

## 17 Agrarian Services Committees of Batticaloa District - 2023

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### 1. Audit Opinion

- 1.1 The audit of the financial statements of 17 Agrarian Service Committees of Batticaloa District for the year ended 31 December 2023 comprising the statements of financial position as at 31 December 2023 and the statement of financial performance and 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 section 58(1) 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 In the 17 audit reports issued in relation to 17 Agrarian Service Committees in Batticaloa district, a qualified opinion has been expressed in 17 audit reports and material deficiencies that had been caused to these are shown below.

### 1.3 Financial Statements

#### 1.3.1 Accounting Deficiencies

	<b>Audit Observations</b>	<b>Comments of Management</b>	<b>Recommendations</b>
(a)	The values of land, office buildings, fertilizer warehouses and sales centers related to 17 Agrarian Service Committees had not been assessed and included in the financial statements.	That the steps will be taken to assess the value of all non-financial assets by taking over the assets.	Steps should be taken to assess and account for the values of land, buildings and other assets.
(b)	The value of 03 computer systems, 04 grass cutters, 03 oil sprayers, 04 planting machines, 04 weeder machine, 01 Snowflake removal equipment, 01 dozer machine and photocopiers had not been included to the financial statements of the Ayiththiyamalai Agrarian Service Committee.	That the steps will be taken to disclose the values in the future.	Steps should be taken to assess and account for the value of property, plant and equipment.
(c)	Ayithiyamalai Agrarian Services Committee's two-wheeler tractor with a sales value of Rs.542,134 had not been shown in the	Tractors advance amount will be charged and sent to the Commissioner. That the steps will be taken to document it in	The relevant sales value should be reconciled in the accounts and

	financial statements.	the future.	financial statements should be prepared accurately.
(d)	The values of 01 computer systems, 01 dozer, 11 grass cutter machine, 01 photocopier, 04 oil sprayers, 03 chemical sprayers, 32 electric oil sprayers, 02 computer monitor, 02 UPS, 01 compass, 01 wifi router, 01 iron safe, 01 lock (tortoise) and 01 agrarian bank counters etc. in the Vakarai Agrarian Service Committee had not been shown in the financial statements.	That it will be added in the period of year 2024.	Steps should be taken to assess and account for the value of property, plant and equipment.
(e)	In the cash flow statement of the Mandapathadi Service Development Committee of the reviewed year, interest on 08 fixed deposits of Rs.529,824 had been accounted as cash inflow under investment activities, but in the financial performance statement, fixed deposit interest income was accounted as Rs.1,113,650. This resulted in a difference of Rs.583,826 observed during the audit.	That the actions will be taken to correct.	Financial statements should be prepared accurately.
(f)	At the center of Kokkadi Cholai Agricultural Service Committee, 07 machines including tractor, oil spraying tools, water motor, furniture, cameras, telephones and electric fans were fully depreciated but those assets were still being used and they had not been revalued and accounted for at the end of the year under review.	That will be assessed and disclosed in the financial statements of the next financial year.	Steps should be taken to account for the fair value of property, plant and equipment.
(g)	The building costing Rs.4,167,525 and the garden worth Rs.412,000 completed under the grants received by the	That the actions will be taken to correct.	The asset value should be included in the financial statements.

Kokkadi Cholai Agrarian Service Committee had not been capitalized and included in the assets.

