15 Agrarian Services Committees in Jaffna District - 2024

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1. Audit Opinion

1.1 The audit of the financial statements of the 15 Agrarian Service Committees in Jaffna 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 (3)154of 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 (1)58of the Agrarian Development Act, No. 46 of .2000My comments and observations which I consider should be report to Parliament appear in this report.

1.2 Qualified audit opinions had been expressed for all 15 audit reports issued in 2024 relating to 15 Agrarian Service Committees in the Jaffna District, and following are the material deficiencies that had been caused to this.

1.3 Financial Statements

1.3.1 Accounting Deficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	The total value of 16,276.70 kilograms of subsidized fertilizer not distributed to farmers during the year under review by 03 Agrarian Service Committees had not disclosed in the financial statements.	Steps are being taken to show the value of the subsidized fertilizer stock as stock in the financial statements.	Steps should be taken to disclose the value of the stocks held by the committees at the end of the year in the relevant financial statements, and steps should be taken to make the relevant adjustments.
(b)	Due to the fact that fixed assets worth Rs.24,034,339 which were not included in the asset register of 04 Agrarian Service Committees since 2020 have not been accounted for, the value of non-current assets in the financial statements was understated by that amount.	Steps have been taken to include it in the fixed asset register and account for it in the future.	The correct value of fixed assets should be shown in the financial statements, and adjustments should be made in the accounts.
(c)	The total donation value of Rs.27,862,228 stated in the financial statements of 05 Agrarian Service Committees had not been included in	Steps are being taken to add to the accumulated funds.	Steps should be taken to show the correct balance in the financial statements.

	the financial statements of those committees.		
(d)	Although additional buildings have been constructed and put into use by 02 Agrarian Service Committees, the value of those buildings had been understated in the financial statements as the value was not disclosed as an asset in the financial statements.	Action will be taken to correct this.	The correct balance of assets should be shown in the financial statements, and appropriate adjustments should be made.
(e)	Although the 05 Agrarian Service Committees had disposed of fixed assets worth Rs. 1,159,538 through auction during the year under review, the correct value of the assets was not reflected in the financial statements as their selling price was removed from the assets without removing their cost from the fixed assets. Furthermore, since the above amount received through the auction was shown as income in the financial performance statement, the financial position and profit of the committees were not accurately represented.	Action will be taken to correct this in the future.	The profit from the disposal of fixed assets and the correct value of the assets should be disclosed in the financial statements, and the relevant adjustments should be made in the accounts.
(f)	Four Agrarian Service Committees had been calculated fixed deposit interest income on a cash basis rather than on an accrual basis.	Steps will be taken to disclose on an accrual basis in the future.	According to Public Sector Accounting Standards, financial statements should be prepared on an accrual basis and relevant adjustments should be made in the accounts.
(g)	Although the accounts should be prepared on an accrual basis in accordance with the Tholpuram Agrarian Services Committee's financial statement preparation policy, the acreage tax revenue had been calculated on a cash basis and presented in the financial statements.	Action will be taken to correct this in the future.	Financial statements should be prepared on an accrual basis in accordance with the policy presented with the financial statements.
(h)	According to the inventory register of the Sandilippai Agrarian Services	Since these were received for free, the financial	The value should be calculated and shown in

	Committee, at the end of the year under review, 2275 bundles of 25kg MOP fertilizer received as donations had not been identified and their value had not been disclosed in the financial statements.	value could not be confirmed.	the financial statements.
(i)	Electronic equipment worth Rs.1,920,906 received as a donation to the Karavetti Agrarian Services Committee had not been included in the financial statements.	Action will be taken after discussion at the Audit and Management Committee meeting.	Assets received as donations should be accurately adjusted to the financial statements.

1.3.2 Lack of Written Evidence for Audit

	Subject	Value Rs.	Evidence not presented	Comment of the Management	Recommendation
(a)	Fuel expenses incurred, driver commissions paid and vehicle repair expenses incurred during the year under review of 07 Agricultural Service Committees.	2,175,876	Daily running chart register, vehicle logbook, fuel consumption register and vehicle repair register	Relevant documents are maintained in a proper manner and steps will be taken to submit them for audit.	Documents should be updated and maintained and action should be taken against parties who fail to do so.
(b)	Acreage taxes for the year under review of 14 Agrarian Service Committees.	1,651,617	Paddy land registers	This document will be updated and submitted for audit in the future.	Paddy land records should be maintained properly and submitted for audit, and action should be taken against parties who have not maintained such records.
(c)	53 receivable balances shown in the financial statements of 09 Agrarian Service Committees.	4,941,459	Individual balance lists and balance confirmations	Steps have been taken to obtain written confirmation letters regarding receivables.	Balances included in the financial statements and written confirmations

