

## 15 Agrarian Service Committees of Jaffna District - 2023

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### 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 2023 comprising the Statements of Financial Position as at 31 December 2023 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 For the audit reports issued in relation to 15 Agrarian Service Committees in Jaffna district in the year 2023, a qualified opinion has been expressed, and the material deficiencies that had been caused to the qualified opinion are shown below.

### 1.3 Financial Statements

#### 1.3.1 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
(a) The value of 88.27 tonnes of subsidized fertilizer stock which was not given to the farmers by 08 Agrarian Service Committees in the year under review had not been shown in the financial statements.	That the steps be taken to show the fertilizer subsidy stock as a stock in the financial statements.	Steps should be taken to show the stock in the financial statements.
(b) The sum of Rs.5,360,915 incurred for the acquisition of fixed assets of 02 Agrarian Service Committees in the year under review was not shown in the financial statements as expenses.	That the steps will be taken to include the fixed assets in the register.	The correct value of fixed assets should be accounted for.
(c) The current assets worth Rs.1,519,131 which not in physically had been stated in the financial statements of 03 Agrarian Service Committees.	That the steps will be taken to remove.	Steps should be taken to show the fair value of the assets in the financial statements.
(d) In the year under review, non-current assets worth Rs. 1,299,442 which not in physically had overstated in the financial statements by 04 Agrarian Service Committees.	- do -	- do -
(e) Rs.1,071,189 acre tax due in 15 Agrarian Service Committees during the year under review was not disclosed in the financial statements.	That the steps will be taken to accurately disclose the acreage tax due.	Financial statements should be prepared on accrual basis.

- (f) Puloli Agrarian Services Committee's fertilizer sales loss of Rs.251,019 had not been disclosed in the financial statements. That corrective action will be taken. Steps should be taken to show the loss on sale of fertilizers in the financial statements.
- (g) A discrepancy of Rs.2,732,984 was observed by bringing the previous year's final balance of the accumulated fund of Puloli Agrarian Service Committee of Rs.3,905,028 to the opening balance of the year under review as Rs.6,238,013. That is being corrected. Steps should be taken to show the correct value of the accumulated fund in the financial statements.

### 1.3.2 Lack of Written Evidence for Audit

Subject	Audit Observations		Comments of the Management	Recommendation
	Amount Rs.	Unsubmitted audit evidence		
(a) Fuel Expenditure, Driver's Commission and Repair Expenditure of 09 Agrarian Service Committees during the year under review	2,837,546	Daily running charts, vehicle log records books, fuel consumption register, vehicle repair register	That the steps will be taken to maintain those documents properly and submit them for audit.	It should be updated and submitted for audit.
(b) Acreage Tax Income of 14 Agrarian Service Commissions for the year under review	1,048,545	Paddy land register	That the paddy land register will be updated and submitted for audit.	The paddy land register should be properly maintained and submitted for audit.
(c) 53 no. of outstanding balances in 13 Agrarian Service Committees	7,547,460	Detailed schedules and Confirmation letters	That the steps have been taken to obtain written confirmation of receipt.	Detailed lists and supporting letters should be submitted for audit.
(d) 55 no. of payable balances in 15 Agrarian Service Committees	30,670,325	Detailed schedules and Confirmation letters	That the steps have been taken to obtain written confirmation of the due amount.	- do -
(e) 04 fixed deposit balances of 03	6,267,610	Balance verification letters obtained from	That the steps have been taken to obtain	Bank balance verification

	Agrarian Service Committees		banks	bank confirmation letters.	letters should be obtained and submitted for audit.
(f)	Fixed Assets of Puloli Agrarian Service Commission	635,616	Fixed Asset Register	That is being corrected.	Fixed asset register should be maintained formally.

### 1.3.3 Unreconciled Control Accounts or Reports

Audit Observations	Comments of the Management	Recommendation
Although the balance due of the Uduvil Agrarian Service Committee is Rs.1,158,926 according to the financial statements, there was a discrepancy of Rs.626,302 from the value of Rs.532,624 as per schedule.	That these errors will not occur in the future and that the correct value payable will be shown in the statement of financial position.	Comparisons should be made and the correct value payable should be shown in the financial statement.

