

09 Agrarian Services Committees in Vavuniya District - 2022

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 2022 comprising the statements of financial position as at 31 December 2022 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 The audit reports had been issued relating to 09 Agrarian Service Committees in Vavuniya District for the year 2022, a qualified audit opinion was expressed in those reports. The following are the material deficiencies due to the expression of a qualified opinion.

1.3 Financial Statements

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

Audit Observations	Comment of the Management	Recommendation
According to the Guidelines Circular No. 107 for maintaining the accounts of the Chettikulam Agrarian Service Committee, 5 percent and 20 percent depreciation for buildings and machinery respectively should be calculated using the straight line method, but the depreciation was calculated using the diminishing balance method.	Actions will be taken according to circulars.	Actions should be taken according to circulars.

1.3.2 Accounting Deficiencies

Audit Observations	Comment of the Management	Recommendation
(a) Receivable losses totaling Rs.246,690 for seed paddy stock and chemical stock were presented in receivable accounts for a period of 15 to 22 years and no action had been taken on this in the Chettikulam Agrarian	Due to the fact that the agricultural development officer who served in the relevant period did not formally hand over the assets and liabilities to the newly arrived officer, this fact has	Actions should be taken to remove from the accounts in accordance with the rules and regulations.

Service Committee. been stated as receivable losses.

- (b) Kovilkulam Agrarian Service Center was using 08 tractors with a total depreciated cost of Rs.9,600,000, but the value of non-current assets had been understated in the financial statements due to the fact that its cost was not revaluated and included in the financial statements. Although the Valuation Department had been informed to assess the value of the tractors, they had not been calculated and provided the relevant values within the stipulated time. Steps should be taken to get the correct values from the valuation department and show them in the financial statements.

1.3.3 Lack of Written Evidence for Audit

Audit Observations	Comment of the Management	Recommendation
In the reviewed year, the sum of receipts and payment balances of 08 centers was stated as Rs.27,354,372, but due to lack of sufficient evidence to confirm it, its correctness could not be confirmed during the audit.	As the verification documents related to these accounts were destroyed during the war period and due to lack of sufficient data, these accounts are being waived in accordance with the financial regulations	Sufficient evidence about the relevant balances should be submitted to the 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
(a) Circular of the Agrarian Development Department No.08/2020 dated 25 June 2020	No action had been taken to collect the bail money from the officers who had to post bail in 07 Agrarian Service Committees.	Steps will be taken to recover the bail money from the officers who have to pay it.	Action should be taken according to circular.
(b) Financial Regulation 110(1) and (2) of the Financial Regulation of the Democratic Socialist Republic of Sri Lanka	Damages and losses register had not been maintained by the 04 Agrarian Services Committees.	Actions will be taken to maintain damages and losses registers.	Actions should be taken according to the Financial Regulations.

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| (c) | Assets Management circular No. 01/2017 dated 28 June 2017. | Actions had not been taken to document all assets owned by 02 Agrarian Service Committees. | Steps have been taken to document all assets in the coming years. | Action should be taken as per circular. |
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2. Financial Review

2.1 Financial Results

In the reviewed year, the sum of recurring expenses that exceeded the income of the committees was Rs.2,549,466 and correspondingly in comparison with the sum of recurring expenses that exceeded the income of the previous year of Rs.5,528,844, there was an increase of Rs.2,979,378 in the financial result of the reviewed year. The reason for this was that the income exceeding the expenditure was Rs.1,502,820 of the newly established Gurukkal Pudukkulam Agrarian Service Center in the year 2022.

3. Operating Review

3.1 Management Deficiencies

Audit Observations	Comment of the Management	Recommendation
(a) 04 Agrarian Service Committees had purchased 1929 boundary stones for Rs.1,390,350 in the reviewed year to mark the boundaries of the lakes. However, it was observed that 1924 stones were lying unused in the center.	It has been decided to put the boundary stones purchased by the Agrarian Service Center on the borders of the tanks and action will be taken in this regard immediately.	Action should be taken to use boundary stones immediately.
(b) Appropriate action had not been taken regarding the total amount of Rs.1,130,070 of 03 types which have being presented as destroyed agricultural inputs of the Omantha Agrarian Service Commission for a long time.	Since the confirmation documents regarding these accounts were destroyed due to the war, arrangements are being made for these accounts to be waived or written off as per the Financial Regulations.	Appropriate action should be taken regarding the respective balances.
(c) Adequate action had not been taken regarding Rs.125,000 sales center building advance, presented in the financial statements of the Omantha Agrarian Service Commission for over 25 years.	Since the confirmation documents regarding these accounts were destroyed due to the war, arrangements are being made for these accounts to be waived or written off as per the Financial Regulations.	Appropriate action should be taken regarding the respective balances.
(d) The Omantha Agrarian Service Commission had not taken action on Rs.207,432 advanced as tractor	Since the confirmation documents regarding these accounts were destroyed due to	Appropriate action should be taken regarding the

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| <p>repair rent under the “Uthuru Wasanthaya” project.</p> | <p>the war, arrangements are being made for these accounts to be waived or written off as per the Financial Regulations.</p> | <p>respective balances.</p> |
| <p>(e) Due to non-action to invest the surplus funds effectively, Rs.8,217,420 of the Nedunkeni Agrarian Service Committee remained in current account at the end of the year under review.</p> | <p>Steps will be taken to invest the surplus funds in the future.</p> | <p>Government funds should be used effectively.</p> |
| <p>(f) Documents proving the ownership of 05 lands of the Kovilkulam Agrarian Service Committee have not been obtained, out of which the value of two lands was stated as Rs. 624,050 in the declaration of financial position.</p> | <p>The proofs/certificates of obtaining the documents for the 05 lands related to the Agrarian Service Committee have been attached and sent to the Divisional Secretariat. The valuation department had been informed to estimate and provide the value of fixed assets, but they have not calculated and provided.</p> | <p>Steps should be taken to transfer the ownership of the lands belonging to the center to the name of the center.</p> |

