

15 Agrarian Service Committees of Jaffna District - 2022

1. Audit Opinion

- 1.1 The audit of the financial statements of the 15 Agrarian Service Committees of Jaffna 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 Flows 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 the provisions of the National Audit Act, No.19 of 2018 and the section 58(I) of 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 15 Agrarian Service Committees in Jaffna District for the year 2022, a qualified opinion had been expressed for all the 15 committees. Even that the material deficiencies that caused it are as follows.

1.3 Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

Audit Observations	Comments of the Management	Recommendation
(a) In the reviewed year of 06 Agrarian Service Committees, capital expenditure of Rs.28,406,985 was not included in the asset register, so the assets were understated by that amount..	Non-current assets and capital expenditure will be included in the fixed assets register in future.	Correct value of the fixed assets should be accounted.
(b) In the year under review, non-current assets worth Rs.1,644,346 which not in physically had overstated in the financial statements by 04 Agrarian Service Committees.	Necessary arrangements have been made to cut off.	The correct value of non-current assets should be stated in the financial statements.
(c) The current assets worth Rs.1,767,399 which not in physically were overstated in the financial statements by 05 Agrarian Service Committees.	Arrangements have been made to make the relevant adjustments in the coming financial years.	Correct value of the current assets should be accounted.

1.3.2 Lack of Written Evidence for Audit

	Subject	Amount Rs.	Inconclusive audit evidence	Comments of the Management	Recommendation
(a)	Daily running notes, log books, fuel consumption register, vehicle repair register for the tractors used by 12 agrarian service committees were not maintained properly, so the expenses incurred in the reviewed year could not be accepted or confirmed in the audit.	6,487,834	Daily running charts, vehicle log records books, fuel consumption register, vehicle repair register	By maintaining the documents pointed out by these 12 committees, fuel expenses, driving expenses and repair expenses will be properly submitted for audit.	Should be kept up to date.
(b)	Although the amount of paddy land in the reviewed year's financial statements of 12 Agrarian Service Committees had been stated as 9866 hectares, it was not possible to satisfactorily monitor the year's acreage tax and arrears of acreage tax as the paddy land register was not submitted for audit to prove it.	962,913	Paddy land register	In the future, the paddy land register will be updated and submitted for audit.	Paddy land register should be maintained properly.
(c)	In relation to 67 debtor balances which were stated in the Statement of the financial position of the reviewed year of 12 Agrarian Service Committees, written confirmations had not	10,654,295	Detailed schedules	Arrangements will be made to obtain written confirmation of debtors balances.	Written evidence should be submitted

been submitted to the audit.

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| (d) | In relation to 106 creditors balances of 15 Agrarian Service Committees in the financial statement of the year under review, written confirmations had not been submitted to the audit. | 89,414,474 | Detailed schedules | Arrangements will be made to obtain written confirmations for creditor balances in future.. | Written confirmation should be obtained for the creditors. |
| (e) | Chandilippai Agrarian Service Committee's statement of financial performance for the year under review has not been able to confirm the income from seed paddy. | 208,200 | Seeds sales account | In the financial performance report of the year under review, the sales of Rs. 208,200, which had been stated as income of seed paddy, had been omitted from the accounts by mistake. | Sales accounts should be prepared and seeded income should be properly accounted. |
| (f) | Documents required to prove the payment of 170 payment vouchers of 06 Agrarian Service Committees in the reviewed year had not been submitted to the audit. | 1,906,614 | Consignee's Signature, Original Receipt, Receipt Report, Quotations, Applications | In the future, this mistake will be corrected and the necessary documents to prove the payment along with the payment voucher will be prepared accordingly and submitted to the audit. | In making the payment, arrangements should be made to obtain proof related to the payment. |

1.3.3 Unreconciled Control Accounts or Reports

Subject	Value as per Financial Statements Rs.	Value as per corresponding records Rs.	Different Rs.	Comments of the Management	Recommendation
Balance due in accordance with the Schedule of Creditors of the	4,804,363	4,178,061	626,302	The correct value of the balances to be paid will be indicated in the statement of financial position so that such mistakes do not occur	The loan should be accurately valued in the statement of financial position.

1.4 Non-compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions ect

The instances of non-compliance of laws, rules, regulations and management decisions are as follows.

Reference to the Laws, Rules and Regulations	Non-compliance	Value Rs.	Comment of the management	Recommendation
(a) Agricultural Development Act No. 46 of 2000				
(i) Section 53	In 15 Agrarian Service Committees, paddy land register had not been prepared.	-	The preparation of paddy land registers is currently underway.	Arrangements should be made to maintain paddy land registers.
(ii) Section 55	Necessary arrangements were not made for surveying the paddy lands in the administrative area of 15 Agrarian Service Committees.	-	15 Committees have currently surveyed the paddy fields in the administrative area with the help of Google Map and obtained the size of the paddy fields. Under the GEO Goviya program, each field is surveyed with GPS equipment.	Necessary arrangements should be made for surveying.
(iii) Section 56(i)	The all 12 Agrarian Service Committees had not kept the acre tax register up-to-date.	-	Preliminary work to update the Acreage Register is currently underway. After its completion,	Necessary arrangements should be made to maintain the

