22 Agrarian Services Committees in Trincomalee District - 2024

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1. Audit Opinion

1.1 The audit of the financial statements of the 22 Agrarian Service Committees in Trincomalee District for the year ended 31 December 2024 comprising the statements of financial position as at 31 December 2024 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 Qualified audit opinion has been expressed on the 22 audit reports issued in relation to 22 Agrarian Service Committees in the Trincomalee District; the following are the material deficiencies that caused to the expression of a qualified audit opinion.

1.3 Financial Statements

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

	Audit Observation	Comments of the Management	Recommendation
(a)	According to paragraph 40 of Sri Lanka Public Sector Accounting Standards No. 07, an entity should choose the cost model or the revaluation model when accounting for its fixed assets, and although that policy should be applied to the property, plant and equipment class, such action had not been taken in the accounting of fixed assets of the 22 Agrarian Services Committees.	It will be corrected in the future with the approval of the Commissioner.	Fixed assets should be revalued and included in the financial statements in accordance with Sri Lanka Public Sector Accounting Standards.
(b)	06 Agrarian Service Centers had not been depreciated in accordance with the relevant depreciation policy during the year under review.	That the action will be taken to correct it in the future.	Depreciation should be carried out in accordance with the depreciation policy disclosed in the financial statements.
(c)	The stock valuation policy of 7 Agrarian Service Centers had not been disclosed in the financial statements.	That the stock valuation policies will be revealed in the future.	The accounting policy applicable to the valuation of inventories should be disclosed in the financial statements.

(d)	Relevant provisions for debtors had not been made in the financial statements of 06 Agrarian Service Centers for the year under review.	That the arrangements will be made to make the relevant provisions in the future.	Appropriate provisions should be made for debtors.
(e)	04 Agrarian Service Committees had been stated acreage tax income and fixed deposit interest income in the financial statements on a cash basis.	That the action will be taken to prepare it correctly in the future.	Income and expenses should be reported in the financial statements on an accrual basis.
(f)	Although the Agrarian Bank and the Agrarian Committee should be prepared consolidated financial statements, 06 Agrarian Service Centers had not been prepared consolidated financial statements.	That the action will be taken to correct the situation in the future as per instructions.	Steps should be taken to prepare consolidated financial statements.
(g)	All numerical information in the financial statements of 05 Agrarian Banks had not been disclosed in comparison with the previous period.	That the action will be taken to correct in the future.	Steps should be taken to present financial statements in a comparative manner with the previous year.
(h)	Donations of Rs.1,101,915 received from farmers during the year under review had been included in the financial statements of the Agrarian Services Committee, but detailed information had not been maintained.	Steps have been taken to ensure that proper attention is paid to accounting-related activities in the future.	Steps should be taken to properly record information about donations received by Agrarian Service Centers and to account for them according to standards.
(i)	Although the relevant loan amount and loan repayments should be recorded in the debtor's ledger when issuing loans to farmers, Information regarding loans granted by an Agrarian Services Committee for the year under review had not been included in the loan ledger. During the sample examination of 13 loan transactions, loan transactions worth Rs. 700,000 had not been included in the loan ledger.	Agreed. I will work to correct it in the future.	When providing loans to farmers, loans should be provided in a formal contractual manner and the loan information provided should be entered into the loan ledger.

1.3.2 Accounting Deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Due to the understatement of depreciation expenses of 14 Agrarian Service Centers, which amounted to Rs. 3,335,524, in the financial performance statement during the year under review, the surplus for the year under review had been overstated by that amount.	That the action will be taken to correct in the future.	The depreciation expenses for the year should be calculated and accounted for correctly, and the correct value should be adjusted in the financial statements.
(b)	Due to the overstatement of depreciation expenses in 02 Agrarian Service Centers, which amounted to Rs. 82,234 in the financial performance statement during the year under review, the surplus for the year under review had been understated by that amount.	- Do -	- Do -
(c)	The surplus for the year under review had been understated due to the fact that the total value of room rental income of Rs. 66,540 relating to 2 Agrarian Service Centers in the year under review was not disclosed in the financial performance statement.	- Do -	The income for the year should be accurately identified and accounted for, and the correct value should be adjusted in the financial statements.
(d)	Due to the understatement of the income of 2 Agrarian Service Committees, which amounted to Rs. 218,754 in the financial statements during the year under review, the surplus for the year under review had been understated by that amount.	- Do -	- Do -
(e)	Due to the fact that the expenditure of Rs. 190,000 for fertilizer bags obtained on credit basis during the year under review at an Agrarian Service Center was not included in the financial performance statement, the surplus for the year under review had been overstated by that amount.	No answers have been submitted for this paragraph.	Action should be taken to accurately identify and account for the expenses related to the year, and relevant adjustments should be made.

