

17 Agrarian Services Committees in Hambantota District - 2022

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 2022 comprising the statement of financial position as at 31 December 2022, the statement of financial performance and the cash flow statement for the year then ended, notes to the financial statements and 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 As of 27 June 2023, audit reports for the year 2022 in relation to 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 03 Committees and a qualified opinion for 14 Committees in those reports are as follows.

1.3 Financial Statements

1.3.1 Accounting Deficiencies

The following facts were observed.

Audit Observations	Comments of the Management	Recommendation
(a) The fixed deposit interest income of 05 Agrarian Service Committees for the year under review by Rs.1,228,493 and the fixed deposit balance of Ambalantota Agrarian Service Committee by Rs.1,148,902 had been under-accounted.	That these errors will be indicated correctly in the accounting reports of the year 2023.	Actions should be taken to identify all the income related to the accounting year while preparing the financial statements and the financial statements should be presented completely and accurately.
(b) Expenses related to various subjects in the year under review of 05 Agrarian Service Committees had been accounted Rs.398,309 more and Rs.192,990 less and income related to various subjects of 09 Agrarian Service Committees had been accounted Rs.2,785,213 less and Rs.3,859,210 more, and current assets of 09 Agrarian Service Committees had been accounted Rs.973,627 less and Rs.1,515,825 more and the current liabilities of 07 Agrarian Service Committees had been accounted for Rs.28,816,544 less and Rs.1,993,160 more.	That these errors will be indicated correctly in the accounting reports of the year 2023.	Actions should be taken to adjust the income and expenses related to the accounting year in preparing the financial statements, and the financial statements should be presented completely and accurately.

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| (c) | The value of fixed assets of 04 Agrarian Service Committees was under-accounted by Rs.35,372,578 and over-accounted by Rs.2,399,449 and, the values of the lands where the committee is located had not been assessed and accounted. | That the land acquisition of 04 centers is in progress and other errors will be indicated correctly in the accounting records of the year 2023. | All assets belonging to the Committee should be assessed and accounted, and the financial statements should be presented completely and accurately. |
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1.3.2 Un-reconciled Control Accounts or Reports

Audit Observations	Comments of the Management	Recommendation
There were discrepancies of Rs.1,244,560 in the balances between the financial statements and corresponding reports in relation to 09 accounting subjects of 04 Agrarian Service Committees.	Action will be taken to correct in the accounts of 2023.	Actions should be taken to correct the un-reconciliations of accounts.

1.3.3 Unauthorized Transactions

Description of Unauthorized Transactions	Comments of the Management	Recommendation
The Ambalanthota Agrarian Service Committee had given Rs.623,795 as a credit basis to an external contractor, and 02 Agrarian Service Committees had paid Rs.667,486 to an external contractor and the Assistant Commissioner for Agrarian Development.	That the money has been returned to the committee and actions have been made to settle the accounts and obtain covering approval.	Only approved payments mentioned in paragraph 10 of Circular No.107 dated 16 October 1981 of Agrarian Services Commissioner should be made.

1.3.4 Documentary Evidences not made available for Audit

Audit Observations	Comments of the Management	Recommendation
The detailed schedules, board of survey reports, bank statements, balance confirmation letters, bank passbooks, age analysis, fixed asset registers and loan registers related to Rs.46,948,556 of assets in 13 Agrarian Service Committees and the balance confirmation letters, detailed notes and Creditor age analysis for liabilities amounting to Rs.2,199,768 related to 04 Agrarian Service Committees and information, estimates and payment report measurement sheets related to prove the revenue and	Action will be taken to provide instructions in writing to the regional officials to include the necessary notes, reports and registers to present the correct information in the 2023 accounting reports.	Relevant evidence should be submitted to prove the revenue expenditure and verify the balance of assets and liabilities.

expenditure transactions of Rs.916,923 in 02 Agrarian Service Committees were also not submitted to the audit and therefore it was not possible to satisfactorily verify and vouching those account subjects during the audit.