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| (h) | The acre tax income of the Karadianaru Agrarian Service Committee for the reviewed year was Rs.1,651,040, shown in the financial performance statement as Rs.1,508,058, the year's acre tax income was understated by Rs.142,982.  | That the receipts from acreage tax will be accounted for and included in the annual report.              | Steps should be taken to check and include the correct value in the financial statements. |
| (i) | Incentives of Rs.420,495 paid to the officers in the reviewed year from the income of the Standard Control Research Laboratory of the Kalladi Agrarian Service Committee and it had been shown in the income statement on a cash basis. So, the expenses of the year had been overstated by that amount. | That the steps have been taken to adjust.  | Steps should be taken to adjust in the accounts correctly.                                |
| (j) | The net surplus was overstated by Rs.306,790 due to non-calculation of depreciation in the year under review of the equipment of the Standard Control Laboratory which cost Rs.3,067,900 of the Kalladi Agrarian Service Committee.  | That the steps will be taken to correct it in the future.  | Depreciation should be accounted for and adjustments made accordingly.                    |
| (k) | The property taxes of 04 buildings related to the reviewed year of the Kalladi Agrarian Service Committee were Rs.9,896 and the property taxes payable were Rs.203,906 had not been shown in the financial statements.   | That the steps will be taken to correct it in the future.  | Steps should be taken to account for those balances.                                      |
| (l) | The damage to assets and equipment in Thandamalai Agrarian Service Committee caused by the war in last season  | That appropriate action will be taken with the approval of the Commissioner of Agricultural Development. | Actions should be taken to correct the financial statements in a formal manner.           |

of Rs.1,834,050 and Rs.252,862 respectively, by showing total Rs.2,086,912 under non-current assets, the non-current assets had been overstated by that amount.

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| (m) | Agricultural Insurance Board income of Rs.2,165,287 of Thandamalai Agrarian Service Committee had not been shown in the financial performance statement.  | That the steps will be taken to correct it in the future.   | Steps should be taken to account for the relevant income value.                        |
| (n) | The value of 82 items of office furniture received as donations to Eravur Agrarian Service Committee in previous years were not valued and shown as assets in the financial statements.   | That the steps will be taken to disclose them as assets in future financial statements.   | Action should be taken to assess the value and include it in the financial statements. |
| (o) | The police had complained about 66 non-current assets worth Rs.459,562 belonging to the Eravur Agrarian Service Committee, which were damaged in the riots of 2008, but appropriate actions had not been taken to cut them off.   | That the steps will be taken to cut off with the approval of the Deputy Commissioner in the coming financial years.   | Action should be taken according to the financial regulation.                          |
| (p) | An amount of Rs.105,000 due from the lessee by the Kathankudi Agrarian Service Committee for leasing out a piece of land was not disclosed in the financial statements.   | That the steps will be taken to disclose it in the near future.   | Arrangements should be made to include the receivables in the accounts.                |
| (q) | The value of television set, pneumatic water motor, Fiber Glass Machine, Chopping Machine and shredding machine and grinding machines received to Valachchena Agrarian Service Committee from the Department of Agricultural Development had not been valued and accounted for. | As these may have to be returned to the Department of Agricultural Development, that the values of these have not been disclosed in our financial statements. | Steps should be taken to assess and account for the value.                             |

### 1.3.2 Unauthorized Transactions

Audit Observations	Comments of Management	Recommendations
(a) Without the proper approval by the Kaththankudi Agrarian Service Committee, the collected financial lease rent had been shown every year in the financial statement and that income had been used for expenditures of the Committee. Furthermore, a sum of Rs.1.5 million had been deposited in a fixed deposit account at the Bank of Ceylon on 06 occasions by the agrarian development officer and interest relating that account had been transferred to the current account of the committee and used to settle the expenditures.	Action will be taken to use this fund in term of Government land ordinance.	Action should be taken to use this fund in term of Government Land Ordinance.
(b) The 0.6514 hectare government land, which was not handed over to the Palukamam Agrarian Service Committee in terms of provisions of the Land Ordinance, an illegal income of Rs.60,000 had been earned in the reviewed year of the Agricultural Development Committee by leasing the land to two persons on a monthly rental basis for 30 years in accordance with the Government Land Ordinance by the Deputy Commissioner of Agricultural Services.	The land was given with the approval of Deputy Commissioner.	Action should be taken in term of Government Land Ordinance.

### 1.3.3 Receivable and Payable Accounts

Audit Observations	Comments of Management	Recommendations
(a) Actions had not been taken to recover the arrears of Rs.4,985,434 related to the two-wheeler tractors and equipment given to the farmer organizations in 09 Agrarian Service	That the steps will be taken to recover the arrears.	Steps should be taken to recover arrears or repossess assets.

Committees or to repossess the assets.