(f)	Although the acreage tax income for the year under review was Rs. 4,722,937 according to the acreage tax register of 08 Agrarian Service Centers, the surplus for the year under review had been understated by Rs. 664,627 due to it being stated as Rs. 4,058,310 in the Financial Performance Statement.	That we will work to correct it in the future.	The income relating to the year should be accurately identified and accounted for, and relevant adjustments should be made.
(g)	Although the sales value was Rs.8,866,300, according to the Agrarian Service Center fertilizer sales account, sales for the year under review had been overstated by Rs. 394,150 as it was stated as Rs. 9,260,450 in the financial performance statement for the year under review.	- Do -	- Do -
(h)	Non-current assets with a total value of Rs. 1,210,855 purchased by 03 Agrarian Service Centers during the year under review had not been included in the Statement of Financial Position for the year under review and written off as accrued expenses.	- Do -	All non-current assets purchased during the year should be properly accounted for and relevant adjustments should be made.
(i)	Shader machines worth Rs. 2,724,500 received by 05 Agrarian Service Centers had not been included in the financial statement of the year under review.	- Do -	Steps should be taken to identify the value of all assets received by the Agrarian Service Centers and account for them.
(j)	The value of Rs. 700,578 payable by the Agrarian Service Center to the relevant institutions for the tractors provided to the beneficiaries on a subsidy basis by an Agrarian Service Center had not been stated in the financial statement.	- Do -	Steps should be taken to accurately identify and account for the account balances payable by the Agrarian Service Centers as of the end of the year under review.
(k)	The current assets, totaling Rs. 198,000, received as donations to 02 Agrarian Service Centers during the year under review had not been included in the Statement of Financial Position for the year under review.	- Do -	All assets received as donations to Agrarian Service Centers should be accounted for.

(l)	The current assets of 02 Agrarian Service Committees with a total value of Rs. 123,204 had not been disclosed in the Statement of Financial Position.	- Do -	The Agrarian Service Center should be taken steps to account for all assets belonging to the center.
(m)	Although the TSP and urea fertilizer balance of 02 Agrarian Service Centers as of 31 December of the year under review was Rs. 1,799,395, the current assets and surplus had been overstated by Rs. 242,288 due to it being stated as Rs. 2,041,683 in the Statement of Financial Position.	- Do -	Steps should be taken to accurately account for the stock balances held by the Agrarian Service Center as of the end of the accounting year, and relevant adjustments should be made.
(n)	Due to the understatement of the receivable value of Rs. 565,250 for the sale of seed paddy on credit in an agrarian service center in the statement of financial position for the year under review, the current assets and surplus were understated by that amount.	- Do -	All receivable account balances as of the end of the accounting year should be accounted for and relevant adjustments should be made.
(o)	Although a computer and printer worth Rs. 375,130 purchased with funds from the Farmers' Bank of an Agrarian Services Committee had been transferred to the Agrarian Services Committee, it had not been included in the financial status statement of the Agrarian Services Committee.	- Do -	Action should be taken to account for the acquired assets as assets of the Agrarian Services Committee.
(p)	Current and non-current assets of Rs.839,173 which were not confirmed by physically or documentary had been included in the statement of financial position for the year under review by 03 Agrarian Services Committees.	- Do -	Asset balances should be accurately identified and accounted for, and relevant adjustments should be made.
(q)	The Consolidated Fund had been overstated by that amount due to the fact that the total value of the assets purchased by 02 Agrarian Service Committees, amounting to Rs. 980,638 has been credited to the Consolidated Fund.	- Do -	The action should be taken to record and account for the purchase of assets in accordance with the correct accounting procedures.