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

Reference to Laws, Rules and Regulations	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 the establishment of Agrarian 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)	Rs.961,956 of arrears acreage tax had not been recovered by the responsible officers of 06 Agrarian Service Committees at the end of the year under review.	That the relevant officers have been informed to collect the arrears acreage tax.	It should be done according to the provisions of the Act.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i. Financial Regulations 110	A register regarding the loss and waivers had not been maintained in 12 Agrarian Service Committees.	Action will be taken to maintain the loss and waivers registers.	Registers should be kept up to date.

ii. Financial Regulations 133 and 134	An internal audit had not been conducted in 04 Agrarian Service Committees.	Action will be taken to conduct an audit in the future.	Financial Regulations should be followed.
iii. Financial Regulations 237(b)	In making payments for storage supplies, although it should be stated that relevant goods have been included to inventory book with confirming that the goods have been received, 04 Agrarian Service Committees had not deal accordingly with the purchases of Rs.1,096,408 made in the year under review.	Action will be taken to correct.	Financial Regulations should be followed.
iv. Financial Regulations 245 and 257	The payment voucher No.284 of Rs.59,899,000 paid to the Assistant Commissioner for Agrarian Development on 30 December 2022 by the Lunama Agrarian Service Committee had not been approved and certified.	That it was a mistake and action will be taken to prevent such errors from happening in the future.	Financial Regulations should be followed.
v. Financial Regulations 272 (3)	Although all the certified vouchers should be submitted to the Auditor General, 03 vouchers amounting to Rs.125,919,919 in Angunukolapalassa Agrarian Service Committee were not submitted for audit.	That the vouchers were sent to the Assistant Commissioner of Agrarian Services for certification at the time of audit and subsequently submitted for audit.	Financial Regulations should be followed.
vi. Financial Regulations 396(d)	The Ambalantota Agrarian Service Committee had not processed as per the referred regulations	That the instructions of the Assistant Commissioner of Agrarian Development have been followed.	Financial Regulations should be followed.

regarding the 08 overdue cheques amounting to Rs.156,623 which issued but not presented for payment.

vii. Financial Regulations 454 (2)	A register for Electrical Equipment had not been maintained in 05 Agrarian Service Committees.	That the registers are currently being initiated and maintained.	Financial Regulations should be followed.
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viii. Financial Regulations 754	The inventory book had not been updated by the Lunama Agrarian Service Committee at the end of the year.	It had been updated by now.	Financial Regulations should be followed.
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ix. Financial Regulations 756	The Board of Survey for the year 2022 had not been conducted by 04 Agrarian Service Committees.	That the Board of Survey have been done by now.	Financial Regulations should be followed.
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(c) Circular No.107 dated 16 October 1981 of Commissioner of Agrarian Service

i. Section 03 (e)	Although all transactions should be entered in the prescribed books of account systematically and on due time, the Katuwana Agrarian Service Committee did not act accordingly.	That it will be arranged to make entries in the books of accounts systematically on due time in the future.	Provisions of the Circulars should be followed.
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ii. Paragraph 17(3)	Although the vouchers were to be signed by the expenditure certifying officer, 10 vouchers totaling Rs.315,664 in 02 Agrarian Service Committees had not been certified.	That the unsigned vouchers will be signed and corrected.	Provisions of the Circulars should be followed.
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- iii. Paragraph 30 (1) Although the stock, money, goods and all other tangible assets owned by the committee should be checked and certified by the secretary at the end of the fiscal year including at least one member of the committee, 03 Agrarian service committees had not certified and signed. Stock has been valued at the end of the year. That it will be found out and correct the cases that were missed to be signed. Provisions of the Circulars should be followed.
- iv. Paragraph 30 (4) Although the buildings owned by the committee should be depreciated at 05 percent annually from the basic value, the Bandagiriya Agrarian Service Committee had depreciated them at 05 percent using the diminishing balance method. That it will be corrected in the future. Provisions of the Circulars should be followed.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, the total of 15 Agrarian Service Committees was a surplus of Rs.10,169,811 and the total of 02 Agrarian Service Committees was a deficit of Rs.157,188 and the total of 17 Agrarian banks was a net profit of Rs.5,847,613 in the year 2022. The total of 14 Agrarian Service Committees was a surplus of Rs.11,974,993 and the total of 03 Agrarian Service Committees was a deficit of Rs.1,503,995 and the total of 17 Agrarian banks was a net profit of Rs.3,900,344 in the year 2021.

