

26 Agrarian Services Committees in Gampaha District - 2022

1. Audit Opinion

1.1 The audit of the financial statements of 26 Agrarian Services Committees in Gampaha District for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statements of financial performance for the year then ended and the cash flow statement 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 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 In relation to the year 2022, the audit reports related to the 26 Agrarian Service Committees in Gampaha district had been issued and, a qualified opinion had been expressed for all 26 committees in those reports. The material deficiencies caused for that as follows.

1.3 Financial Statements

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

Audit Observations	Comments of the Management	Recommendation
(a) Although all accounts related to the Agrarian Bank should be included to the Annual accounts of the Agrarian Committee since the Agrarian Bank is a unit of the Agrarian Development Committee, and the consolidated financial statements should be prepared, all 26 committees have not been done accordingly.	Financial statements are prepared as per the 5.6(i) of Circular No.04/2012 and dated 29 February 2012 of the Commissioner General of Agrarian Development.	5.6(i) of Circular No.04/2012 and dated 29 February 2012 of the Commissioner General of Agrarian Development should be followed.
(b) According to the section 26 of Standard No.07, the value of the land and building of all 26 committees which the Committee is located had not been assessed and accounted.	Lack of awareness of Public Sector Accounting Standards and accounting policies and will be act accordingly in the future.	Public Sector Accounting Standards and accounting policies should be followed.

1.3.2 Accounting Deficiencies

The following facts were observed.

Audit Observations	Comments of the Management	Recommendation
(a) The value of the land and buildings of all 26 Agrarian Service Committees and the computer equipment, photo copy machines and also the Agrarian vehicles and equipment related to the 05 committees had not been assessed and accounted.	Action will be taken to obtain cost or assessed value and accounted.	All assets belonging to the committee should be valued and accounted.
(b) The total expense of Rs.61,406 in 08 Agrarian Service Committees and the total income of Rs.1,318,281 in 03 Committees had been over accounted and the total income of Rs.75,352 in 04 Committees had been under accounted. Also, the current assets of Rs.295,289 in 05 committees had been over accounted and the current assets of Rs.172,002 in 02 committees had been under accounted. Also, current liabilities of Rs.1,452,117 in 07 committees were understated, non-current assets of 04 committees were overstated by Rs.958,500 and the non-current assets of 02 committees had been under accounted by Rs.403,520.	These errors will be adjusted to the accounts of January 2023 and shown them correctly in the accounts of the year 2023.	In preparing the financial statements, efforts should be made to adjust the income and expenses related to the accounting year, and to present the financial statements completely and accurately.
(c) Action had not been taken to re-valuate and account the fixed assets of 04 computers, computer systems, computer accessories, machinery, a printer, a water motor and a floor scale that had been fully depreciated in relation to 07 Agrarian Service Committees in the year under review.	Answer had not been given.	Actions should be taken to re-valuate and account the assets.

1.3.2.1 Unauthorized Transactions

Description of Unauthorized Transactions	Comments of the Management	Recommendation
The 04 Agrarian Service Committees had made payments totaling to Rs.91,670 through 37 payment vouchers without the authorization of the Executive Secretary.	Answer had not been given.	Payment vouchers should be used with proper authorization to make payments.

1.3.3 Documentary evidences not made available for the Audit

Audit Observations	Comments of the Management	Recommendation
The evidence such as balance confirmations, security deposit registers, fixed deposit certificates related to the account balances of Rs.984,174 belonging to 05 Agrarian Service Committees were not submitted to the audit and therefore those account subjects were unable to satisfactory vouched.	It had been informed that the information was insufficient.	Action should be taken to submit relevant evidence to verify the balance of assets and liabilities.

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

The following facts were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Agrarian Development Act No. 46 of 2000			
(i) Section 52	Although an Agrarian program should be prepared for the area of authority of the Agrarian Committees before each season, the 26 Committees had not act accordingly.	Action will be taken to provide instructions in writing to the Regional Officer that act as per Section 52(1) of the Act.	The provisions of the Agrarian Development Act should be followed.

**(b) Financial Regulations
of Democratic Socialist
Republican of Sri
Lanka**

(i) Sections 133 and 134 of the Financial Regulations Neither the Commissioner General of Agrarian Development nor any responsible officer had conducted an internal audit of the Agrarian Committee and submitted copies of the reports. Answers had not been given. Financial Regulations should be followed.

(ii) Section 09 of Part II of Public Finance Circular No.01/2020 dated 28 August 2020 and Financial Regulation 880 In relation to 56 Agrarian Service Committees, although all the employees authorized to act on cash or stocks had to post security, the Development Officer, Executive Secretary, Agrarian Bank Clerk, Agrarian Research and Production Assistants had not been post security. It is informed that steps will be taken in the year under review to recover the Security. Financial Regulation 880 and Public Finance Circular No.01/2020 should be followed.