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| (b) | Ayittamalai, Eravoor and Kokkadicholai Agrarian Service Committees have not taken steps to pay and settle the total outstanding balances of Rs.2,150,065 for a long time.  | That the steps have been taken to settle the account balance.   | Appropriate action should be taken to settle the debts.   |
| (c) | Under the Sustainable Agriculture Management Plan, 11 years have passed since the Ministry of Agriculture provided solar powered water motors to the farmers on an installment basis in 2010, but no steps have been taken to recover Rs.9,673,779 due from them.  | That the steps will be taken to recover the money.  | Action should be taken to recover the arrears.  |
| (d) | The Kiran Agrarian Service Committee had not taken steps to settle the balance of Rs.755,000 for agricultural implements and 06 tractors due to the Department of Agricultural Development under non-current liabilities for a long time   | That since the premiums of the tractors were not paid for a long time, requests have been made to the district office to take steps to take over or write off them. | Steps should be taken to recover/take over premiums on tractors or write-off under formal approval. |
| (e) | The outstanding balance of Rs. 2,828,118, which has been pending for several years in 4 Agricultural Service Committees, had not been collected till the end of the year under review.   | That the steps will be taken to recover   | Steps should be taken to recover the arrears.   |
| (f) | The Kiran Agrarian Service Committee had not been taken steps to recover the sum of Rs.3,203,995 from the loan of chemical substances, fertilizer subsidy loan, expensive fertilizer loan, paddy seed loan and soluble organic fertilizer loan given to 84 farmers by the center in the last years on the condition that "it should be settled in full after the harvest". | That the steps will be taken to recover the money.  | Steps should be taken to recover the arrears.   |
| (g) | The Kokkadi Cholai Agrarian Service Committee had not been taken steps to recover Rs.312,950 due for   | That the steps will be taken to recover the money.  | Steps should be taken to recover the arrears.   |

agrochemicals and agricultural inputs given to farmer organizations in 2022 and Rs.320,000 for fertilizer loan given to 06 farmer organizations in 2019.

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| (h) | Although the Kokkadi Cholai Agrarian Service Committee had decided to recover Rs.246,825 agrochemical loan due from two farmer organizations from the officials who worked at the center, no action had been taken to recover the said amount till the year under review. | That the steps will be taken to recover the money.   | Steps should be taken to recover the arrears from the concerned officers. |
| (i) | 03 Agrarian Service Committees had not taken steps to pay and settle Rs.1,477,134 as installments of tractors and agricultural equipment to the respective parties.   | That the steps will be taken to pay and settle in the near future.   | Steps should be taken to pay and settle the debts in due time.            |
| (j) | The Karadianaru Agrarian Service Committee had not been taken steps to settle the amount of Rs.1,742,000 received from the sale of urea fertilizer to the National Fertilizer Secretariat for more than 03 years.   | If requested by the National Fertilizer Secretariat, that the steps will be taken to provide the money.                      | Steps should be taken to pay and settle the debts in due time.            |
| (k) | Till the year under review, steps had not been taken to recover Rs.616,814 due for agricultural fertilizers and agricultural inputs given to the farmers by the Palugam Agrarian Service Committee.   | That the steps will be taken to recover in the near future.  | Steps should be taken to recover the debt.                                |
| (l) | The Valachchena Agrarian Service Committee had sold the remaining urea fertilizer of the 2021/2022 season to the farmers engaged in maize cultivation for Rs. 2,244,021, but no action was taken to pay the money to the Fertilizer Secretariat.                          | That this money had not been reimbursed to the Fertilizer Secretariat due to non-receipt of the Commissioner's instructions. | Steps should be taken to pay and settle the debts in due time.            |
| (m) | Mandapattadi Agrarian Service Committee during the period from 2015 to the year under review,   | That the steps will be taken to recover the debt.  | Steps should be taken to recover the debt.                                |

agricultural fertilizers and agricultural inputs given to farmers on credit basis amounting to Rs.8,110,007 had not been recovered by the officers of the Agrarian Service Committee until the year under review.