### 1.4 Non-compliance

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

Reference to the Laws, Rules and Regulations	Non-compliance	Comment of the management	Recommendation
(a) <b>Agricultural Development Act No. 46 of 2000</b>			
(i) Section 53	Paddy land register had not been prepared by 14 Agrarian Service Committees.	That this register will be maintained after the completion of agricultural land registration work.	Provisions of the act should be followed.
(ii) Section 55	Necessary arrangements had not been made for survey the paddy lands in the administrative area of 13 Agrarian Service Committees.	At present, measurements have been made with the help of google map and the sizes of paddy lands have been obtained.	- do -
(iii) Section 56(i)	The 06 Agrarian Service Committees had not been maintained a acre tax register.	That the acre tax register will be regularly maintained in the future.	- do -
(b) <b>Financial</b>			

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| (i)   | Financial Regulation 110 (1) and (2)   | 10 Agrarian Service Committees had not been maintained registers of damages and losses.  | That the registers of damage and loss will be updated and maintained.   | Financial Regulation should be followed.                           |
| (ii)  | Financial Regulation 880 and 881   | In the 08 Agrarian Service Committees, bails had not been deposited by the 20 officers.  | That all 08 Agrarian Service Committees are working to maintain the deposit register.   | - do -   |
| (iii) | Financial Regulation 1646  | 14 Agrarian Service Committees had not been submitted the original copy of daily running records of 109 tractors and its monthly summaries for the year under review.  | That the steps have been taken to submit the original copy of the daily running notes and its monthly summaries to the audit. | - do -   |
| (c)   | Letter of the Agrarian Development Department No. 7/5/12/11 dated 01 June 2022 | Although 14 Agrarian Service Committees have stated that the arrears due and payable from the transactions between the Assistant Commissioner in charge of the district and the Agricultural Service Administrative Committees should be settled by 28 July 2022 and the transactions between other institutions and Agrarian Service Centers should be settled before 25 August 2022, it was not settled till the end of the year under review. | That the steps have been taken to settle the arrears.   | Formal action should be taken as per the provisions of the letter. |
| (d)   | Public Administration circular No. 30/2016 dated 29 December 2016              | The vehicles belonging to 14 Agrarian Service Committees had not been tested for fuel consumption.   | That the fuel consumption of the vehicles will be checked.  | Formal action should be taken as per the circular.                 |

## 2. Financial Review

### 2.1 Financial Results

According to the presented financial statements, the operational results of 15 Agrarian Service Committees in the reviewed year was a surplus of Rs.21,988,046 and correspondingly the surplus of the previous year was Rs.22,404,329. Accordingly a deterioration of Rs.416,283 was observed in the financial results.

## 3. Operating Review

### 3.1 Management Inefficiencies

	<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(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 28 years.	That the loss incurred in the year 1995 will be written off and adjusted in accordance with the financial regulations.	Appropriate steps should be taken to properly write off or settle the loss.
(b)	At the end of the year under review, 1510 items of assets in 13 Agrarian Service Committees, action had not been taken to sell or remove or reuse after repair.	That the steps will be taken to cut off, reuse after repair or sell the assets.	Arrangements should be made to use the assets or take steps to properly dispose of them.
(c)	Fertilizer worth Rs.7,008,503 received for sale to farmers in the year 2022 of the Chavakachcheri Agrarian Service Committee remained in the warehouse as a general reserve without being used for agricultural activities at the end of the year under review.	That the steps will be taken to use it for agrarian activities.	Steps should be taken to implement effective marketing management.
(d)	The tractor worth Rs.113,576 stolen on 14 December 1985 of the Kirimale Agrarian Service Committee had been listed as an asset in the statement of financial position for the past 38 years without taking any action to adjust the financial statements.	That the steps will be taken to adjust.	Under formal approval the accounts should be written off the loss from the books or any other appropriate action should be taken to correct the accounts.
(e)	Actions had not been taken to correct the stock loss of Rs.464,881 shown in the accounts of the Nallur Agrarian Service	That the steps have been taken to correct it in the future.	Appropriate steps should be taken to recover the losses or

Committee since 28 years ago.

write off the losses formally.

