

10 Agrarian Services Committees in Kilinochchi District - 2024

1. Audit Opinion

1.1 The audit of the financial statements of the 10 Agrarian Service Committees in Kilinochchi 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 Audit reports had been issued in relation to 10 Agrarian Service Committees in the Kilinochchi District and all 10 audit reports had expressed qualified opinions. The materials deficiencies have caused to that are shown below.

1.3 Financial Statements

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

Audit Observations	Comments of the Management	Recommendation
(a) The depreciation policy was formulated in accordance with the Circular No. 107 of the Commissioner General of Agrarian Development dated 16 October 1981 of the 07 Agrarian Service Committees and depreciation had been calculated according to other depreciation percentages without depreciating assets.	Depreciation has not been carried out as per the relevant circular so far, and steps will be taken to calculate and account for it in accordance with the circular in future years.	The depreciation policy should be formulated in accordance with the circular, depreciation should be calculated and financial statements should be prepared accordingly.
(b) It was observed that in the accounting of acreage tax revenue in the financial statements of 05 Agrarian Service Committees for the year under review, it was not followed the accrual basis but was accounted for on a cash basis.	In accounting for acreage tax revenue in the financial statements of the year under review, accounts have been maintained on a cash basis.	All revenue, including acreage tax revenue, should be accounted for on an accrual basis.

1.3.2 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
(a) The acreage tax revenue receivable for the year under review of 07 Agrarian Service Committees had not been shown as income in the Financial Performance Statement and as income receivable in the Statement of Financial Position.	Steps will be taken to ensure that the accounts for the next financial year are accurately reflected.	The income for the year in the statement of financial performance should be presented as income for the year and the income receivable in the statement of financial position should be presented as current assets.
(b) Although the value of fixed assets in the financial statements of 10 Agrarian Service Committees for the year under review should be stated after deducting accumulated depreciation from the cost value, the value of fixed assets had been overstated by Rs. 8,952,516 by deducting only the depreciation related to the year under review.	Net worth is stated in the statement of financial position of the accounts.	The net value of assets should be shown in the accounts after deducting accumulated depreciation from their cost value.
(c) The value of the buildings belonging to 05 Agrarian Service Committees, amounting to Rs. 31,845,000, had not been accounted for.	Action will be taken to reflect in future financial statements.	Steps should be taken to assess and account for the buildings owned by the center.
(d) The value of four types of subsidized fertilizers, totaling 89,046 kilograms and 322 liters, which were stored in the warehouses of 03 Agrarian Service Committees, had not been stated as the closing stock in the financial statements.	Action will be taken as per the instructions of the District Deputy Commissioner.	The value of the fertilizers held by the Committee should be indicated in the financial statements.
(e) Although the amount of Rs. 4,012,150 recovered from the loan provided for the purchase of tractors under the Japanese Yen loan assistance of the Kilinochchi Agrarian Services Committee was to be paid to the Commissioner General, the amount payable was	Steps have been taken to correct this in the next financial year.	The amounts payable should be specifically identified and accounted for as liabilities, and steps should be taken to settle the debts.

stated as Rs. 3,802,291, which resulted in an understatement of current liabilities by Rs. 209,859.

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| (f) | Although the financial statement of the Palai Agrarian Services Committee for the year under review shows the receivable dividends from the Agrarian Bank as Rs. 104,339, in the final accounts of the Agrarian Bank, it was stated as Rs. 234,424, resulting in a discrepancy of Rs. 130,085. | Steps will be taken to correct in the final accounts for the year 2025. | Steps should be taken to reconcile the relevant balances and indicate the correct dividend to be received in the annual accounts. |
| (g) | Although the financial performance report of the Akkarayankulam Agrarian Services Committee for the year under review should be shown Rs. 210,000 as 04-wheel tractors income received from farmer organizations, since only Rs.80,000 was shown as income, the surplus and receivable income had been understated by Rs. 130,000. | Steps will be taken to correct this in the next financial year. | Financial statements should be prepared accurately reflecting the income receivable for the year. |
| (h) | In the year under review, the Poonahari Agrarian Services Committee had retained 13.19 metric tons of subsidized fertilizer worth Rs. 2,243,830, which was not released to seasonal farmers, in the central warehouse. It was observed that this value was not disclosed in the financial statements. | Since the company had not informed me of the exact value, I did not take steps to record it in the accounts. | The stock of subsidized fertilizer in the warehouse should be accounted for. |
| (i) | The buildings worth Rs. 4,470,000 constructed in the year 2022 belonging to the Parandan Agrarian Services Committee had not been disclosed in the accounts. | I took action to assess and account for it. | The values of buildings should be accounted for. |
| (j) | Since the amount of fertilizer subsidy of Rs.958,789 payable to the Commissioner General of Agrarian Development by the | Since this amount was not specifically identified as payable to the Commissioner General, I have taken steps to | Adjustments should be made in the accounts to enable reimbursement of the cost value of |

Kandawalai Agrarian Services Committee was shown as the income of the Committee, the income exceeding the expenses in the year under review was shown to be higher by that amount, the liabilities had been understated by that amount.

account for it in this way.

subsidized fertilizers received from the Commissioner of Agrarian Services.