(r)	During the year under review, cash flows of Rs. 124,156 received from operating activities and Rs. 427,497 received from investment activities related to 05 Agrarian Service Centers had been stated without being included under the relevant correct activities.	- Do -	The cash flows generated under each activity should be recorded separately in the cash flow statement under the relevant activities.
(s)	Although the purchase of assets worth Rs. 3,603,160 by 06 Agrarian Service Committees should have been shown under investing activities in the cash flow statement, it was shown under operating activities.	- Do -	- Do -
(t)	The financial fraud of Rs. 2,260,524, which was discovered at a Farmers' Bank in Agrarian Service Centre from 5 June 2021 to 18 June 2024, had not been disclosed in the financial statements of the Farmers' Bank.	- Do -	All identified financial frauds and quantitative matters that have occurred within the Agrarian Service Center should be disclosed along with the financial statements, and formal steps should be taken for that purpose.

1.3.3 Unreconciled Control Accounts or Reports

	Audit Observation	Comments of the Management	Recommendation
(a)	There was a discrepancy of Rs. 7,522,868 between the opening balances of the current year and the closing balances of the previous year in 10 accounting subjects of an Agrarian Services Committee.	That we will be corrected it in the future.	Relevant comparisons should be done and actions taken to ensure accurate accounting.
(b)	Although the balance of the savings account of Agrarian Bank in an Agrarian Service Center as of 31 December 2024 was Rs.4,433,968 as per the statement of financial position and bank passbook, there was a discrepancy of Rs.3,774,623 due to it was stated as Rs. 659,345 as per the cash book.	- Do -	- Do -

(c)	Although the stock balance in the MOP fertilizer trading account of an Agrarian Services Committee as of the last day of the previous year was Rs. 10,516,419, there was a discrepancy of Rs.2,365,028 due to the opening balance of the current year being stated as Rs. 8,151,391.	- Do -	- Do -
(d)	Although the tractor and agricultural equipment installment payable to the Department of Agrarian Development, as shown under non-current liabilities in the statement of financial position of an Agrarian Services Committee as of 31 December 2024 is Rs.170,000, due to the fact that the amount to be collected from the farmers who provided the tractors was stated as Rs. 684,000, there was a discrepancy of Rs. 514,000 between the balance to be settled and the balance to be received.	- Do -	- Do -
(e)	During the year under review, there was a discrepancy of Rs. 4,826,659 due to 24 transactions with a total value of Rs.82,415,747 relating to 04 Agrarian Service Centers being shown as Rs.77,589,088 in the cash flow statement.	That we will take action to correct it in the future.	Relevant comparisons should be made and all cash flows related to cash receipts and payments should be included in the cash flow statement.

1.3.4 Suspense Accounts

Audit Observation	Comments of the Management	Recommendation
Two suspense account balances with a combined value of Rs. 389,195 relating to 02 Agrarian Service Committees had not been settled during the year under review too.	It has been in existence for a long time and that will be removed from the financial statements with proper approval in the future.	The reasons for the occurrence of suspense accounts should be identified and steps should be taken to settle the suspense accounts accordingly with proper authority.

1.3.5 Lack of Written Evidence for Audit

	Audit Observation	Comments of the Management	Recommendation
(b)	Due to the absence of fixed asset registers, detailed schedules, fixed deposit certificates, updated debtors documents, updated creditors documents, balance confirmations, time analysis, balanced ledger accounts, stock documents, cash books, bank reconciliations, bank statements, deposit documents, bank pass books, information on fertilizer vouchers provided to farmers by Agricultural Research and Production Assistants, loan agreements, loan payment records, agricultural land register including lands, income and expenditure documents for non-current assets with a total value of Rs. 4,457,769, current assets with a total value of Rs.81,052,313, non-current liabilities with a total value of Rs. 3,111,050, current liabilities with a total value of Rs. 135,847,421 and income balance with a total value of Rs. 72,967,662 relating to 22 Agrarian Service Committees, it was not possible to satisfactorily verify/observe during the audit.	Appropriate action will be taken after approval from the Assistant Commissioner.	Steps should be taken to submit relevant evidence to the audit to verify the balances of assets, liabilities, income and expenses.