### 3.2 Operating Inefficiencies

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) In the year under review, 298 items worth Rs.328,949 were kept in the warehouse without taking appropriate action in 04 Agrarian Service Committees.	That the steps will be taken to remove expired items in the future.	Measures should be taken to prepare methods to avoid such losses in the future.
(b) Rs.2,357,366 collected from fixed deposit interest money was deposited in the fixed deposit account without giving it to the students since 05 years for give prizes to the children of the farmers' organizations of the Nallur Agrarian Service Committee who passed the Grade 5 scholarship examination.	That will be done in this year.	Actions should be taken to utilize the funds for the respective purposes.
(c) Kaithadi Agrarian Service Committee had been kept 2579.5 liters of ECO vita fertilizer in storage without using it for proper purposes.	Actions will be taken to correct.	Actions should be taken to utilize the fertilizers for the respective purposes.

### 3.3 Idled Property, Plant and Equipments

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) 57 tractors and 06 trailers belonging to 12 Agrarian Service Committees remained idle from 02 to 13 years without any maintenance and actions had not been taken to repair and utilize.	That the said tractors and trailers will be repaired and put into use and the remaining ones disposed of.	A suitable arrangement should be made regarding the utilization of tractors and trailers.
(b) In the year 2019, 04 Soil Testing Instruments worth Rs.864,154 were given to 04 Agrarian Service Committees and Rs.32,000 had been spent for training classes and the relevant equipment had not been use.	Only pH, EC etc. of the soil can be known using these tools. However, these tools have not been used until now because it is not possible to measure the amount of fertilizer in the soil and chemicals for these tools are not available.	Actions should be taken to utilize the soil testing tools for the relevant purposes.

### 3.4 Utilization of Other Organizations' Resources

Audit Observations	Comments of the Management	Recommendation
(a) 96 tractors provided by the Ministry of Economic Development in 2011 have been used by 13 Agrarian Service Committees for the past 12 years without taking ownership.	That the steps have been taken to transfer the ownership of the tractor in the name of our department.	Steps should be taken to take ownership of the tractors.
(b) Buildings worth Rs.56,871,773 were being constructed and used by 10 Agrarian Service Committees on government lands, but no steps had been taken to take over those government lands since the last 32 years.	That the committees have taken preliminary stage measures to transfer the government lands to them.	Actions should be taken to transfer land.

### 3.5 Human Resources Management

Audit Observations	Comments of the Management	Recommendation
As of 31 December 2023, the approved number of employees belonging to 06 positions was 348, while the actual number of employees was 162. At the end of the year under review, 15 committees had not been taken necessary actions to fill 201 vacancies or regarding the 15 excess staff.	That the work is being done to fill up the vacancies and transfer the surplus staff belonging to the Agrarian Service Area to the Service Centers on the basis of need.	Actions should also be taken to fill vacancies and transfer excess staff to other offices as required.

## 4. Accountability and Good Governance

### 4.1 Sustainable Development Goals

Audit Observations	Comments of the Management	Recommendation
According to the sustainable development Act No. 19 of 2017, in order to achieve sustainable development goals, 15 agrarian service committees have not taken steps to identify and implement the goals to be achieved annually, the things to be implemented to achieve those goals and the indicators to measure its progress since 05 years.	That the steps will be taken to take necessary actions to achieve sustainable development goals.	Act should be followed.

## 5. Agrarian Banks

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
14 Agrarian Committees had not been recovered Rs.17,083,182 from the loan amount given to farmers in the period from 2009 to 2023 from 248 farmers.	That the steps are being taken to recover the arrears.	Steps should be taken to recover the arrears.

## 6. Systems and Controls

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
An internal control system had not been formally implemented regarding stocks in 14 Agrarian Service Committees.	That an internal control system regarding stocks will be maintained formally in the future.	An internal control system regarding stock should be properly maintained.