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| (n) | Till the end of the year under review, the Ministry of Agriculture had not taken steps to collect Rs.6,009,200 from the Mandapattadi Agrarian Service Committee by providing solar powered water motors worth Rs.6,210,000 to the farmers on installment basis under the Sustainable Agriculture Management Plan of 2010. | That the steps will be taken to recover the debt. | Steps should be taken to recover the debt. |
| (o) | Agricultural Service Center officers had not recovered Rs.3,533,525 worth of agricultural fertilizers and agricultural inputs given to farmers on credit basis by the Wellavelli Agrarian Service Committee during the period from 2010 to the year under review.   | That the steps will be taken to recover the debt. | Steps should be taken to recover the debt. |

#### 1.3.4 Lack of Written Evidence for Audit

Audit Observations	Comments of Management	Recommendations
Due to the failure to submit the requested evidence to the audit to substantiate the balances of Rs.22,362,532 relating to 5 accounting subjects, it was not possible to satisfactorily verify/observe those subjects during the audit.	That the steps will be taken to submit debtor lists, sub-documents, supporting letters and descriptive tables etc.	Steps should be taken to submit sub-documents, supporting letters and descriptive tables and all evidence.



#### 1.4 Non-compliances with Laws, Rules, and Regulations

	Reference to Law, Rules, and Regulations	Non-compliance	Comments of Management	Recommendation
(a)	<b>Agrarian Development Act, No. 46 of 2000</b>			
(i)	Section 44 (1)	The accounts of each Farmer Organization should be audited by a authorized officer by the Commissioner General, but the accounts of the 14 Agrarian Service Committees had not been audited according to the provisions.	Action will be taken to check the Farmer Organization's account.	It should be done according to the provisions of the Act.
(ii)	Section 55(1)	02 Agrarian Service Committees had not taken steps to measure paddy land.	That the steps will be taken to measure the land in the near future.	- do -
(b)	Agrarian Development Commissioner's circular No. 5/2018 dated 20April 2018	12 Agrarian Service Committees had not taken steps to include the available land in the area to the land registry.	That the steps will be taken to include land in the land registry.	Actions should be taken as per circular provisions.
(c)	Treasury circular No. IAI/2002/02 dated 28 November 2002	04 Agrarian Service Committees had not taken steps to maintain a register to register computers and computer accessories.	That the steps will be taken to maintain the register.	Actions should be taken to maintain a register as per the circular.
(d)	Section 15 of 107 of Circular under the Agricultural Services Act No. 58 of 1979	03 Agrarian Service Committees had not taken steps to maintain the general ledger and journal entries.	That the steps will be taken to maintain the general ledger and journal entries in the future.	Actions should be taken to maintain general ledger and journal entries as per circulars.

(e)	State Financial Circular No. 10/2020 and Financial Regulation 756(6)	15 Agrarian Service Committees had not taken steps to send the annual board of survey reports of wholesale items to the Auditor General.	That the steps will be taken to send annual board of survey reports of wholesale items to the Auditor General in the near future.	Financial regulations should be followed.
(f)	Stamp Levy (Special Provisions) Act No. 12 of 2006	09 Agrarian Service Committees had not been charged stamp duty on payments of more than Rs.25,000.	That the steps will be taken to charge stamp duty in the near future.	Steps should be taken to collect stamp duty as per the provisions of the Act.
(g)	<b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka.</b>			
(i)	F.R.110	Register about losses had not been maintained by the 09 Agrarian Service Committees.	Action will be taken to maintain register of losses.	Financial regulations should be followed.
(ii)	F.R. 262(ii)	The “paid” stamp had not been placed on the payment vouchers by the 12 Agrarian Service Committees.	Action will be taken to place “paid” stamp on payment vouchers and other supportive documents in future.	- do -
(iii)	F.R. 384	13 Agrarian Service Committees had not maintained cheques acceptance and custody register.	That the records will be maintained in the future.	- do -
(iv)	F.R. 452 (1)	06 Agrarian Service Committees had not taken steps to maintain an audit quiry register.	That the records will be maintained in the future.	- do -
(v)	F.R. 454 (2)	The register of electrical installation had not been maintained by the 04 Agrarian Service Committees.	Action will be taken to maintain register in future.	- do -