1. 4 Non-compliance to Laws, Rules, Regulations and Management Decisions etc.

	Reference to Laws, Rules, Regulations etc.	Non-compliance Rs.	Comments of the Management	Recommendation
(a)	Agrarian Development Act No. 46 of 2000 as amended by the Agrarian Development (Amendment) Act No. 46 of 2011			
	(i) Section 43(9)	The executive committees of 5 Agrarian Service Centers had not been taken steps to convene a general	Steps will be taken to hold the annual general meeting of farmers' organizations within the	Actions should be taken according to the relevant rules

		meeting for 56 farmer organizations that had not held a general meeting for more than two years.	next year.	and regulations.
	(ii) Section 53 (4)	The Commissioner General of Agrarian Services had not been carried out the process of reviewing and certifying the agricultural land register every three years by 09 Agrarian Service Centers.	The final certification was done by the Department of Agrarian Development in 2019. I hope to do so again in the future.	- Do -
	(iii) Section 55 (1)	No steps had been taken to survey agricultural lands by 09 Agrarian Service Centers.	The district office has focused its attention on taking steps to survey the land.	Actions should be taken according to the relevant rules and regulations.
(b)	The Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
	(i) Financial Regulation 110	15 Agrarian Services Centers had not been maintained a record of damages and losses.	That the steps will be taken to maintain it in the future.	Actions should be taken according to the relevant rules and regulations.
	(ii) Financial Regulation 245(3)	Although the relevant details of all vouchers should be recorded in the books under the prescribed accounts in the prescribed ledger, 08 Agrarian Service Centers had not done so.	That will be done in the future.	- Do -
	(iii) Financial Regulation 262(2)	Although all paid vouchers should be stamped 'paid' to avoid the risk of being presented for payment again, 11 Agrarian Service Centers had not done so.	- Do -	- Do -

	(iv) Financial Regulation 502(2)	14 Agrarian Service Centers had not been maintained a fixed asset register.	That we will take action to maintain it in the future.	- Do -
(c)	Circulars of the Commissioner General of Agrarian Services			
	(i) Circular No. 55 dated 18 February 1987	No steps had been taken to recover outstanding debt balances from many years or when this was not possible, to write them off from the books with proper authority.	It was stated that the Agrarian Services Committee does not have information regarding this as it is a balance that has been in place for many years, and it is stated that action will be taken to remove these balances in the future.	- Do -
	(ii) Paragraph 30.2 of Agrarian Services Department Circular No. 107 dated 16 October 1981	The accuracy of the debtor balances shown in the financial statements had not been confirmed with the relevant debtors and those confirmations had not been submitted with the financial statements.	It was stated that the Agrarian Services Committee does not have information regarding this as it is a balance that has been in place for many years, and that steps will be taken to remove these balances in the future.	- Do -
	(iii) Paragraph 02 of Circular No. 2016/03 dated 09 February 2016	Although every Agricultural Research and Production Assistant Officer is required to inspect farmer organizations at least once every 04 months and submit a farmer organization inspection report to the Agrarian Development Officer, such action had not been taken.	That we will work to correct it in the future.	- Do -

	(iv) Department of Agrarian Development Circular No. 08/20 dated 25 June 2020	Although government officers dealing with cash and balance matters are required to deposit security, as of the year 2024, security deposit of Rs.442,500 had not been recovered from 53 officers of 22 Agrarian Service Centers.	The bond will be paid as per the instructions of the District Assistant Commissioner.	- Do -
(d)	Public Finance Circular of Secretary of the Treasury No. 01/2014 dated 17 February 2014	Although the Agrarian Service Centers were required to prepare a complete annual action plan, including an annual procurement plan, a human resource development plan and an internal audit plan, 13 Agrarian Service Centers had not been prepared an annual action plan for the year under review.	A formal action plan is prepared and maintained for the coming year.	- Do -