					should be obtained.
(d)	The payable balances as shown in the financial statements of 14 Agrarian Service Committees.	3,524,250	Detailed schedules	Steps have been taken to obtain written confirmation letters regarding the payable amounts.	Detailed schedules should be submitted with the accounts.
(e)	Non-current assets shown in the financial statements of 02 Agrarian Service Committees	977,513	The relevant assets were not physically available.	Since they were stolen many years ago, they are being written off.	Relevant steps should be taken in accordance with Financial Regulation 104 and action should be taken against those parties who have not taken action in a timely manner.
(f)	Current assets including inventory items, organic fertilizer stocks of 5 Agrarian Service Committees.	1,730,913	- Do -	- Do -	- Do -
(g)	The value of fixed assets in the statement of financial position of the Puloli Agrarian Services Committee.	590,967	Fixed Assets Register	A fixed asset register is prepared and maintained.	A fixed asset register should be prepared and submitted for audit, and action should be taken against parties who have not maintained the register.

1.4 Non-compliance

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

	Reference to Laws, Rules and Regulations	Non-compliance	Comment of the Management	Recommendation
(a)	Agrarian Development Act No. 46 of 2000			
	(i) Section 53	15 Agrarian Service Committees had not been prepared paddy land registers.	This register will be maintained after the completion of the paddy land registration programs.	Action should be taken in accordance with the provisions of the Agrarian Development Act, and action should be taken against parties who have not done so.
	(ii) Section 55	No steps had been taken to survey the paddy lands within the administrative jurisdictions of 13 Agrarian Service Committees.	The paddy lands have currently been measured using Google Maps and the relevant quantities have been obtained.	- Do -
	(iii) Section 56(i)	The acreage tax register had not been maintained up to date by 13 Agrarian Service Committees.	In the future, the acreage tax register will be maintained systematically.	- Do -
(b)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
	(i) F.R. 110(1)(2)	12 Agrarian Service Committees had not been maintained registers of damages and losses.	Steps have been taken to properly update and maintain a register of damages and losses.	Actions should be taken in accordance with financial regulations, and action should be taken against parties who fail to do so.

	(ii) F.R. 214	12 Agrarian Service Committees had not been maintained records of liabilities.	Steps have been taken to maintain register of debts.	- Do -
	(iii) F.R. 341	The 02 Agrarian Service Committees had not been maintained the sub-pamphlet register.	Steps have been taken to properly maintain register of sub-pamphlet.	- Do -
	(iv) F.R. 502 (2)	The 06 Agrarian Service Committees had not been maintained the register of fixed assets.	Steps have been taken to maintain fixed assets registers.	- Do -
	(v) F.R. 880 and 881	20 officers of 08 Agrarian Service Committees had not been deposited their security deposits.	Steps have been taken to recover the bail money.	- Do -
	(vi) F.R. 891(1)	08 Agrarian Service Committees had not maintained bail records.	Steps have been taken to maintain bail registers.	- Do -
	(vii) F.R. 1645(a)	10 Agrarian Service Committees had not been maintained vehicle log books for 80 tractors.	Steps have been taken to maintain vehicle log books for tractors.	- Do -
	(viii)F.R.1646	The daily operating records and monthly summary reports of 89 tractors had not been submitted for audit by 12 Agrarian Service Committees.	Steps have been taken to submit the original copies of the daily running notes and their monthly summaries for audit.	- Do -
(c)	Public Administration	Vehicle fuel combustion tests	Arrangements will be made to conduct	Steps should be taken to act in accordance

Circular No. 30/2016 dated 29 December 2016	had not been conducted in 08 Agrarian Service Committees.	vehicle fuel combustion tests.	with the circular, and action should be taken against parties who have not complied.