				necessary arrangements will be made to submit it for audit.	acreage register.
(b)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka				
(i)	Financial Regulation 502 (2)	15 Agrarian Service Committees had not maintained fixed asset registers. Furthermore, it was not physically verified.	-	13 committees are working to maintain the fixed assets register properly, and work is being done to verify it physically.	Asset register should be maintained.
(iii)	Financial Regulation 880, 881	In the 13 Agrarian Service Committees, Bonds had not been deposited by the 39 officers who should be deposited bonds.	267,500	The officers of the committees have arranged for the deposit in this year.	Bonds should be deposited.
(c)	Circulars of the Commissioner General of Agrarian Development				
(i)	Letter No. 7/5/12/11 of the Department of Agrarian Development dated 01.06.2022	Although 15 Agrarian Service Committees have stated that the arrears due and payable from the transactions between the District Assistant Commissioner and Agrarian Service Administrative Committees should be settled by 28.07.2022 and the transactions between other institutions and Agrarian Service Centers should be settled before 25.08.2022 but it had not	41,076,892	Arrangements should be made to settle the arrears.	Action should be taken according to the circular.

been settled till the end of the year under review.

(ii) Letter No. 7/2/13/అంబాడ్యు దాతె 05.01.2022	The Agrarian Development Officers of 09 Agrarian Service Committees had not submitted the upcoming program dates and amendments of the daily notes for the year under review.	-	In the future, daily notes and editions of daily notes of the committees have been maintained.	Arrangements should be made for future programs.
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2. Financial Review

2.1 Financial Results

According to the presented Financial Statements, The operating result of 15 Agrarian Service Committees was a surplus of Rs.22,404,331 in the year under review and correspondingly, the surplus of the previous year was Rs.4,144,000. Accordingly an increase of Rs.18,260,331 was observed in the financial result.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observations	Comments of the Management	Recommendation
(a) The necessary steps had not been taken to write off the total loss of Rs.191,564 of Urumpirai Agrarian Service Committee from the books for a period of 27 years.	The total value of the losses incurred by the Center in the year 1995 was Rs.191,564. It is informed that this will be written off from the books in a formal manner as per the Financial Regulations, and the register of damages and losses will also be maintained.	Maintain the register of damages and losses and necessary steps should be taken to write off the loss from the books.
(b) The necessary action had not been taken to write off the total loss of Rs.901,925 of Chavakachcheri Agrarian Service Committee from 21 years to 32 years.	In this regard, will be written off in a formal manner according to the Financial Regulation and the register of damages and losses will also be maintained.	Actions should be taken to cut losses.

3.2 Operating Inefficiencies

The following observations are made.

Audit Observations	Comments of the Management	Recommendation
In the year 2021, 03 Agrarian Service Committees spent Rs.707,912 for the production of organic fertilizers, but it was observed that they were stored in 04 Committees without being used for the relevant purpose until 31.12.2022.	Organic fertilizers produced by the 04 Committees will distribute after determining the quality and sale price.	Arrangements should be made to use organic fertilizers for the relevant purpose.

3.3 Idled or Under utilized Property, Plant and Equipments

The following observations are made.

Audit Observations	Comments of the Management	Recommendation
(a) 58 four-wheel tractors and 06 trailers belonging to 13 Agrarian Service Committees, necessary actions had not been taken to repair and utilize by the Committees during the period from year one to year 12.	Repairable trucks and trailers out of 58 four-wheeler trucks and 06 trailers belonging to 13 committees have been repaired and utilized by the committees.	Necessary arrangements should be made regarding trucks and trailers.
(b) In the year 2019, 04 Soil Testing Instruments worth Rs.864,154 were given to 04 Agrarian Service Committees and by the Department and Rs.32,000 had been spent for required training for the test and the relevant equipment had not been use till date.	Although we can only test the PH and EC of the soil using the soil testing equipment that we received, the equipment has not been used until now due to the difficulty in obtaining the chemicals required for this equipment as it is not possible to measure the amount of fertilizer contained in the soil.	Arrangements should be made to use the soil testing equipment for the relevant purpose.

3.4 Utilization of Other Organizations' Resources

Audit Observations	Comments of the Management	Recommendation
Even though centers were maintained in buildings worth Rs.39,705,900 built on government lands of 11 Agrarian Service Committees, no necessary	The preliminary work to take over the ownership of government lands has been started which are maintained by 11 committees, has been	Necessary arrangements should be made to take over the land.

arrangements had been made to take over the ownership of those lands since 32 years. started.

3.5 Human Resources Management

Audit Observations	Comments of the Management	Recommendation
As of 31 December 2022, the approved number of employees belonging to 06 positions was 370, while the actual number of employees was 165. At the end of the year under review, 15 committees had not been taken necessary actions to fill 206 vacancies or regularize 11 surplus.	Necessary arrangements will be made to fill 206 approved cadre vacancies and transfer 11 surplus in 15 Committees.	Arrangements should be made to fill vacancies as necessary and transfer redundant employees to other offices.

4. Agrarian Banks

Audit Observations	Comments of the Management	Recommendation
14 Agrarian Service Committees had not been taken necessary actions to recover the loan balance of Rs.11,676,940 of 209 farmers from the loans given to farmers during the period 2005-2022.	No comments received	Action should be taken to recover the outstanding loan.

5. Systems and Controls

Audit Observations	Comments of the Management	Recommendation
The Assistant Commissioner for Agrarian Development has not conducted an internal audit of the activities of 15 Agrarian Service Committees for more than 10 years in accordance with Financial Regulations 133 and 134.	The activities of 15 Committees have been arranged to conduct an internal audit in the future according to Finance Regulations 133 and 134.	Action should be made according to the Financial Regulations.