2. Financial Review

2.1 Financial Results

The total operating result of the 22 Agrarian Service Committees in the Trincomalee District for the year under review was a surplus of Rs. 27,607,659, accordingly, an increase of Rs. 13,182,704 was observed in the financial result due to the surplus of Rs. 14,424,955 in the previous year. Also, the total operating result of 22 farmers' banks for the year under review was a surplus of Rs. 9,633,936, accordingly, an increase of Rs. 7,074,226 was observed in the financial results of the farmers' banks due to the surplus of Rs. 2,559,710 in the previous year.

3. Operating Review

3.1 Money Management

Audit Observation	Comments of the Management	Recommendation
A current account balance of Rs.1,264,657 and a savings account balance of Rs.115,502 in 06 Agrarian Service Centers had remained inactive for many years.	Action is being taken in this regard.	Inactive account balances should be invested in productive and efficient investment avenues with formal approval.

3.2 Identified Losses

Audit Observation	Comments of the Management	Recommendation
The Agrarian Services Committee had incurred a loss of Rs. 76,134 due to the sale of a stock of urea fertilizer worth Rs. 191,334 for Rs. 115,200 during the year under review.	A written notice has been issued to the company to recover the excess amount to cover the loss.	Action should be taken to sell without delay within the prescribed time limits, and steps should be taken to cover the loss.

3.3 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Due to the fact that the room rent income collected by 04 Agrarian Service Committees was not revised in accordance with the Agrarian Development Department Circular No. 09/2015 dated 23 August 2023 and no action was taken to collect the room rent, the room rent income was under-collected by Rs. 255,720 during the year under review.	The district office has been notified.	Steps should be taken to recover the correct income in accordance with the relevant circulars.
(b)	1,747 acres of paddy land in the region under the Agrarian Services Authority remained unused for paddy cultivation.	These lands are controlled by the Forest Conservation Department.	If there is paddy land that can be cultivated, the legal status should be considered, the relevant ownership should be clarified, and steps should be taken to use it for paddy cultivation to increase the country's production.
(c)	The two-wheeled tractor, valued at Rs.111,755, which had been provided to farmers on a loan basis but was repossessed by the Agrarian Service Center due to non-repayment of the loan, had not been repaired and put into use.	Steps will be taken to dispose off.	Steps should be taken to recover the relevant debts or, if not collected, to write them off in a proper manner, and if the machine cannot be used, to remove it in a proper manner.

(d)	All duties of the banking section had been assigned to temporary banking assistants and agricultural research and production assistants without establishing a staff in the farmers' banking section of 02 Agrarian Service Centers.	There are not enough officers.	Approved staff should be identified and steps should be taken to appoint suitable permanent staff accordingly.
(e)	30 account balances totaling Rs.163,180,759 from previous years of 03 Agrarian Service Centers had not been resolved even by the year under review.	It has been submitted for approval and that is expected to be resolved in the future.	A formal audit should be conducted and steps should be taken to promptly settle the accounts receivable and payable balances.
(f)	Tractors, water motors, water pipe systems, compost fertilizer preparation machines and leaf-threshing machines with a combined value of about Rs. 562,000 and whose value cannot be ascertained, had been parked idle for several years at 03 Agrarian Service Centers.	It is expected that future action will be taken with the approval of the Assistant Commissioner.	Action should be taken to identify whether the assets owned by the Agrarian Services Committee are in a repairable condition and to repair them and use them effectively, or if they cannot be repaired, to dispose off them properly.
(g)	A stock of fertilizer worth Rs.1,081,821 at 02 Agrarian Service Centers had expired due to failure to distribute or sell it within the specified period.	That we will work to correct it in the future.	Action should be taken to settle for the losses in accordance with Financial Regulation 104.

