

22 Agrarian Service Committees of Matara District - 2022

1. Audit Opinion

- 1.1 The audit of the financial statements of the 22 Agrarian Service Committees in Matara 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 22 Agrarian Service Committees in Matara District as at 17 August 2023 for the year 2022 and in those reports, the opinion of 22 committees had been expressed a qualified opinion. The following are the material deficiencies due to the expression of opinion.

1.3 Financial Statements

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

	Audit Observation -----	Comment of the Management -----	Recommendation -----
(a)	Although all the accounts related to the Agricultural Bank should be included in the annual accounts of the Agricultural Services Committee and prepare consolidated financial statements, all the 22 committees had not done so.	That the financial statements will be prepared in accordance with 5.6(i) of the Circular No. 04/2012 of Commissioner General of Agricultural Development and dated 29 February 2012	Should be dealt according to paragraph 5.6(i) of the circular No.04/2012 of the Commissioner General of Agricultural Development dated 29 February 2012.
(b)	According to Sri Lanka Public Sector Accounting Standard No. 01, the statement of changes in net assets / rights to be contained in the financial statements of 04 Agrarian Service Committees and financial statements had not been presented with a separate column prepared to show the budgeted figures comparing the budgeted figures with the actual figures.	It has been submitted according to the common forms of the Department of Agricultural Development and will be corrected in the future according to the accounting standards	Financial statements should be prepared and submitted According to Sri Lanka Public Sector Accounting Standards.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

	Audit Observation	Comment of the Management	Recommendation
(a)	Fixed assets belonging to 12 Committees namely 03 plots of land of 1.922 hectares, 03 office buildings of 9,232 square feet, 03 fertilizer warehouses of 2,430 square feet, 03 plant nurseries of 477 square feet, a museum of 164 square feet, 07 other office buildings, 02 fertilizer warehouses, 03 shops, 02 plant nurseries, a quarters, 07 plots of land for offices and a fertilizer storage area had not been assessed and disclosed in the financial statements.	That the values will be assessed and disclosed in the financial statements in future.	Fixed assets belonging to committees should be accounted.
(b)	The non-current assets of 02 computer machines, 02 printers, a farmer's bank safe donated by the Agricultural Development Department and a motorcycle donated by the Mihidiya project to the Morawaka Agrarian Service Committee had not been assessed and accounted in the financial statements.	That the values will be assessed and disclosed in the financial statements in future.	Value of fixed assets should be identified and accounted.
(c)	In the year 2013, Rs.50,000 of the transfer value of a tractor trailer assigned by the Kirinda Puhulwella Agrarian Service Committee to the Meduyangoda Agrarian Service Committee was not accounted, so the fixed assets had been understated in that value in the financial statements.	No money has been paid for this. That the arrangements are being made to return it to the relevant center.	Fixed assets assigned to the committee should be accounted.
(d)	A computer with a total cost of Rs.171,133, 22 pieces of furniture and office equipment and a two-wheel tractor and trailer, which had been depreciated in two agricultural service committees were still in use, but value of these assets had not been reassessed and accounted.	Value will be revalued and accounted in the coming year.	The value of assets which utilize should be accounted.

- | | | | |
|-----|---|---|--|
| (e) | Non-current assets had been understated in that amount due to accounting as a revenue expenditure without proceeding to capitalize the value of the CCTV camera system of Rs.208,220 of Medauyangoda Agrarian Services Committee. | That will be corrected in the year 2023. | Should be accounted correctly. |
| (f) | The surplus and current assets of the year had been understated by Rs.153,001 due to less accounting of fixed deposit interest income of Rs.75,043 and receivable fixed deposit interest of Rs.77,958 in the year under review of Mirissa Agrarian Service Committee. | That will be corrected in future. | Should be accounted correctly. |
| (g) | Due to non-accounting of the interest income of two fixed deposits of Rs.251,250 related to the year under review of Deyiyandara Agrarian Service Committee, the income had been understated by that amount. | That will be corrected in future. | Should be accounted correctly. |
| (h) | Due to misappropriation of money by an agricultural research production assistant of the Wilpita Agrarian Service Committee in 2018, the amount of Rs.189,716 to be received to the committee had not been recovered and it had not been disclosed in the financial statements. | That this will be investigated in the future and disclosed in the financial statements in the year 2023 | Should be disclosed in the financial statements. |
| (i) | In the year under review, non-current assets had been under-accounted and the repair cost had been over-accounted due to the non-capitalization of the expenditure of Rs.254,155 spent on the construction of the ceiling of the Urubokka Agrarian Service Center building. | That will be corrected | Expenditure of capital nature should be capitalized. |