3. Operational Review

3.1 Cash Management

The following facts were observed.

Audit Observations	Comments of the Management	Recommendation
(a) The cheques brought forward in bank reconciliation statements related to the committees and fertilizer accounts of 03 Agrarian Service Committees amounting Rs.1,127,269 which deposited but not cleared and the cash	That the action will be taken to correct.	Balances brought forward in bank reconciliations should be settled.

balance which directly credited to the current account had not been settled also in the year under review.

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| (b) | The total of balances which have been inactive for a long time in 09 current and savings bank accounts of 06 Agrarian Service Committees was Rs.16,262,180. Action had not been taken to increase the income by using this money in a more productive investment. | That the action will be taken to invest. | Action should be taken to increase income by utilizing money in a more effective investment. |
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3.2 Management Inefficiencies

The following facts were observed.

Audit Observations	Comments of the Management	Recommendation
(a) The 65 water height gauges that were given to measure the water capacity of minor irrigation tanks in the committee area of authority had not been used by 05 Agrarian service committees for the relevant purposes.	That this equipment is issued to measure the water capacity of minor irrigation tanks.	It should be used for the relevant purpose.
(b) The 05 Agrarian Service Committees had retain fertilizer worth Rs.17,815,662 which the government had given to distribute to farmers under the free distribution programs of eco-friendly organic fertilizers in the 2021/2022 Maha season and 2022/2023 Maha season without releasing them to the farmers.	That action will be taken to return these fertilizer stocks to the supplier organizations.	The required quantities should be ordered and the stock should be distributed correctly.

3.3 Operational Inefficiencies

Audit Observations	Comments of the Management	Recommendation
The necessary actions had not been taken by 02 Agrarian service committees regarding the Rs.329,137 cost of expired stocks of agrochemicals, vegetable seeds, seed paddy and chemical fertilizers.	That the approval of the 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 accordingly.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observations	Comments of the Management	Recommendation
The 08 houses of Agrarian development officers, 04 outlets, 02 CCTV camera systems, an old fertilizer warehouse, 02 organic fertilizer production machines, a reaper, a motorcycle, a lawn mower and a fax machine belonging to 08 Agrarian service committees remained in idle.	Since the committee does not have enough money to repair the houses of the Agrarian development officers and fertilizer warehouses, the cost estimates and allocations for the repairs have been requested from the Hambantota district office and instructions will be given to repair other assets as per the need.	Assets and equipment that can be used should be put to use and other assets and equipment should be disposed.

3.5 Procurement Management

Audit Observations	Comments of the Management	Recommendation
The 02 Agrarian Service Committees had purchased seed paddy, organic fertilizers and office equipment worth Rs.734,160 contrary to Section 1.3.2 of the Procurement Guidelines 2006.	That these errors will be corrected in the future.	Provisions of the Procurement Guideline should be followed.

3.6 Human Resource Management

Audit Observations	Comments of the Management	Recommendation
There were vacancies for Agricultural Research Production Assistant Officers for 48 domains belonging to 05 Agrarian Service Committees.	That the arrangements have been made to provide acting appointments for vacant domains.	Vacancies should be filled.

4. Agrarian Bank

	Audit Observations	Comments of the Management	Recommendation
(a)	Rs.10,859,354 of non-performing loan balance and interest as on 31 December of the year under review from the loans given to the farmers by the 10 agrarian banks had not been recovered.	That the proceedings will be made as per the decision of the Agrarian Tribunal to recover the arrears and interest.	Loan arrears should be recovered.
(b)	Rs.912,063 of balance in hand that was not physically observed and Rs.130,404 of suspense account in the financial statements of Netolpitiya Agrarian Bank had not been settled.	That it was a mistake made by the committee clerk from 1999 to 2006 and that the actions will be taken to settle those balances.	Balances should be identified and financial statements should be corrected.