performance reports had not been presented to the Auditor General in 20 agrarian service committees.	That will be presented in the future.	Should be done according to the provisions in the act.
(b) Section 53(4)(a) of the Agrarian Development Act No.46 of 2000	The list of land owners should be revised and checked and certified by the Commissioner General of Agricultural Development in once every three years, but 02 Agrarian Service Committees had not acted accordingly.	That will be corrected in the future.	Should be done according to the provisions in the act.
(c) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i) F. R. 110	13 Agrarian Service Committees had not been maintained damage and loss registers.	It will be prepared in the future.	Should be done according to the Financial Regulation procedures.

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| (ii) F. R. 138(4), (6) and (8) | Payments had been made for 14 vouchers totaling Rs.3,224,666 when the relevant documents and evidence were not submitted with the voucher to confirm the expenditure of 02 Agrarian Service Committees. | That these vouchers will be properly completed using the relevant bills and schedules. | Relevant confirmations should be obtained before payment. |
| (d) F. R. 880 and Agrarian Development Commissioner General's circular No. 08/2020 dated 25 June 2020 | The relevant officers of 08 Agrarian Service Committees had not been deposited the bail | That the bail will be arranged in the future | Should be done according to the circular instructions. |
| (e) Agrarian Development Commissioner General's circular No. 07/2014 dated 22 August 2014 | There were 44 instances where the amount in hand in the range of Rs.11,000 to Rs.492,437 was exceeded in 05 Agrarian Service Committees. | That the relevant officials were instructed not to exceed the limit in the future. | Should be done according to the circular instructions. |
| (f) Treasury Circular No. 842 dated 19 December 1978 | The fixed assets register of 14 Agrarian Service Committees had not been maintained up-to-date. | That will be maintained in the future. | Should be done according to the circular instructions. |
| (g) Public Administrative Circulars No. 09/2009 dated 16 April 2009 and No.09/2009(1) dated 17 June 2009 | Officers of 12 Agrarian Service Committees had not been used fingerprint machines to confirm their arrival and departure to the office. | That it has referred to repair | Should be done according to the circular instructions. |

2. Financial Review

2.1 Financial Results

- (a) A surplus of Rs.5,115,465 of operating results had been earned by 18 Agrarian Service Committees in Nuwara Eliya district in the year under review, a surplus of Rs.6,257,619 had been earned by 18 Agrarian Service Committees in the previous year correspondingly. Accordingly, an increase of Rs.1,888,716 in the financial results related to 06 committees and a decline of Rs.3,030,870 in the financial results related to 12 committees was observed. The growths in financial results were mainly due to increase in total income, decrease of administrative expenses, decline in financial results were mainly due to decrease in sales revenue, incurring disposal expenses and increase in administrative expenses.

- (b) Also, a deficit of Rs.115,124 of operating results had been earned by 02 Agrarian Service Committees in the year under review, a surplus of Rs.519,841 had been earned by 02 Agrarian Service Committees in the previous year conversely. Accordingly, a decrease of Rs.634,965 in the financial results related 02 committees was observed. Decrease of sales income, decrease of stock disposal expenses mainly due for these decline.

3. Operating Review

3.1 Money Management

Audit Observation	Comment of the Management	Recommendation
04 Agrarian Service Committees had been kept 09 blank cheques in the cheque books related to current accounts in the office using only signatures. Due to this, the possibility of an irregularity could not be ruled out.	That the officers authorized to sign the cheques were out of the area due to personal needs, so the cheques had been signed and taken.	Should be done according the Financial Regulations and blank cheques should not be signed.

3.2 Identified Losses

Audit Observation	Comment of the Management	Recommendation
Necessary action had not been taken according the Financial Regulations 104 in relation to the lack of 735.9 kg of urea fertilizer amounting Rs.132,471 in the Nildandahinna Agrarian Service Committee in the year under review and the misplace of Rs.11,740 cash and 05 A4 bundles on 15 September in the year under review of the Kandapola Agrarian Service Committee.	In this regard, an internal audit investigation is being conducted by the officials of the district office and a complaint has been made to the police.	The responsible parties should be identified and the damages recovered.

3.3 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) The ownership of land and buildings used by 11 Agrarian Service Committees had not been taken over.	That the takeover will be done in the future	Ownership of assets should be taken over.
(b) The 250 square feet building belonging to the Mandaramnuwara Agrarian Service Committee near	That the Committee has decided that it is appropriate to carry out legal proceedings after obtaining	Ownership of assets should be confirmed.

