

17 Agrarian Services Committees in Hambantota District - 2023

1. Audit Opinion

1.1 The audit of the financial statements of 17 Agrarian Services Committees in Hambantota District for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, the statement of financial performance and the cash flow statement for the year then ended, notes to the financial statements and including material accounting policy information 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 Audit reports in relation to the 17 Agrarian Service Committees in Hambantota District had been issued and, the material deficiencies that had been caused to the expressed an adverse opinion for 01 Committee and a qualified opinion for 16 Committees in those reports are as follows.

1.3 Financial Statements

1.3.1 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) A fixed deposit value of Walasmulla Agrarian Service Committee had been under-accounted by Rs.1,845,981	That it will be indicated correctly in the accounting reports of the year 2024.	Action should be taken to prepare and present the financial statements completely and accurately.
(b) The expenditure related to various subjects of 12 Agrarian Service Committees in the year under review by Rs.1,672,277 more and Rs.673,425 less, the income related to various subjects in 08 Agrarian Service Committees by Rs.317,113 less and Rs.1,263,365 more, the current assets of 16 Agrarian Service Committees by Rs.1,799,778 less and Rs.422,564 more, the current liabilities of 08 Agrarian Service Committees by Rs.76,048 less and Rs.3,483,160 more, the accumulated fund of 11 Agrarian Service Committees by Rs.1,845,100 less and Rs.304,638 more and the revaluation reserves of 08 Agrarian Service Committees by Rs.2,585,889 less had been accounted.	That these errors will be correctly indicated in the accounting reports of the year 2024.	Action should be taken to adjust the income and expenses related to the accounting year in preparing the financial statements and to present the financial statements completely and accurately.

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| (c) | The value of the fixed assets of 15 Agrarian Service Committees was under-accounted by Rs.9,541,186 and over-accounted by Rs.54,000 and the value of land where the committee is located had not be assessed and accounted. | Action is being taken to take over the lands in Centers and that other errors will be correctly indicated in the accounting reports of the year 2024. | All assets belonging to the committee should be valued and accounted and action should be taken to present the financial statements completely and accurately. |
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1.3.2 Unauthorized Transactions

	Description of unauthorized Transactions	Comments of the Management	Recommendation
(a)	During the payment for the fertilizer stock worth Rs.3,431,875 which was purchased on credit basis from a private institution by the Beliatta Agrarian Service Committee, the Executive Secretary of the committee prepared 05 payment vouchers beyond his authority and Rs.225,550 had been paid without the approval of the Assistant Commissioner of Agrarian Development.	That the separate cheques have been issued for the types of fertilizers.	The approval of the Commissioner of Agrarian Services Development should be obtained for making payments beyond the limit.
(b)	Although the Beralihela Agrarian Service Committee had rented out the Shine 504 tractor, the mileage meter of which was off and employing an outside party as the driver, formal agreement had not been reached. The driver of the tractor got the fuel himself and when presenting the bills for the minor repair expenses to the committee, the amount related to the expense bills was deducted and the income had been given to the committee. Accordingly, although Rs.330,892 and Rs.130,226 had been incurred for getting fuel and for repair work in the year under review, this had not been done under the supervision of a responsible officer.	That, there are no spare parts to adjust the milometer and that an agreement will be made with the driver and proper procedures will be followed and monitored.	A formal control system should be introduced in this regard.
(c)	Balances of Rs.50,121 were in two savings accounts of Ambalantota Agrarian Service Committee had been written off without approval.	That the balances have been written off after obtaining confirmation letters from the bank.	Action should be taken to obtain approval.

1.3.3 Written Evidences not made available for Audit

Audit Observation	Comments of the Management	Recommendation
The written evidence required to verifying and vouching Rs.167,355,451 of assets in 17 Agrarian Service Committees, Rs.76,133,928 of liabilities in 08 Agrarian Service Committees and Rs.1,112,643 of income transactions in 02 Agrarian Service Committees were not submitted to the audit.	That the divisional officers will be instructed in writing to include the necessary notes, reports and documents to present the correct information in the 2024 accounting reports.	Evidences related to proof of income and confirm the balance of assets and liabilities should be submitted.

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

Reference to Laws, Rules and Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Agrarian Development Act No. 46 of 2000			
i. Section 51(1)	Although the Commissioner General of Agrarian Development should act to establish an Agrarian Development Council for a certain area, the Agrarian Development Councils had not been established in 17 Agrarian Service Committees.	That the instructions have not been received from the Commissioner General of Agrarian Development and that the establishment of Agrarian Service Development Councils will be done as soon as the instructions are received.	It should be done according to the provisions of the Act.
ii. Sections 56(3) and (4)	The responsible officers of 09 Agrarian Service Committees had not recovered Rs.1,503,805 of arrears of acreage tax at the end of the year under review.	That the relevant officers have been informed to recover the arrears of acreage tax.	It should be act according to the provisions of the Act.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i. Financial Regulations 110	Register regarding the damages and losses had not	That, the action will be taken to maintain	Registers should be kept up to date.