2. Financial Review

2.1 Financial Results

The total operating results of 15 Agrarian Service Committees in the Jaffna District for the year under review were a surplus of Rs. 618,091, accordingly, there was a surplus of Rs. 1,068,396 in the previous year in those 15 committees. Accordingly, a decrease of Rs. 450,305 was observed in the surplus of the financial results of the year under review.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	The process of uploading the Electronic Land Records (ELR) relating to agricultural lands of 4 Agrarian Service Committees to the computer system had not been updated to date.	The upload process is ongoing..	Land registers should be updated as planned using an expedited program.
(b)	The rental income of Rs. 451,331 due for the four-wheeled tractor of the Velanai Agrarian Services Committee had not been recovered for a period of 2 to 14 years.	This will be fixed in the future.	Steps should be taken to take action against officers who have not collected on time, and to strengthen internal controls regarding service income generated on a credit basis and to promptly recover receivables.
(c)	A four-wheel tractor worth Rs. 86,063 belonging to the Ampan Agrarian Services Committee had been stolen, and no action had been taken in this regard.	Action will be taken to cutoff this.	Responsible person for the loss should be identified and further action should be taken in accordance with Section 104 of the Financial Regulation.
(d)	In the past 13 years, no steps had been taken to take ownership of the 108 four-wheel tractors provided to 15	Steps have been taken to transfer the ownership of 96 four-	Steps should be taken to take over ownership of four-wheel tractors.

	committees by the Ministry of Economic Development in 2011.	wheel tractors to the name of our department.	

3.2 Operating Inefficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	The money collected to provide prizes to the children of farmers of the Nallur Farmers' Organization who passed the grade 5 scholarship examination, along with the interest on their fixed deposits, totaling Rs. 7,035,192, had been deposited in the fixed deposit account for six years without being used for the intended purposes.	The department is currently taking steps to distribute this money to the appropriate recipients.	Funds should be used for the intended purpose under formal approval, using a formal program.
(b)	Although two years had passed since the farmers of the Karainagar Agrarian Services Committee collected Rs. 97,750 from the farmers for issuing identity cards to the farmers' organizations, action had not been taken to repay it or issue the identity cards.	Action will be taken in accordance with departmental instructions.	Prompt advice should be obtained from the Department of Agrarian Development and the funds should be used to achieve the desired purpose.
(c)	The Keeramalai Agrarian Services Committee had given 03 tractors to a farmers' organization without any agreement.	Arrangements are being made to sign agreements.	After properly contracting to ensure that the Agrarian Services Committee receives income, tractors should be provided and action should be taken against those who have not done so.

3.3 Idle or Underutilized Assets

	Audit Observation	Comment of the Management	Recommendation
(a)	66 four-wheel tractors and 05 tractor trailers in the 11 Agrarian Service Committees are in a dilapidated condition for 01 to 10 years, and no steps	Steps will be taken to repair and use those tractors, machines and trailers, and steps will	Action should be taken to repair and put to use or dispose of properly.

	have been taken to repair and use or dispose of them.	also be taken to remove those that cannot be repaired.	
(b)	In the year 2019, the Commissioner General of Agrarian Development had been provided 06 soil testing equipment sets worth Rs. 1,376,132 to 06 Agrarian Service Committees, although training classes had been held at a cost of Rs.45,000 regarding the use of the equipment, it was observed that the relevant equipment has not been used to date.	These devices can only determine the PH and EC of the soil, but cannot measure the fertility level of the soil. Since the necessary chemicals for this equipment are not available, no requests have been received from farmers to use this equipment to date.	Steps should be taken to use soil testing equipment for its intended purpose.

4. Agrarian Banks

Audit Observation	Comment of the Management	Audit Observation
13 committees had not been taken effective steps to recover the outstanding loan amount of Rs.12,785,698 from 207 farmers from the loans provided to farmers during the period 2009-2024.	Action will be taken to recover outstanding balances.	A formal investigation should be conducted into the granting of loans and non-payment of loans on time, action should be taken against the relevant parties, and steps should be taken to promptly recover outstanding balances in accordance with the agreements made with the farmers.

5. Systems and Controls

	Audit Observation	Comment of the Management	Recommendation
(a)	The internal control system regarding inventory control of 15 executive committees had not been properly implemented.	15 executive committees have been instructed to properly implement internal control systems regarding the inventory of 15 executive committees.	Internal controls related to inventory control need to be improved.

(b)	The iron safes maintained by 06 executive committees had not been maintained in a manner that involved double inspection and control (double control).	Steps are being taken to maintain it in a double-checked manner.	Actions should be taken in accordance with Financial Regulation 317.