**(c) Circulars of the
Commissioner General
of Agrarian
development**

Circular 04/2013 dated 08 March 2013 Although it was advised to use the Agrarian service center premises to sell Agrarian products, run temporary canteens, and sell the products of farmer organizations, most of the Agrarian service committees had not been act accordingly. Answers had not been given. Provisions of the Circulars should be followed.

02. Financial Review

2.1 Financial Results

According to the presented financial statements, the total of the 23 Agrarian Service Committees in 2022 was a surplus of Rs.13,295,888 and the total of 26 Agrarian Banks was a surplus of Rs.7,148,416. In the year 2021, the total of 22 Agrarian Service Committees had a surplus of Rs.8,765,390, and the total of 26 Agrarian Banks had a surplus of Rs.6,855,346.

2.1.1 Analytical Review

- i. 23 Agrarian Service Committees had a surplus of Rs.13,295,888 in the year under review and the previous year surplus of 22 Agrarian Service Committees was Rs.8,765,390 compared to that. Accordingly, there was an increase in the surplus of Rs.4,530,498. The deficit of 03 Committees in the year under review was Rs.481,850 and the deficit of 04 Committees in the previous year was Rs.469,463 compared to that. Accordingly, although the increase in the deficit was Rs.12,387, the total surplus had increased by Rs.4,518,111 due to the adjustment of the increase in the surplus.
- ii. The key role of the Agrarian Service Committees is to sell Agrarian goods including fertilizers, agrochemicals, seeds and plants, Agrarian equipment and the total sales of the 26 Agrarian Service Committees for the year under review was Rs.37,910,713. As the total gross profit was Rs.12,109,119, the average annual sales value of one Agrarian Service Committee was Rs.1,458,104 and the average gross profit was Rs.465,735.
- iii. The information about the financial position of the 26 Agrarian Service Committees as on 31 December of the year under review according to the financial statements submitted as follows.

	Rs.
<u>Total assets</u>	
current assets	142,704,377
Non-current assets	94,773,675
<u>Total liability</u>	
Current Liability	76,862,118
Long term debt value	4,645,264
Accumulated Fund Value (Net Assets)	155,970,670

03. Operational Review

3.1 Information on Deposit Accounts and Non-Employment of Effective Investment

The information about the current account balances maintained by 26 Agrarian Service Committees and 26 Agrarian Banks in 02 government commercial banks as of 31 December 2022 and the amount invested as savings and fixed deposits in government banks as follows.

	Savings Deposits	Fixed Deposits	Current Deposits	Total
Committees	2,123,231	64,719,748	59,656,774	126,499,753
Agrarian Banks	29,880,717	34,759,636	4,290,573	68,930,926
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Total	32,003,948	99,479,384	63,947,347	195,430,675
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Audit Observations

Comments of the Management

Recommendation

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| (a) | The balance in the current accounts with no interest income was Rs.63,947,347. | The funds are kept in the current account like this as they have to keep sufficient cash balance for the day-to-day activities of the Agrarian Service Committees. | Funds should be used in more effective investment. |
| (b) | The total cash invested in saving accounts that earn low interest income is Rs.32,003,948. Accordingly, it was observed that the cash was not used effectively. | Answers were not received. | Funds should be used in more effective investment channels. |

3.2 Identified Losses

The following facts were observed.

Audit Observations

Comments of the Management

Recommendation

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| (a) | An amount of Rs.21,675 for more than 03 years and an amount of Rs.528,722 due for the shortage of stock for more than 13 years from the former sales clerk who was responsible for the shortage of stock of Rs.21,675 in Galahitiyawa Agrarian Service Committee was remained unrecoverable. | Answers had not been given. | Financial Regulations should be followed. |
| (b) | An amount of Rs.44,788 for more than 16 years from a former sales clerk of Pallewela Agrarian Service Committee was remained unrecoverable. | Answers had not been given. | Financial Regulations should be followed. |
| (c) | Action had not been taken to recover the amount of Rs.461,639 due for fertilizer and seed paddy shortage in the years 2011 and 2012 in Badalgama Committee. | Answers had not been given. | Financial Regulations should be followed. |

- (d) The amount of Rs.477,915 which was the stock shortage of the Biyagama Agrarian Service Committee in the years 2019 and 2020 from the officer who was in charge of the stock at that time was remained unrecoverable.
- The relevant officer has been informed and the internal audit report has not been received yet.
- Financial Regulations should be followed.