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| (vi)   | F.R. 502 (2) | Fixed asset registers had not been maintained by 03 Agrarian Service Committees and they had not been physically checked.        | Action will be taken to maintain register in future.             | - do - |
| (vii)  | F.R. 880     | Security deposit had not been obtained from the officers who are doing financial transactions in 12 Agrarian Service Committees. | As per departmental circulars, appropriate action will be taken. | - do - |
| (viii) | F.R. 891     | The Centers of 15 Agrarian Service Committees had not taken steps to maintain guarantee records.                                 | That the steps will be taken to maintain the guarantee records.  | - do - |

## 2. Financial Review

### 2.1 Financial Results

- (a) In the year under review, the operating results of 17 Agrarian Service Committees were a surplus of Rs.27,149,231, correspondingly that, previous year's surplus was Rs.8,767,326. Thus, an increase of Rs.18,381,905 was observed in the financial result. This growth was mainly due to growth in acreage tax income, fertilizer sales and interest income on fixed deposits.
- (b) In the year under review, the operating results of 17 Agrarian Banks were a surplus of Rs.5,523,305, and correspondingly, the surplus of the previous year was Rs.3,136,839. Thus, an increase of Rs.2,386,466 was observed in the financial result. This growth was mainly due to agricultural loan interest income.

## 3. Operational Review

### 3.1 Management Inefficiencies

	Audit Observations	Comments of Management	Recommendations
(a)	The action had not been taken by the Agrarian Service Committees to obtain ownership of the land where the 12 Agrarian Service Committees are located as of the date of the audit on 10 May 2024.	That the action is being taken.	Appropriate actions should be taken to acquire land.

(b)	The paddy land with an area of approximately 2,000 acres on the boundary of Mandur Agrarian Service Committee was not recorded in the paddy land register belonging to the Center and the acreage tax related to those lands was not collected by the Center until the year under review.	The lands of non-owners had not been documented due to lack of documents of the lands given by the Divisional Secretariat,	Action should be taken in accordance with the Act.
(c)	Although the land should be recorded in the Land Register in accordance with the Circular No. 05/2018 of the Commissioner of Agrarian Development dated 20 April 2018, Any land of the Wellavelli Agrarian Services Committee had not been registered up to the year under review. As a result, the desired objectives of documenting the built-up lands had not been achieved.	That the steps are being taken to document.	Steps should be taken to document the land and fields in the land register as per the circular instructions.
(d)	Although the Karadiyanaru Agrarian Services Committee had provided free urea fertilizer which purchased for Rs.1,322,956 to farmers in the year 2020, steps had not been taken to reimburse that money from the Agrarian Development Department.	That the steps will be taken to recover from the Department of Agricultural Development.	Steps should be taken to reimburse the money.
(e)	The Wellavelli Agrarian Services Committee had been accounted Rs.415,639 as receivables in respect of agricultural fertilizers provided to farmers during the period from 2007 to 2009 in the statement of financial position for the year under review. However, the investigation about the relevant loans had not been done and the loan money had not been recovered from the farmers by the Agrarian Service Center officers.	That the steps will be taken to recover loans.	Steps should be taken to collect the loan.
(f)	The Wandaramulai Agricultural Services Committee had spent Rs. 187,406 to prepare an organic fertilizer production yard in 2021, but without utilizing it for the relevant purposes, the yard was demolished and a new building was constructed there. Due to management inefficiency, the above expenses were incurred but the objectives were not achieved.	That land had been selected for the construction of a new building.	Steps should be taken to achieve the relevant objectives.

### 3.2 Identified Losses

Audit Observations	Comments of Management	Recommendations
(a) The chemicals purchased by the Aitthamalai Agrarian Services Committee for Rs.100,536 had expired, but no steps had been taken to destroy or dispose of them.	That the District Commissioner's approval has been request for the removal.	Action should be taken in accordance with Financial Regulations 102 to 109.
(b) A complaint had been filed with the police for the loss of Rs. 2,086,912 to the assets of the Thandamalai Agrarian Services Committee due to the adverse weather conditions in 2009, but no steps had been taken to resolve it for the past 14 years.	That the work is underway to adjust.	- do -
(c) The Valachchenai Agrarian Services Committee had incurred a loss of Rs. 500,000 to the center by purchasing fertilizer from a private institution instead of taking steps to purchase fertilizer from government institutions for paddy cultivation in the 2023 Yala season.	Steps will be taken to purchase fertilizer from government institutions in the future.	Steps should be taken to purchase fertilizer from government institutions and steps should be taken to recover the relevant losses from the responsible officers.