1.3.3 Lack of Written Evidence for Audit

Audit Observations	Comments of the Management	Recommendation
(a) Written evidence had not been submitted to substantiate the 32 receivable balances totaling Rs. 10,881,758 stated in the financial statements of 06 Agrarian Service Committees for the year under review.	Steps will be taken to submit written evidence for the balances receivable in the coming financial year.	Written evidence should be submitted to confirm accounts receivable balances.
(b) Written evidence had not been submitted regarding the parties liable for the 32 payable balances totaling Rs. 26,165,595 stated in the financial statements of 06 Agrarian Service Committees for the year under review.	Steps will be taken to submit written evidence for the balances due in the next financial year.	Schedules and balances containing the names of creditors and supporting notes for accounts payable balances should be submitted to the audit.
(c) Although the financial statements indicate that Rs. 5,080,127 in acreage tax has been collected for 22,817 hectares of paddy land in 06 Agrarian Service Committees, due to the failure to submit the paddy land registers for audit, it has not been possible to verify the acreage tax and acreage tax receivable.	A draft paddy land register has been prepared and updated. According to that document, the acreage tax register for the year 2024 will also be prepared and updated.	Relevant documents must be updated and submitted for audit to verify the income included in the financial statements.
(d) Although 05 Agrarian Service Committees had issued cheques worth Rs. 28,455,433 on 280 occasions, the cheque issuance documents had not been properly completed and prepared with the necessary details.	In some cases, cheques are deposited and signatures are only obtained when they are delivered by hand.	Cheque issuance records should be maintained properly, and action should be taken against officers who fail to do so.
(e) Although the building owned by the Kilinochchi Agrarian Services	The relevant assessment work was carried out in the year	Documents confirming ownership

	Committee worth Rs. 19.2 million, was stated in the financial statements, the necessary documents to prove its ownership had not been submitted for audit.	2023. Action will be taken to obtain those documents from the Department of Agrarian Development will take steps to obtain those documents.	of assets included in the financial statements should be submitted for audit.
(f)	Although the financial statements state that the Poonakari Agrarian Services Committee has a fixed deposit of Rs. 977,499, the fixed deposit certificate for that purpose had not been submitted for audit.	Destroyed during the war in 2008. Retrievals are being handled by the Central Bank.	Fixed deposits included in the financial statements should be verified through the relevant banks and submitted for audit.

1.4 Non-compliance

1.4.1 Non-compliance to Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Management Decisions	Non-compliance	Comment of the Management	Recommendation
(a) Agricultural Development Act No. 46 of 2000			
i Section 44 (1)	Although it is stated in the Act that the accounts of the farmers' organizations of the 6 Agrarian Services Committees should be inspected by the Commissioner General of Agrarian Services or an officer authorized by him, the accounts had not been inspected according to that.	Action will be taken to audit the accounts in the future.	Action should be taken in accordance with the provisions of the Act, and a formal program should be prepared for that purpose.
ii Section 52	Agricultural plans had not been prepared for the agricultural development areas of 10 Agrarian Service Committees.	Steps have been taken to prepare an agricultural plan for the area.	Action should be taken in accordance with the provisions of the Act, and action should be taken against officers who fail to do so.
iii Section 55	Arrangements had not been made to survey the paddy lands located in the administrative areas of 05 Agrarian Service Committees.	Land surveying is currently underway.	Expeditious action should be taken in accordance with the provisions of the Act.

iv	Section 56 (i)	The acreage tax records of 04 Agrarian Service Committees had not been updated and maintained.	Steps have been taken to update the acreage tax register.	Action should be taken in accordance with the provisions of the Act, and action should be taken against officers who fail to do so.
(b)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
i	Financial Regulation 110(1)	A register of losses and damages had not been maintained in 04 Agrarian Service Committees.	Necessary steps will be taken to maintain a register of damages and losses.	Action should be taken in accordance with the financial regulation 110(1).
ii	Financial Regulation 214	The register of liabilities of 09 Agrarian Service Committees had not been maintained.	Arrangements will be made to maintain a register of liabilities.	Action should be taken in accordance with the financial regulation 214.
iii	Financial Regulation 880 and the circular No. 08/2020 dated 25 June 2020	39 officers involved in the financial transactions of the Agrarian Bank of the Palai Agrarian Services Committee had not taken steps to deposit security money.	No answers have been provided.	Deposits should be made in accordance with Financial Regulation 880.
iv	Financial Regulation 891(1)	The security deposit register of 02 Agrarian Service Committees had not been maintained.	Steps will be taken to maintain security deposit records in the future.	Deposit records should be maintained in accordance with Financial Regulation 891(1).
v	Financial Regulation 1646	The original copies of the tractor operating records and monthly performance summaries of 02 Agrarian Service Committees had not been submitted for audit.	Steps will be taken to maintain running records for tractors.	Action should be taken in accordance with the financial regulation 1646.
(c)	Public Administration Circular No.	Fuel combustion tests had not been conducted on vehicles belonging to the Kilinochchi	Fuel combustion tests on vehicles are currently being	Fuel combustion tests should be conducted to verify