1.3.3 Unreconciled Control Accounts or Reports

Audit Observation	Comment of the Management	Recommendation
In relation to 04 accounting subjects of 04 Agrarian Service Committees, there had been discrepancies in the balance totaling Rs.1,765,727 between the financial statements and the corresponding reports.	That it will be corrected in the accounting reports of 2023.	Actions should be taken to correct account discrepancies.

1.3.4 Contingent Accounts

Audit Observation	Comment of the Management	Recommendation
The debit balance of Contingent Accounts totaling Rs.126,089 brought forward from 10 years ago in 02 Agrarian Service Committees had not been settled.	That the arrangements are being made to settle the contingent account balances of the Agrarian Service Committees.	Contingent accounts should be identified and the financial statements should be prepared correctly.

1.3.5 Lack of Written Evidence for Audit

Audit Observation	Comment of the Management	Recommendation
There were no evidences such as detailed notes, valuation reports, balance confirmation certificates, loan documents, fixed asset documents, title certificates and age analysis of debtors relating to Rs.28,354,024 of 19 agrarian service committees, those accounting subjects could not be satisfactorily vouched in audit.	That the local officials will be instructed in writing to correct these deficiencies in the accounting reports of the year 2023.	Arrangements should be made to submit relevant evidence to verify the balance of assets and liabilities.

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

Reference to Laws, Rules and regulations	Non-compliance	Comment of the Management	Recommendation
(a) Agricultural Development Act No. 46 of 2000 -----			
(i) Section 30(1) (2) (3) (4) and (5)	All cultivable paddy land in terms of the referred	That plans and programs have been	Should be done according to the

	<p>section shall be used for paddy cultivation and in case of non-cultivation of paddy non-perennial crops or Semi-annual crops or long-term crops may be cultivated after obtaining the permission of the Commissioner General. A program had not been prepared for the cultivation of 3,925 acres of fallow paddy fields and 1,011 acres of uncultivable paddy fields in 12 jurisdictions of the Agrarian Service Committee.</p>	<p>proposed to cultivate fallow fields that are at a cultivable level.</p>	<p>provisions of the act</p>
(ii) Section 34(4)	<p>A gem mining license of 20 perches of paddy land in the jurisdiction of Malimbada Agrarian Service Committee had been granted on 16 June 2022 and the permit had been expired on 11 August 2023. As per the referred section and Circular No. 02/2021 dated 01 January 2021 of the Commissioner General of Agrarian Development the necessary steps had not been taken to restore the paddy land.</p>	<p>Accept. That the arrangements will be made to Restoration.</p>	<p>Should be done according to the provisions of the act</p>
(iii) Section 56 (3) (4)	<p>07 Committees had not been dealt as per the referred section regarding the acre tax payment default of Rs.734,408 to be recovered at the end of the year under review.</p>	<p>Due to lack of addresses of tax evaders, awareness has become difficult. That the arrears will be recovered in the coming year.</p>	<p>Should be done according to the provisions of the act</p>
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka	-----		
(i) Financial Regulation 396	<p>During the period from 2008 to 2019 in 02 Agrarian</p>	<p>That will be investigated</p>	<p>Should be done and according to the</p>