### 3.3 Operating Inefficiencies

Audit Observations	Comments of Management	Recommendations
(a) The operating result of the Kalladi Agrarian Services Committee's Quality Control Research Laboratory for the year ended December 31, 2023 was a net loss of Rs. 115,088 and in contrast, the net profit for the previous year was Rs. 69,053, resulting in a decline in financial results of Rs. 184,141.	That the steps will be taken to increase profits in the future.	Steps should be taken to increase profits.

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| (b) | In accordance with paragraph 07 of Presidential Secretariat Circular No. SP/RD/02/10 dated 03 February 2010, steps had not been taken to assess and collect the room rent charged by the Katthankudi Agrarian Services Committee in a timely manner.   | That the instructions have been given to take appropriate action in the future. | Action should be taken as per the circular.                  |
| (c) | Action had not been taken to sell or return to the supplier 74 bags of 25 kg urea fertilizer worth Rs.1,428,200 purchased by the Kokkadicholai Agrarian Services Committee in the year 2022.   | That the instructions have been given to take appropriate action in the future. | Action should be taken to sell or return to the supplier.    |
| (d) | Although the Agrarian Service Center had 426 bags of urea fertilizer weighing 50 kilograms each worth Rs.9,000 each were received to the Mandapaththadi Agrarian Service Committee from the Colombo Commercial Fertilizer Institute, 1,000 bags of urea fertilizer weighing 50 kilograms had been purchased and sold by the Agrarian Service Center during the year under review. Accordingly, the urea fertilizer received from the Colombo Commercial Fertilizer Institute remained unsold in the warehouse because priority was not given to selling it to farmers. | That the action will be taken in this regard in the future.                     | Sales should be made at the proper price.                    |
| (e) | The Wakarai Agrarian Services Committee had not taken steps to recover an acreage tax of Rs.873,705 from 10,921 acres of land in the year under review.  | That the steps will be taken to recover arrears of acreage tax.                 | Steps should be taken to collect acreage taxes as scheduled. |
| (f) | The Wakarai Agrarian Services Committee had not taken steps to recover the loan of Rs.180,000 due for a two-wheeler tractor provided to a farmer in 2010 and the loan of Rs.10,000 provided in 2011 for over 12 years.   | That steps will be taken to recover this loan.                                  | Steps should be taken to recover the loan.                   |

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| (g) | The Valachchenai Agrarian Services Committee should provide subsidies of Rs.15,000 per acre to farmers with less than 02 acres of paddy land during the 2023/2024 Maha season. Although 06 farmers with paddy lands ranging from 0.4 to 2 acres were to be paid Rs.157,500, the Center had only provided them with a subsidy of Rs.87,000. | That the appropriate actions will be taken to prevent this from happening in the future. | Steps should be taken to provide subsidies commensurate with the size of the relevant lands. |
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### 3.4 Under-utilization of Funds

Audit Observations	Comments of Management	Recommendations
(a) The total amount of Rs.2,747,911, which includes the money invested in fixed deposits and the interest income earned so far received from representatives of agrarian organizations for provide scholarships to the students of poor farmers, had not been utilized for the purposes for a long time by 05 Agrarian Service Committees without providing any scholarships.	That the steps will be taken to utilize the funds.	Steps should be taken to utilize the funds for the relevant purpose.
(b) In 2016, Rs. 1,236,000 at Rs.412,000 each was provided to 03 Agrarian Service Committees for green housing estates, but Rs.517,475 of those provisions remained unused.	Steps will be taken to utilize it to generate income.	Steps should be taken to utilize the green housing estates constructed and the money received in a productive manner.