3.3 Management Inefficiencies

The following facts were observed.

Audit Observations	Comments of the Management	Recommendation
(a) According to Agrarian Development Department Circular No. 01/2011 dated 01 February 2011, although the re-issuance of Counterfoil Books should be done even after the receiving back the books previously delivered, it was observed during the inspection of Counterfoil Books of 05 Agrarian service committees that another receipt book was handed over to the relevant officials without handing over the receipt books to the committee which issued to the Agricultural Research Production Assistants for Collection of Acreage Tax.	Answers had not been given.	Control over the Counterfoil Books should be established.
(b) Rs.337,928 had been remained save from the amount of Rs.100,000 given by the Department of Agrarian Development to 05 Agrarian Service Committees for the production of organic fertilizers at a center level in 2021-22 Maha season. This amount was not used for the relevant project and action had not been taken to settle it by repay.	Remaining amount will be used for the production of organic fertilizers in the future.	The remaining amount should be used for the organic fertilizer project or the remaining amount should be paid back and settled.
(c) The total amount of fallow paddy field related to 20 Agrarian Service Committees is 5068 acres and the amount of acres that paddy and other crops were cultivated was limited to 1521 acres in the 2022/23 season.	Fallow paddy field cultivation was at a minimum level due to water scarcity, irrigation problems, flood threats, urbanization and environmental problems caused by the construction of highways.	According to Section 30 of the Agrarian Development Act, every land must be used for cultivation.

3.4 Operational Inefficiencies

The following facts were observed.

Audit Observations	Comments of the Management	Recommendation
Action had not been taken to recover the 55 receivable balances of Rs.5,546,719 which have been brought forward for many years in 17 Agrarian Service Committees and to settle the 02 payable balances of Rs.416,344.	That the certain loan balances can be recovered and action will be taken in the future regarding unrecoverable loan balances.	Accounts receivable and payable balances that continuously persist in the financial statements should be settled.

3.5 Idle or underutilized Property, Plant and Equipment

Audit Observations	Comments of the Management	Recommendation
01 Kubota tractor, 01 hand tractor, 02 reapers, 02 plant nurseries houses, 01 liquid sprayers remained idle in 07 Agrarian Service Committees.	Action will be taken to give instructions to use the assets and equipment that can be used on occasion and to carry out further work regarding the dispose of other assets and equipment.	Assets and equipment that can be used should be put to use and other assets and equipment should be disposed.

3.6 Project or Capital Works Delays

Audit Observations	Comments of the Management	Recommendation
Although the activities of 89 irrigation maintenance and operation projects in 10 Agrarian Service Committees and 28 Agricultural roads and architectures renovation projects in 05 Committees had been proposed during the year under review, those works had not been completed.	For the implementation of these projects, as provision has not been received in relation to the capital subjects of the year 2022, although they were proposed to be implemented in the year under review, they could not be implemented.	Arrangements should be made to update the irrigation industry and irrigation works and construction works.

3.6 Human Resource Management

Audit Observations	Comments of the Management	Recommendation
There are 720 Agricultural production assistant domains related to 26 Agrarian Service Committees and there were vacancies for A.R.P.A for 186 domains out of that.	It is point out that the Commissioner General of Agrarian Development has not been able to fill these vacancies as the government has taken a policy	Vacancies should be filled.

decision not to make new recruitments.

4. Good Governance of Accounting

4.1 Sustainable Development Goals

Audit Observations	Comments of the Management	Recommendation
Due to the fact that the Committee was not aware of the Circular No.NG/SP/SGD/17 dated 14 August 2017 issued by the Secretary of the Ministry of National Policy and Economic Affairs and the Year "2030 Agenda" about Sustainable Development of United Nations, the Sustainable Development Goals (SDGs) targets in relation to tasks that fall under its purview and the milestones to reach those goals and the indicators for measuring the achievement of the goals had not been identified.	The answer was that there was no awareness of it.	Sustainable development goals and the milestones to reach those goals and the indicators to measure the achievement of the goals should be identified.

05. Agrarian Banks

The following facts were observed.

Audit Observations	Comments of the Management	Recommendation
(a) The Agrarian banks of 26 Agrarian Service Committees had not been taken actions to improve the deposits of farmer organizations.	That the action will be taken in the future.	Necessary actions should be taken to improve the deposits of the farmer organizations.
(b) It was observed that there were overdue loans of Rs.23,398,566 related to the 991 debtors in Agrarian banks of 24 Agrarian Service Committees.	Instructions have been given to continue the proceedings through Agrarian tribunals and judicial proceedings for recovery of these debts.	Actions should be taken to collect the loan amount on due date according to Circular 4/2012 dated 29 February 2012.