- been maintained in 10 the damages and Agrarian Service losses register. Committees.
- ii. Financial Regulations 133 and 134 An internal audit had not been conducted in Ambalantota Agrarian Service Committee. That, an audit will be conducted in the future. Financial Regulations should be followed.
- iii. Financial Regulation 396(d) Action had not been taken as per the referred regulations regarding the 05 overdue cheques totaling Rs.17,631 issued by 03 Agrarian Service Committees but not presented for payment. That, the further action will be taken as per the instructions of the Assistant Commissioner of Agrarian Development. Financial Regulations should be followed.
- iv. Financial Regulation 454 (2) A register regarding the electrical equipment had not been maintained in 08 Agrarian Service Committees. That, the action will be taken to initiate registers. Financial Regulations should be followed.
- v. Financial Regulation 880 Although all employees authorized to deal with cash or stocks had to post security, Agrarian Research and Production Assistants in 15 Agrarian Service Committees had not post Securities. That, the further action will be taken by referring to the Commissioner General of Agrarian Development. Financial Regulations should be followed.
- (c) Circular No.107 dated 16 October 1981 of the Commissioner of Agrarian Services
- i. Section 03 (e) Although all the transactions should be entered in the prescribed books of account systematically and timely, 05 Agrarian Service Committees had not done accordingly. That, it will be arranged to make entries in the books of accounts systematically at due time in the future. Action should be taken as per the provisions of the Circulars.

- (d) Letter No.754/9/05 (මෙම.මෙ.මෙ) dated 26 April 2023 of Commissioner General for Agrarian Development Rs.252,400 had been received as petty cash exceeding the petty cash limit of Rs.20,000 of Agrarian Service Committees in 09 occasions and, Rs.359,540 had been paid as petty cash expenses in 43 occasions exceeding the limit of petty cash. That, it was informed Relevant rules and to act according to the regulations should relevant letter in be followed. future proceedings.

2 Financial Review

2.4.1 Financial Results

According to the presented financial statements, a total surplus of Rs.10,891,164 in 11 Agrarian Service Committees, a total deficit of Rs.2,514,732 in 06 Agrarian Service Committees and a total net profit of Rs.6,517,427 in 17 Agrarian banks were in the year 2023.

3 Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	the Recommendation
(a) The 80 water level gauges that were given to measure the water capacity of the minor irrigation tanks in the Committee area of authority had not been used by 04 Agrarian Service Committees for the relevant purposes.	That, these equipment will be issued to measure the water capacity of minor irrigation tanks.	The respective equipment should be used for the intended purpose.
(b) Although the Commissioner General of Agrarian Development had ordered to recover the loss related to the misplaced of Rs.273,234 of fertilizer stock of the Weerawila Agrarian Service Committee in the year 2016 by the letter No.7/2/10/1855 dated 13 September 2022, the responsible officers had not recovered the said loss.	That, it could not be recovered as one officer had appealed.	Action should be taken to recover amount from the responsible officers.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The 04 Agrarian service committees had not taken necessary action regarding the Rs.444,024 of expired stocks of agrochemicals, vegetable seeds, seed paddy and chemical fertilizers, other fertilizers and Agrarian equipment.	That the approval of Assistant Commissioner has been sought for write off the stock.	The sale or return should be arranged before expiry and appropriate action should be taken against the responsible officers who fail to do that.
(b) Rs.1,440,600 of 50353 kg of organic fertilizer purchased by 04 Agrarian Service Committees and Rs.44,850 of 3450 kg of Eppawala Rock Phosphate (ERP) Fertilizer purchased by the Mayurapura Agrarian Service Committee had been idle in the warehouse.	Since money has been paid by the government, return was not made. That they will be transferred between the committees and sold.	The sale or return should be arranged before expiry and appropriate action should be taken against the responsible officers who fail to do that.
(c) The amount of Rs.369,600 related to 18480 kg of solid organic fertilizer sold by the Yodhakandiya Agrarian Service Committee to a private company had not been recovered by 30 April 2024.	That, the reminders will be sent to recover the cash and related legal actions will be taken.	Actions should be taken to recover the cash from the responsible officers.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
The 10 Agrarian development officer quarters belonging to 10 Agrarian service committees, a shop, a CCTV camera system, 06 tractors, 02 tractor trailers, 01 safe, 01 fax machines, 01 motorcycle, 01 ploughs, an organic leaf chipping machine and 01 organic fertilizer production machine were idle.	Since the committee does not have enough money to repair the quarters of the Agrarian development officers and fertilizer warehouses, the cost estimates and provisions for the repairs have been requested from the Hambantota district office and instructions will be given to repair other assets as requirement.	Action should be taken to put to use the assets and equipment that can be used and to dispose other assets and equipment.

3.4 Procurement Management

Audit Observation	Comments of the Management	Recommendation
The 09 Agrarian Service Committees had purchased seed paddy, stationery and office equipment worth Rs.5,410,281 in 121 occasions without complying with Section 2.14.1 of the Procurement Guidelines 2006.	That these errors will be corrected in the future.	Provisions of the Procurement Guidelines followed.

3.5 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
There were vacancies for Agrarian Research Production Assistant Officers for 196 domains belonging to 17 Agrarian Service Committees.	That the actions have been made to provide acting appointments for vacant domains.	Vacancies should be filled.

4. Agrarian Bank Activities

Audit Observation	Comments of the Management	Recommendation
(a) Rs.61,829,306 of non-performing loan balances and interest out of the loans given to the farmers by the 12 farmers banks as of 31 December of the year under review had not been recovered.	That, the proceedings will be initiated as per the decision of the Agrarian Tribunal to recover the arrears and interest.	Loan arrears should be recovered.
(b) The credit balance of the suspense account which was Rs.130,404 stated in the financial statements of Netolpitiya Agrarian Bank had not been settled.	That, the action will be taken to settle those balances.	Balances should be identified and financial statements corrected.