### 3.5 Idled / Under-utilized Property, Plant and Equipment

Audit Observations	Comments of Management	Recommendations
(a) Although the Eastern Provincial Governor had provided grass cutter machines to the Agrarian Service Committees for the production of organic fertilizer, they were lying idle without any steps being taken to provide them to farmers for the production of organic fertilizer or to utilize them for the production of fertilizer.	That the steps have been taken to return it to the Governor.	Steps should be taken to utilize the assets for the relevant purposes.

(b)	Although green houses were constructed for 9 Agrarian Service Committees in 2016 and 2017 with financial allocations of Rs. 2,989,751 from the Department of Agrarian Development, these remained idle without being used for any production process.	That the project was unable to achieve the desired objectives and generate income.	Appropriate actions should be taken to carry out production activities using green houses.
(c)	The dozer machine belonging to the Mandapatthadi Agrarian Services Committee had been out of service since 2013 and no income had been earned from that machine since 2013. Also, Rs.6,000,000 was depreciated for that machine from 2013 to 2018.	That machine is in unrepairable condition. Also, that a letter has been sent to obtain the approval of the Commissioner General to transfer it to the Livestock Development Board.	Steps should be taken to repair the dozer or hand it over to another institution under formal approval for effective utilization.
(d)	Steps had not been taken to utilize the sales center building complex constructed by the Karadiyanaru Agrarian Services Committee for the relevant purposes until the year under review.	That the steps will be taken to utilize it for relevant purposes.	Steps should be taken to utilize it for the relevant purposes.
(e)	Although the Kalladi Agrarian Services Committee was handed over the soil testing standard control laboratory equipment in the year 2020, steps had not been taken to use it to conduct soil tests on agricultural lands by the last day of the year under review.	That the steps will be taken to conduct soil tests.	Steps should be taken to use the equipment for the relevant purposes.

### 3.6 Procurement Management

	<b>Audit Observations</b>	<b>Comments of Management</b>	<b>Recommendations</b>
(a)	In accordance with guidelines 4.2.1(a) and (b) of the Government Procurement Guidelines 2006, 15 Agrarian Service Committees had not prepared the Master Procurement Plan.	That the master procurement plan is being prepared.	Steps should be taken to prepare a master procurement plan.



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| (b) | During the year under review, 3 Agrarian Service Committees had made purchases totaling Rs.20,298,408 without following the guidelines 4.2.1(a) and (b) of the Government Procurement Guidelines, 2006. | Instructions have been given to make purchases in accordance with procurement guidelines in the future. | Procurement activities should be carried out in accordance with the instructions in the Procurement Guidelines. |
| (c) | During the year under review, purchases totaling Rs. 22,488,240 were made by 03 Agricultural Service Committees without following a procurement process.  | Instructions have been given to make purchases in accordance with procurement guidelines in the future. | Procurement activities should be carried out in accordance with the instructions in the Procurement Guidelines. |

### 3.7 Deficiencies of Contract Administration

Audit Observations	Comments of Management	Recommendations
(a) Although the Palugamam Agrarian Services Committee had awarded a contract to a farmers' organization for building renovation work at a cost of Rs. 290,758 in the year under review, the work had been subcontracted and carried out by the farmers' organization contrary to the terms of the agreement. Also, the Agrarian Development Officer and the Deputy Commissioner of Agrarian Services had given approval to withdraw the money related to the contract from the bank without the approval of the members of the Agrarian Organization.	That the steps will be taken to award contracts only to agricultural organizations in the future.	Steps should be taken to carry out contractual work through farmers' organizations as agreed.

### 3.8 Human Resources Management

Audit Observations	Comments of Management	Recommendations
By the end of the year under review, no action had been taken to transfer 37 officers of 9 Agrarian Service Committees who had been serving in the same position for more than 5 to 10 years.	The District Agrarian Development Department makes decisions regarding the staff working at the center. The district office is carrying out transfers currently.	Steps should be taken to transfer officers in accordance with the transfer policy.

