

## **Agrarian Development Fund - 2012**

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Agrarian Development Fund as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Comments of Financial Statements

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##### 1:2:1 Accounting Deficiencies

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The service charges amounting to Rs.10,746,805 received for the service of Spray Machines and Bulldozer had been shown under current liabilities instead of being brought to account as income. As such the surplus for the year under review had been understated by a sum of Rs.10,746,805.

##### 1:2:2 Unexplained Differences

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The following observations are made.

- (a) A reconciliation of the cash balance of the Fund with the Treasury books revealed a difference of Rs.651,797 existing over a period exceeding 5 years. That had not been rectified even by the end of the year under review.
- (b) A difference of Rs.93,042 was existed between the amounts shown in the financial statements and the schedules in respect of 03 items.

1:2:3 Accounts Receivable and Payable

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The following observations are made.

- (a) Even though the money recovered as installments for the agricultural equipment supplied to the Farmers' Committees and Farmers' Societies under the "Japan Yen" Aid Programme should be remitted to the Ministry of Agriculture for crediting to a Counterpart Fund Account, the installments amounting to Rs.259,438,586 had been retained in the Deposit Account of the Fund even up to 31 December 2012.

The recovery of the installments on the tractors distributed under this Programme each year had shown a sluggishness and the arrears of installments as at 31 December 2012 amounted to Rs.340,200,616.

- (b) The arrears of installments as at 31 December 2012 relating to the trailers of two wheel tractors and the trailers of four wheel tractors distributed by the Fund in the years 1995 and 1996 amounted to Rs.1,498,566 and Rs.4,749,500 respectively.
- (c) A sum of Rs.450,000, which had been identified as a stock shortage since the year 2001 continued to be shown in the financial statements without being taken action for the recovery from the officers responsible.
- (d) An effective course of action had not been taken for the recovery of a debtor balance of Rs.6,445,758 remaining in the Accounts Receivable for more than 06 years.

1:2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

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Non-compliances observed are given below.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Public Finance Circular No. PF/423 of 22 December 2006 Paragraph 4(3)(c)	A statement of Changes in the Accumulated Fund had not been furnished separately.
(b) Financial Regulation 371(5)	Action had not been taken for the settlement of advances amounting to Rs.767,332 granted by the Fund for various purposes.

2. Financial Review

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2:1 Financial Results

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According to the financial statements presented, the operations of the Fund for the year under review had resulted in a surplus of Rs.4,492,719 as against the deficit of Rs.1,690,383 for the preceding year, thus indicating an improvement of Rs.6,183,102 in the financial results. The decrease of the expenditure for the year under review amounting to Rs.6,476,960 had been the main reason for the improvement of the financial results.

3. Operating Review

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3:1 Management Inefficiencies

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The following observations are made.

- (a) Not even a single installment had been recovered on account of the tractors valued at Rs.1,646,803 supplied to 12 Agrarian Centres in 09 districts under the Japan Aid Project during the years 1992 to 2006. A course of action for the efficient collection of those installments had not been formulated for the recovery.
- (b) The percentage of recovery of installments in respect of the water pumps valued at Rs.1,700,000 distributed in 14 districts in the year 2010 had been 46 per cent as at 31 December 2012.
- (c) Out of the tractor loan amounting to Rs.37,785,110 supplied to 11 districts, the installments in arrears as at 31 December 2012 amounted to Rs.19,533,639 and the amount in arrears represented 51 per cent of the total amount of loans granted.
- (d) The loans granted for trailers of two wheel tractors for 2 districts had been totally in arrears while the recoveries of 15 districts had been at a minimum level of 10 per cent.

4. Accountability and Good Governance

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4:1 Budgetary Control

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The following observations are made.

- (a) The total provision of Rs.47,650,000 made for 07 development activities in the Budget for the year 2012 had been saved.
- (b) Significant variances were observed between the budgeted and the actual figures and as such the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Commissioner General from time to time. Special attention is needed in respect of the following areas of control.

- (a) Recovery of Acreage Tax
- (b) Settlement of Deposit Accounts
- (c) Recovery of Loans
- (d) Utilization of Assets
- (e) Grant of Advances