	Service Committees, Rs.98,799 in respect of 08 cheques issued but not presented to the bank had not been dealt as per the referred regulation.	corrected.	Financial Regulations.
(ii) Financial Regulation 757(2) (a) (b) and (4)	The annual board of survey reports of 08 Agrarian Service Committees in the year under review had not been submitted to the Auditor General.	That will be presented in the future.	Should be done according to the Financial Regulations.
(iii) Financial Regulation 880, Circular of the Secretary to the Ministry of Internal, Home Affairs, Local Councils and Local Government No.07/2019 dated 23 March 2019 and circular No.08/2020 dated 25 June 2020 of the Commissioner General of Agrarian Development	The bail had not been posted by the 447 officers of 21 Agrarian Service Committees who were supposed to post bail.	That will be taken bail money from the relevant officers in the future.	Should be done according to the Financial Regulations and circulars.
(c) Circular No.7/2016 dated 08 September 2016 of the Commissioner General of Agrarian Development	An outlet and a Compost project had not been implemented in the 6 Agrarian Service Commission.	That the store will be maintained in the future.	Should be done according to the Circulars.
(d) Public Administrative Circulars No. 09/2009 dated 16 April 2009, No.03/0217 dated 19 April 2017 and No. 02/2021(viii) dated 23 May 2023	The Deniyaya Agrarian Service Committee's fingerprint machine has been inactive since 04 December 2019, when it was installed.	That the supplier has been informed in this regard.	Should be done according to the Circulars.
(e) Circular No. 07/2014 (107 Amendment iii) dated 22 August 2014 of	The daily cash in hand limit of an Agricultural Service Committee is	That this has happened during the implementation of the	Should be done according to the Circulars.

the Commissioner Rs.10,000, but during the fertilizer program.
 General of Agrarian period from 26 April to 30
 Development December of the year
 under review, 04 Agrarian
 Service Committees had
 been detained cash in hand
 of Rs.11,960 - 660,007.

2. Financial Review

2.1 Financial Results

In the year under review, a surplus of Rs.4,398,884 had been earned by 17 committees and 05 committees had been earned a deficit of Rs.1,002,405 correspondingly in that in the previous year, a surplus of Rs.4,619,194 had been earned by 19 committees and 03 committees had been earned a deficit of Rs.184,184. Accordingly, a decline of Rs.1,038,531 had been observed in the total financial result of the 22 Committees.

2.1.1 Analytical Review

- i. The primary role of Agrarian Service Committees is to sell agricultural products including fertilizers, agrochemicals, seeds and plants, agricultural equipment and related to the reviewed year, the total sales of all 22 Agrarian Service Committees is Rs.53,267,978 and the total gross profit is Rs.1,531,848. Accordingly, the average annual sales value of one agrarian service committee was Rs.2,421,272 and the average gross profit was Rs.69,629.
- ii. According to the submitted financial statements, the financial status of the 22 Agrarian Service Committees as on December 31 of the year under review is given below.

		Rs.

<u>Total Assets</u>		
Current Assets	=	292,105,421
Non-current Assets	=	56,247,402
<u>Total Liabilities</u>		
Current Liabilities	=	257,745,128
Long Term Loan Amount	=	13,238,620
Accumulated Fund Amount (Net Assets)	=	77,369,075

3. Operating Review

3.1 Money Management

	Audit Observation	Comment of the Management	Recommendation
(a)	Three current accounts belonging to 02 Committees, which had been inactive for a long time were idle.	That these accounts, which were used for the insurance premiums and compensations of the Agricultural Insurance Board, are not being used and have not been instructed to close them.	Actions should be taken to close current accounts that are not being used.

- | | | |
|--|--|---|
| (b) At the end of the year under review, there was a balance of Rs.23,188,679 in 5 current accounts of 03 Agrarian Service Committees and the management of the committees had not been dealt with the investment of excess money. | That investment will be made after committee approval. | Efficient financial management should be done to grow the committee fund. |
|--|--|---|

3.2 Identified Losses

Audit Observation	Comment of the Management	Recommendation
A stock of vegetable seeds and agrochemicals worth Rs.388,678 purchased by 02 Committees for sale had expired and as a result the Committee had incurred losses of the same value.	That the stock will be disposed of or collected from the offers of that time and settled.	The loss incurred by the committee should be recovered from the responsible parties.