3.2 Operating Inefficiencies

Audit Observations	Comment of the Management	Recommendation
<p>(a) Chemicals and fertilizers worth Rs.1,314,814 had been expired in 05 Agrarian Service Committees.</p>	<p>Action is being taken to destroy stockpiles of expired fertilizers and insecticides.</p>	<p>Appropriate actions should be taken to dispose of expired medicines and fertilizers.</p>
<p>(b) No appropriate action has been taken regarding the unrecognized balance of Rs.1,139,910 mentioned in the statement of financial position of the Pambeimadu Agrarian Service Commission from the year 2008</p>	<p>In the near future steps will be taken to identify the necessary documents and prepare and submit the financial statements correctly.</p>	<p>Actions should be taken according to rules and regulation provisions regarding relevant balances.</p>

3.3 Receipts and Payments

Audit Observations	Comment of the Management	Recommendation
(a) Actions had not been taken to recover the total due amount of Rs.18,716,779 from 07 Agrarian Service Committees from 01 to 11 years.	The committee has informed the related institutes to recover the amount due and steps will be taken to fully recover it in the coming years.	Steps should be taken to collect the receivables within the stipulated time.
(b) 05 Agrarian Service Committees had not been taken steps to settle 24 payments worth Rs.13,500,282 that need to be paid and settled for more than 12 years from last year.	Arrangements will be made to pay and settle the payments to be paid to the designated people in the near future. after investigate / check on the designated payees	Steps should be taken to pay the payments due and settled within the stipulated time.

3.4 Transactions of Contentious Nature

Audit Observations	Comment of the Management	Recommendation
The Chettikulam Agrarian Service Committee Charged Rs.513,580 for fertilizer to be given as subsidy were not paid to the beneficiaries for a long time and it had been shown as current liabilities in the financial statements.	Cash will be refunded to the beneficiaries who brought subsidized fertilizers for cash.	Actions should be taken to refund the relevant money to the beneficiaries.

3.5 Vehicle Management

Audit Observations	Comment of the Management	Recommendation
(a) The tractors, trailers, paddy harvesting machines and motorcycles of 07 Agrarian Service Committees remained unusable for more than 10 years from 06 years, but appropriate actions had not been taken.	In the future, the vehicles will be repaired and put into operation and the tractors will be assessed and sold at public auction.	Vehicles and equipment should be repaired and put to use or other suitable action should be taken.
(b) The Vavunia District Secretariat had repaired a tractor at a cost of	On the day of delivery the tractor was unusable due to	Actions should be taken to use the

Rs.810,455 and delivered it to the hydraulic failure on return. vehicle.
 Ulukkulam Agrarian Service The Rambewa Divisional
 Committee on 16 August 2022, but Irrigation Department was
 the tractor in unusable condition informed about this by
 even on the date of audit on 13 telephone, but no action was
 July 2023. taken.

3.6 Assets Management

Audit Observations	Comment of the Management	Recommendation
(a) It was observed that the fertilizer warehouse built by the Ministry of Economic Development in 2011 at a cost of Rs.1.5 million in Kanagarayankulam was not used since 2018.	Efforts are made to utilize the fertilizer storage effectively.	Action should be taken to use the fertilizer stores.
(b) The CCTV cameras purchased by the Omanta Agrarian Services Committee at a cost of Rs.283,289 have been unused for over a year and no action had been taken to repair and use them.	Due to non-repair of the roofs, water leaks during the rainy season resulted in power outages and CCTV cameras were unusable condition. Orders are sent to us for roof repair work. Along with this, necessary actions are being taken to operate CCTV cameras.	Assets should be used for the respective purposes and maintenance work should be done as properly.

3.7 Using Assets of Other Organizations

Audit Observations	Comment of the Management	Recommendation
Farmers/Agri-Market building constructed in the center of Vavuniya did not own by the Kovilkulam Center, but it was observed that the payment of Rs.194,866 for renovation works was an irregular payment.	The relevant expenditure was incurred for the renovation works of the Farmers/Agri Market building constructed in the center of Vavunia town according to or letter only. Arrangements are being made to reimburse this amount from the District Agricultural Organization.	Arrangements should be made to reimburse the cost of renovation.

4. Annual Action Plan

Audit Observations	Comment of the Management	Recommendation
08 Agrarian Service Committees had not been prepared the action plan of the reviewed year as per Agricultural Development Department Circular No. 02/2020 dated 01 January 2020.	Appropriate annual action plans will be prepared at the agrarian service center level in the coming years and necessary steps will be taken to continue the agrarian service center activities.	Annual action plan should be made according to the circular instructions.

4.1 Sustainable Development Goals

Audit Observations	Comment of the Management	Recommendation
According to the Sustainable Development Act No. 19 of 2017, the necessary steps had not been taken to carry out the activities to be implemented by 08 Agrarian Service Committees to achieve the Sustainable Development Goals (2030).	In the coming years, suitable sustainable development objective indicators will be identified at the agrarian service center level and formal plans will be prepared to achieve the goals and necessary steps will be taken to carry forward the agrarian service center operations.	Steps should be taken to identify and implement appropriate activities to achieve sustainable development goals.

5. Agrarian Banks

Audit Observations	Comment of the Management	Recommendation
04 Agrarian Service Committees had not been taken actions to recover the total amount of Rs.49,145,512 due from 1364 beneficiaries of Agrarian Bank as of 31 December 2022 for a period of 01 to 11 years.	Steps will be taken to recover the loan in due time in the coming years.	Actions should be taken to recover the loan in due time.