Mandaramnuwara town had been acquired by an outside party without permission. the leasehold.

- (c) The assessment tax of Rs.316,584 had not been settled for two shops in the Nuwara Eliya Central Trade Complex used by the Nuwara Eliya Agrarian Service Committee as at 31 December in the year under review. That the due to the non-payment of assessment for these 02 shops, there is an arrear of Rs.316,584 to be paid to the Nuwara Eliya Municipal Council. Arrangements should be made to pay the due amount.

3.4 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) In 03 Agricultural Service Committees between 2017 and 2020, an expired stock of agricultural seeds and agrochemicals worth Rs.197,543 purchased for sale to farmers had not been disposed after following a formal method.	That they will also work to get approval for the disposal.	Expired stock should be disposed after inspection.
(b) Rs.7,219,758 had not been recovered from loans given to 127 agricultural research production assistant officers under the basis of sale and payment of 12 Agrarian Service Committees as at December 31 in the year under review.	That the relevant officers have been informed.	All loans should be recovered.
(c) 159500 kg of urea fertilizer amounting Rs.29,933,000 had been obtained by 02 Agrarian Service Committees for the 2022/23 Maha season and maize cultivation as at 31 December of the year under review and due to the fact that the need was not identified and purchased, according to the books, 69331 kg of urea fertilizer amounting Rs.14,873,700 remained as at 25 July 2023, which was the audit date.	That the urea fertilizer remains due to lack of paddy cultivation in desired quantity.	The need should be investigated and stock should be purchased.
(d) In accordance with the letter of the Commissioner General of Agricultural Development No.07/05/12/ශ්.ව/ කා.සෙ date 31 December 2018 of 16 Agrarian Service Committees, the total of 104 assets of Rs.11,162,746 and the total of	That is in progress to resolve.	Management instructions should be followed.

103 credit balances of Rs.11,312,746 had not been settled as on 31 December of the year under review.

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| (e) | A stock of organic fertilizer of 3480 kg (58 bundles) produced at the cost of Rs.135,872 in the previous year of the Munwatta Agrarian Service Committee remained idle without distribution to the farmers for cultivation purposes. | Although the organic fertilizers were produced and sold at the center, due to the issue of free organic fertilizers to the farmers under the subsidy system, there were various problems regarding its quality, so the farmers also reduced the purchase of the organic fertilizers produced at the center. | Organic fertilizers conforming to the relevant standards should be produced and released to the farmers. |
| (f) | It was observed that a stock of 2294.95 kg of MOP fertilizer, 1159.55 kg of TSP fertilizer and 794 bottles of 01 liter and 500 ml ECO Vito organic liquid fertilizer received for free distribution to farmers in 2021 Yala season of 02 Agrarian Service Committees remained idle without distribution to farmers. | That the Assistant Commissioner has been informed | It should be issued formally to the farmers during the relevant period |

3.5 Visual Disturbances

Audit Observation	Comment of the Management	Recommendation
(a) The following financial irregularities had been occurred in the Nuwara Eliya Agrarian Service Committee and the Agrarian Bank.		
(i) The Agricultural Research Production Assistant attached to the Agrarian Bank had been suspended from 12 January 2021 due to allegations of misappropriation of nearly Rs.2,213,000 belonging to the Agrarian Bank, preparing documents and making payments beyond the authority. But in this regard, an investigation had not been conducted and a report submitted according to the Financial Regulations 104 by the last day of the year under review. Contrary to the provisions mentioned in Financial Regulation 119, the district office had collected	That the department instructions will be taken and done.	Should be done according to Financial Regulations.

Rs.286,000 as Rs.28,000 from the monthly salary of the officer from July 2017 and although the amount should be given to the Agrarian Bank, it was shown under current liabilities in the financial statements of the year under review. Also, Rs.2,213,000 which was identified as the illegally used amount had not been disclosed in the financial statements.

(ii) As at 31 December of the reviewed year, worth Rs.173,484 fertilizer, agricultural equipment, 20 plastic baskets and a floor scale had been missed from the centre, an investigation was conducted under Financial Regulation 104 and the responsible parties were identified and necessary actions had not been taken in this regard.	No comments	Should be dealt with Financial Regulations.
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(iii) On 17 June 2021, the Center Management Assistant officer had been informed the Assistant Commissioner of Agricultural Development that 03 sub-leaflet books in the possession of the Agricultural Service Committee were missing on 14 June 2021 and the amount collected through missing receipt books was Rs.1,437,903. No action was taken in this regard.	The district offices are conducting an investigation in this regard, and the Department of Agricultural Development has been informed about the loss of these receipt books.	A formal investigation should be conducted as soon as possible.
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(b) Amount of Rs.108,793 due from an agricultural development officer who worked in the Maldeniya Agrarian Service Committee for the period from 1999 to 2004 due to stock shortages and various irregularities had not been recovered as at 31 December of the year under review.	That the recovery of this balance will be done on the advice of the Assistant Commissioner.	Action should be taken to collect due money.
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3.6 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
(a) The machine called "Govi Mithura" was purchased on 9 October 2021 after paying Rs.165,000 for the production of organic	That the Organic fertilizer are not produced, so not used	Machines should be used for purposeful work.