3.4 Operating Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Due to the failure to distribute or utilize the same to farmers during the relevant period, 16,908 tons of organic fertilizer and a stock of vegetable seeds worth Rs. 419,262, which had been stored for several years at 04 Agrarian Service Centers, remained unused.	That we will work to correct it in the future.	The need should be identified and actions should be taken to purchase accordingly, and the purchased items should be issued or used before they expire.
(b)	A farmers' bank had provided a loan worth Rs. 745,400 to 12 farmers without obtaining the necessary approval as per paragraph 3.12 of the	Accepted. That we will work to correct it in the future.	Loans should be issued only based on the existing and required approvals for each loan

	Agrarian Development Department Circular No. 09/2020 dated 08 October 2020.		type and loan value, and action should be taken against parties who do not do so.
(c)	Although the approval of the Commissioner of Agrarian Development was required for loan applications related to the sale of goods on credit, an Agrarian Service Center had issued goods on credit worth Rs. 2,528,880 without obtaining such approval.	Accepted. That we will work to correct it in the future.	Loans should be issued only based on the existing and required approvals for each loan type and loan value, and action should be taken against parties who do not do so.

3.5 Assets Management

Audit Observation	Comments of the Management	Recommendation
04 lawn mowers, 04 weeders, 05 reapers, 01 plowing machine and 01 multi-cutter machine, a two-wheeled tractor and a plow of 06 Agrarian Service Committees had not been used for many years.	After obtaining permission from the Agricultural Development Board, the machinery will be repaired and provided on a rental basis to generate income.	If the assets in the possession of the Agrarian Service Committees are in a repairable condition, they should be repaired and put to productive use, otherwise the assets should be disposed of in a proper manner.

3.6 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
During the year under review, it was observed that there was a shortage of 11 Development Officers, 10 Agricultural Development Officers, 13 Management Assistant Officers, 55 Agricultural Research and Production Assistant Officers, 03 Security Persons and 05 Laborers in 15 Agrarian Service Committees.	Information related to human resources has been submitted to the District Assistant Commissioner.	Staffing levels should be reviewed and steps should be taken to fill the necessary vacancies.

05. Agrarian Banks

	Audit Observation	Comments of the Management	Recommendation
(a)	Although it is stated in Section 2.4.1 of the Agrarian Development Department Circular No. 04/2012 dated 29 February 2012 regarding Farmers' Banks that it is the responsibility of the Credit Control Committee and the Agrarian Development Officer to prepare a plan to encourage farmers to engage in production, processing and marketing activities, a potential customer plan had not been prepared for inclusion in savings and credit activities at 04 Agricultural Service Centers for that purpose.	That the work will be done to fix it in the future.	Action should be taken as indicated in the relevant circular.
(b)	Action had not been taken to recover 239 loan balances related to 07 Agrarian Service Committees whose loan agreement period has expired, with a total value of Rs. 33,277,694, as of 31 December of the year under review.	Action will be taken to recover the money in the future.	A formal investigation should be conducted into the granting of loans and failure to take timely action to collect them, and steps should be taken against the relevant parties, and necessary steps should be taken to recover outstanding loan balances that are due.
(c)	It was observed that all the functions of the farmers' banks, such as collecting voucher books, issuing vouchers, receiving money, preparing the daily cash register, paying money, preparing vouchers, handling bank cash, granting loans, safeguarding the cash vault and preparing accounts, are carried out by only one officer in the banking section in relation to 06 Agrarian Service Centers. Accordingly, although it was stated that an internal control system should be established so that each task	This has been done as there is a vacancy for officers. Officers have applied and I will take steps to fill the vacancies in the future.	In accordance with financial regulations, internal control systems should be established and monitored by several officers at all times, and steps should be taken to prevent possible fraud and errors.

	would be supervised by several officers, as per Financial Regulation 135, this had not been done.		
(d)	The documents that should be maintained to properly record the transactions carried out by the Farmers Bank, such as the Savings Sub-Register, Small Group Savings Sub-Register, Compulsory Savings Sub-Ledger and Share Sub-Ledger, which should be maintained in relation to the activities and transactions of the Farmers Banks in relation to 04 Agrarian Service Centers, had not been maintained properly.	That the officers have applied but have not yet received it, so they hope to take the necessary steps in the future.	Farmers' banks must ensure that the records they are required to maintain are maintained accurately.