	03/2016 dated 19 December 2016	Agrarian Services Committee.	conducted.	the efficiency of fuel combustion.
(d)	Circulars of the Agrarian Development Commissioner General			
i	Circular No. 107 dated 16 October 1981	Security deposits had not been obtained from the responsible officers of the Agrarian Banks of 6 Agrarian Service Committees.	Steps have been taken to obtain security deposits.	Steps should be taken to obtain security deposits.

2. Financial Review

2.1 Financial Results

The total operating result of 10 Agrarian Service Committees in the Kilinochchi District for the year under review was a surplus of Rs. 4,436,586, Correspondingly, the surplus for the previous year was Rs. 10,950,317. Accordingly, a decline of Rs. 6,513,731 was observed in the financial results of the 10 Agrarian Service Committees in the district.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	Action had not been taken to settle the unidentified receivable and payable balances of Rs. 485,845 and Rs. 181,125, which were shown as current assets and current liabilities respectively in the year under review of the Poonakari Agricultural Services Committee.	I kindly inform you that follow-up work is being carried out.	Unrecognized balances reported under current assets and current liabilities should be resolved using an expedited process.
(b)	Necessary steps had not been taken to settle the unidentified balances totaling Rs.301,740 as Rs. 216,740 and Rs. 85,000 respectively under the non-current liabilities and current liabilities of the Kilinochchi Agrarian Services Committee.	Necessary action will be taken as per the instructions of the District Deputy Commissioner.	It should be investigated formally and action should be taken to resolve promptly.

3.2 Assets Management

Audit Observations	Comments of the Management	Recommendation
(a) Action had not been taken to take over the ownership of 93 four-wheel tractors that had been provided to 08 Agrarian Service Committees in 2011 by the Ministry of Economic Development and the Northern Provincial Council.	The Department of Agrarian Development is carrying out acquisition activities.	Steps should be taken to acquire ownership promptly.
(b) No steps had been taken to transfer the ownership of land with buildings worth Rs.42,215,000 belonging to 04 Agrarian Service Committees to the Committees.	The valuation of the buildings has been completed in the year 2023, and the necessary steps are being taken to take over the property by the Department of Agrarian Development.	Steps should be taken to take ownership of the assets included in the financial statements.
(c) 77 tractors belonging to 08 Agricultural Service Committees had been out of use for over 15 years, and no steps had been taken to repair and utilize or dispose of them.	Repair work on the relevant tractors is currently being carried out.	Repaired and reuse or if it is not economically viable to repair and reuse, disposal should be carried out under formal approval.

3.3 Receivable and Payable Balances

Audit Observations	Comments of the Management	Recommendation
(a) The outstanding loan of Rs. 181,125 for two-wheeled tractors provided by the Commissioner of Agrarian Services to 02 Agrarian Services Committees under the Japanese Yen Project in the year 2012 had not been recovered even after 13 years.	Action will be taken to recover the amount.	Action should be taken against officers who have not collected loans on time and steps should be taken to promptly collect outstanding loans.
(b) Although as per the letter No. 7/5/12/11 dated 01 June 2022 of the Commissioner General of Agrarian Development, transactions made with other institutions should be settled before 25 August 2025, as of 31 December 2024, 7 Agrarian Service	Arrangements will be made to settle receivables and payables through the district offices as per the instructions of the District Deputy Commissioner.	Steps should be taken to settle the payable amounts under a formal system.

Committees had not taken steps to settle the receivables of Rs. 13,990,671 and payables of Rs. 2,613,240.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observations	Comments of the Management	Recommendation
(a) Although an annual action plan should be prepared in accordance with paragraph 03 of the Public Finance Circular No. 02/2020 dated 28 August 2020, 10 Agrarian Service Committees had not been prepared such an annual action plan.	Action will be taken to prepare an annual action plan from the next financial year.	Action should be taken to prepare an action plan.

5. Agrarian Bank Activities

Audit Observations	Comments of the Management	Recommendation
(a) As of December 31 of the year under review, 10 Agrarian Service Committees had not taken steps to recover the outstanding loan balance of Rs. 15,157,346 from the cultivation loans given to 156 farmers.	The loan balance is being collected..	Necessary steps should be taken to promptly recover outstanding loans, and action should be taken against officers who have not taken steps to recover debts in a timely manner.