fertilizers in 02 Agrarian Service Committees and a multi-chopper machine received from the Divisional Secretariat in the previous year had been remained idle without use.

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| (b) | Without an approved estimate and plan and without a formal agreement, the toilet, which had been abandoned half-completed after starting construction at the Rupaha Agricultural Service Committee site, which have taken about 03 years after completed construction at a cost of Rs.162,700 had been remained idle. | That the district office has been informed about the deficiencies and that the estimates have not been made so far. | Construction should be done in a formal way. |
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4. Accountability and Good Governance

Presentation of Financial Statements

Audit Observation	Comment of the Management	Recommendation
According to Section 30 of paragraph 3 of the Agricultural Services Commissioner's Circular No. 107 dated 16 October 1981, two Agrarian Service Committees did not submit their financial statements to the audit relating to the year under review and 13 Committees had submitted late for between 01 and 02 months beyond the due date.	That it will be submitted on the due date in the coming accounting years.	Should be done according to the circular instructions.

5. Agrarian Banks

Audit Observation	Comment of the Management	Recommendation
(a) In violation of Section 4.3 of the Circular No. 04/2012 dated 29 February 2012 of the Commissioner General of Agricultural Development, from Rs.13,092 to Rs. 631,303 had been kept in 66 instances in 05 Agrarian Service Committees exceeding the daily limit of Rs.10,000 that can be held in hand.	That the relevant officers have been informed to not exceed the limit in the future	Should be done according to the circular instructions.
(b) According to paragraph 3.4.2 of the Circular No. 04/2012 dated 29 February 2012 of the Commissioner General of Agricultural Development, although the maximum period	That it will be recovered	Should be done according to the circular instructions.

for settlement of agro-industrial loans is 06 months, the agricultural loans of Rs.42,268,356 taken by 2,532 farmers of 16 Agrarian Service Committees had not been recovered.

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| (c) | According to section 4.4.4 of the Circular No. 04/2012 dated 24 February 2012 of the Commissioner General of Agricultural Development, although the surplus money in an agrarian bank should be invested to earn interest income, but Rs.1,523,506 to Rs.4,877,422 balance in the savings accounts of 04 agrarian banks as at 31 December of the year under review, it had not been invested in a productive field that could yield a higher financial return. | That the necessary activities will be carried out in the future. | Should be done according to the circular instructions. |
| (d) | One hundred thousand rupees loan, agricultural equipment loan totalling Rs.6,667,803 which had been given to 147 farmers of 05 agrarian service committees and Rs.1,941,839 recoverable from 122 farmers referred to the agrarian tribunals of 07 agrarian committees had not been recovered. | That it will be forwarded to the Agrarian Tribunal and will be collected. | All loans should be recovered. |
| (e) | Bank reconciliation statements had not been prepared for the year under review of 03 Agrarian Service Committees as per Financial Regulations 395 (c). | That will be prepared in the future | Should be done according to the Financial Regulations. |
| (f) | Two blank cheques signed by the chairman were in the possession of the officer in charge of Pallobowala Agrarian Bank as not complying with the provisions of 386 of the Financial Regulations. | That it not do again | Blank cheques should not be signed. |
| (g) | As of 31 December of the year under review, Rs.497,281 had not been recovered from the Sara Lanka loan amount of Rs.500,000 given to a person on 20 October 2017 for a compost project by the Agrarian Bank of Bulagahapitiya Agrarian Service Committee. | That the arrangements have been made to take legal action. | Arrangements should be made to recover within the stipulated time. |

- (h) Loan amounting to Rs.4,241,000 had been issued to 87 people in relation to 03 types of loans without the approval and recommendation of the loan applications by the Executive Secretary or relevant responsible officer of the Vidulipura Agrarian Service Committee in the year under review.
- That the loan applications are approved, recommended and deficiencies corrected
- The relevant documents should be completed before granting the loan