**4. Accountability and Good Governance**  
**4.1 Sustainable Development Goals**

<b>Audit Observations</b>	<b>Comments of Management</b>	<b>Recommendations</b>
In accordance with the Sustainable Development Act No. 19 of 2017, 17 Agrarian Service Committees had not prepared activity plans to achieve sustainable development goals.	That the steps will be taken to prepare activity plans for the coming financial year.	Action should be taken in accordance with the Act.

**5. Agrarian Banks**

<b>Audit Observations</b>	<b>Comments of Management</b>	<b>Recommendations</b>
(a) Out of the loans given to farmers by 06 agrarian banks in the year under review and previous years, the outstanding loans, interest and penalty interest amounting to Rs.13,691,762 given to 222 farmers had not been collected up to the end of the year under review.	That the steps will be taken to recover.	Steps should be taken to recover the loan within the stipulated time.
(b) In accordance with the letter of the Department of Agrarian Development No. 7/12/5/4 dated 22 October 2019, instructions had been given to deposit the funds of agrarian organizations operating in external institutions in the Agrarian Bank, but steps had not been taken to deposit the bank balances of the agrarian organizations in the bank accounts of the 17 Agrarian Banks.	Steps will be taken to raise awareness among farmers' organizations regarding this and deposit funds in the Farmers' Bank.	A plan of action should be prepared to follow the instructions in the letter.
(c) In accordance with 3.2(iii) of the Agrarian Development Department Circular No. 04/2012 (මග.බැ.) dated 21st February 2012, the applicant should maintain group savings of at least 10 percent of the loan amount expected to be obtained in the Agrarian Bank. However, the Kaluwanchikudi Agrarian Bank had provided agricultural loans totaling Rs.1,550,000 each by Rs.50,000 to 31 farmers who did not have 10 percent savings through small groups during the year under review.	Steps will be taken to implement the circular in the near future.	Formal action should be taken against officers who acted contrary to the circular and steps should be taken to act in accordance with the circular in the future.

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| (d) | In terms of 3,4,6 of Circular No. 4/2012 dated 29 February 2012 on Agrarian Banks, the Agrarian Bank had provided loans of Rs.1,350,000 to only 19 of its shareholders. Due to this, steps had not been taken to provide loans to other shareholders of the Rs.4,588,957 lying idle in the financial cycle of the Karadiyanaru Agrarian Bank during the year under review.   | Steps will be taken to increase the number of shareholders who obtain loans from the Agrarian Bank by providing further explanations and awareness to farmers in the coming years. | Steps should be taken to act in accordance with the circular.                        |
| (e) | In terms of the 3.3 (i and ii) of Agrarian Development Department Circular on Management, Financial Control and Reporting of Agrarian Banks No. 04/2012 (ಅ.ಆ.ಬ.ಸಂ.) dated 29 February 2012, the loan applicant should obtain equity worth 10 percent of the expected loan amount and maintain 25 percent as a reserve in his name. However, during the year under review, the Palugamam Agrarian Bank had provided Rs.6,625,000 in agricultural loans to 149 shareholders who did not have 25 percent savings. | Steps will be taken to provide loans as scheduled in the future.   | Steps should be taken to provide agricultural loans in accordance with the circular. |
| (f) | In the year under review, Thandamalai Agricultural Bank had provided loans of Rs.4,035,000 to 35 land cultivators under the “Sithamu” program. Due to the fact that industrial entrepreneurship loans were provided to only 35 farmers for a continuous period of over 05 years, no steps had been taken to identify new entrepreneurs and provide them with those loan facilities.  | That the effective steps will be taken to attract new entrepreneurs in the future.   | Steps should be taken to attract new entrepreneurs.                                  |

## **6. Systems and Controls**

<b>Audit Observations</b>	<b>Comments of Management</b>	<b>Recommendations</b>
15 Agrarian Service Committees had not taken steps to implement an appropriate internal control system regarding matters such as making all minor expenses related to the center through the general ledger, after meeting the daily expenses from the various incomes and sales collected by the center, the remaining amount is kept as a sufficient amount of cash and deposited in the bank's current account.	That the steps have been taken to make minor expenses through a petty cash book.	Steps should be taken to make minor expenses through a petty cash book and to bank the cash on hand.