3.3 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) In the year under review, 07 members of 04 committees had not attended any of the committee meetings and 19 members of 07 committees, including the committee assistant, did not attend more than three consecutive meetings were observed. In this regard, according to section 51(6)(d)(I) and (II) of the Agricultural Development Act, actions had not been taken to terminate their appointments and appoint other persons to their place.	That the arrangements will be made to appoint new members to replace the absent members.	The full attention of the committee should be given for the efficient functioning of the committee.
(b) The letter of the Commissioner General of Agricultural Development No. 7/5/12/11 and dated 01 June 2022 has	That will be corrected in future.	Accounts receivable and payable balances that have been in existence for a long time should be settled.

provided an opportunity to settle the accounts receivable and payable balances that have been pending for a long time in the final accounts of 20 Agrarian Service Committees. Due to non-compliance, there were 165 outstanding accounts receivable balances amounting to Rs.11,856,959 within a period of 2 to 30 years and 165 outstanding balances of accounts payable amounting to Rs.7,844,827 within a period of 2 to 20 years were shown in the financial statements even at the end of the year under review.

- | | | |
|---|--|--|
| <p>(b) The loan balance of Rs.267,922, which was given to Medauyangoda Agrarian Service Committee on loan basis by the Agricultural Development Commissioner for a 4-wheel tractor, had not been settled for more than 10 years.</p> | <p>That this tractor has been sent to Mahawa Tractor Yard.</p> | <p>The long-term debt balance shown in the financial statements should be settled.</p> |
| <p>(d) The investigations had been failed to complete as at audit date of 27 April 2023 against Agricultural Research Production Assistant Officer who did not hand over the acreage tax totaling Rs.70,890 paid by 04 farmers of the Deniyaya Agrarian Service Committee area in the year 2019 and farmers bank money.</p> | <p>That the inquiry has been referred to the head office.</p> | <p>Investigations should be expedited and appropriate action should be taken.</p> |
| <p>(e) In the statement of financial position of Deniyaya Agrarian Service Committee, Rs.328,160 stocks were not physically present and there were no stock books reported in this regard. In the year under review too, action had not been</p> | <p>That information has been informed to the District Agrarian Service Office to take action in this regard.</p> | <p>Investigations should be conducted and relevant action should be taken.</p> |

taken to identify the responsible parties, carry out investigations and take necessary actions regarding this shortage of long-standing stock

3.4 Transactions of Contentious Nature

Audit Observation	Comment of the Management	Recommendation
<p>In accordance with the provisions of Section 34(1) of the Agricultural Development Act No. 46 of 2000 as amended by the Agricultural Development Act No. 46 of 2011 on a paddy land of 35 perches in the jurisdiction of the Medauyangoda Agrarian Service Committee, the Commissioner General of Agrarian Development had been given permission for a project of mechanical soil washing and sand extraction for a period of one year. It was observed that contrary to the conditions mentioned in the permission letter, the paddy fields were filled and a cement-mixed clay blocks business was being run. The period of the permit had also expired, but the conditions was violated and necessary steps had not been taken to withdraw the permit and restore the paddy land in accordance with Section 34(2) (4) of the Act regarding the encroachment of paddy land.</p>	<p>The Commissioner General will be consulted and the relevant steps will be taken in this regard</p>	<p>Actions should be taken according to the provisions of the Act regarding illegal encroachment of paddy land.</p>

3.5 Procurement Management

Audit Observation	Comment of the Management	Recommendation
<p>In accordance with 8.9.1(a) and 8.12.2 of the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka, Rs.269,620 had been paid to a farmer organization without a</p>	<p>Accepting that the construction was done without a contract</p>	<p>Action should be taken regarding the relevant officers of approvals and certifications of payments.</p>

contractual agreement for the construction of an archive of the Hakmana Agrarian Service Committee.

4. Agrarian Banks

Audit Observation	Comment of the Management	Recommendation
(a) By the end of the year under review, a total of Rs.34,893,153 of loan balance due from 1,436 farmers had been overdue from the project loans and agricultural loans issued to the farmers by the farmer banks belonging to 17 committees. The recovery progress was slow.	The overdue loans have been referred to the agricultural tribunals and courts and I will be worked on the decisions given in the future.	Bank loans should be recovered within the relevant period.
(b) The agricultural disaster loan coverage fund had not been used or arranged to settle the total amount of Rs.202,261 of agricultural and project loans due from 08 farmers who died on 31 December 2022 in 02 Agrarian Service Committees.	I will be taken action to write off the debt or recover from the guarantors.	The loan should be settled as per circular instructions.