

Head - 281 - Department of Agrarian Development

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Department of Agrarian Development for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and statement of financial performance and cash flow statements for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) 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. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Department of Agrarian Development, was issued to the Accounting Officer on 21 September 2020. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department of Agrarian Development was issued on 25 November 2020 to the Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements prepared in terms of provisions of the State Accounts Circular No.271/2019 of 03 December 2019, give a true and fair view of the financial position of the Department of Agrarian Development as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer and the Accounting Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Department.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

As required by Sub-section 6(1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

- (a) that the financial statements are consistent with the preceding year,
- (b) that the recommendations made by me on financial statements of the preceding year regarding the observation indicated in paragraphs 1.6.2, 1.6.3 (a) (b), 1.6.4 (b) and 1.6.7 (c) of this report had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Presentation of Accounts

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>(a) Annual Financial Statements</p> <p>-----</p> <p>Even though the financial statements for the year under review should be submitted to the Auditor General on or before 28 February 2020 in terms of State Accounts Circular No. 271/2019 dated 03 December 2019, the Department had submitted financial statements for the year under review in Sinhala and English Languages on 01 July 2020. However, those had not been submitted in Tamil Language even up to 17 September 2020.</p>	<p>In terms of State Accounts Circular, financial statements should be submitted on due date.</p>	<p>Translations have been completed and copies thereof can be submitted to Audit.</p>
<p>(b) Reconciliation Statement of the Advances to Public Officers Account</p> <p>-----</p> <p>Even though the Advance B Account for the year under review should be submitted on 28 February 2019 in terms of State Accounts Circular No. 271/2019 dated 03 December 2019, it had been submitted only on 07 July 2020.</p>	<p style="text-align: center;">-Do-</p>	<p>Correct reports on the Advance B Account relating to the final quarter of the year 2019 of District offices had been received at the beginning of March 2020. As such, the purpose of completion of entire account including districts was extended up to first week of March 2020 and certification of the said account by the Secretary to the Ministry was carried out only in June 2020 due to COVID 19. Action is being taken to submit the account duly, avoiding such a delay.</p>

1.6.2 Statement of Financial Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
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According to Departmental books and Treasury books, a difference of Rs. 652,148 was observed in receipts of a deposit account.	General deposit balances should be reconciled according to Departmental books and Treasury books.	A separate account had been operated under the People's Bank Account No. 6-1001-1673169411 for the Agrarian Development Fund up to 15 November 2007 and the main account of the Department and the account of the Agrarian Development Fund have been joined in the year 2008. The said difference of Rs. 651,797 had resulted in prior to joining of those accounts and recommendations made by the Committee which has been appointed for examining thereon had been received after preparation of financial statements of the year 2019. Moreover, necessary adjustments are due to be made through financial statements of the year 2020 by studying those recommendations.

1.6.3 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) It was observed that Lands of 522 Agrarian Service Centers, 25 District Offices, 05 Mechanical Yards belonging to the Department, and the Head Office had not been included in the Register of Non-financial Assets.	All lands owned by the Department should be brought to account.	Valuation of lands belonging to 02 centres, assessed in the year 2020 were brought to account in the year 2020 and it is informed that the other lands will be assessed and entered into the CIGAS Programme in future.
(b) It was observed that the value of buildings of 409 Agrarian Service Centres and 03 mechanical yards belonging to the Department and the value of 03 buildings of the Head Office	All buildings owned by the Department should be brought to account.	Copies of building plans of the Head Office and 09 centres have been furnished to the Valuation Department and it is informed that

had not been indicated under non-financial assets.

building valuation has not been received so far. Building valuation of 02 centres, assessed in the year 2020 had been brought to account in the year 2020 and it is further informed that other buildings as well will be assessed and entered into the CIGAS Programme in future.

1.6.4 Non-maintenance of Books and Records

The following observations are made.

Audit Observation	Recommendation	Comments of the Department
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(a) Fixed Assets Register had not been maintained in terms of Treasury Circular No.842 of 19 December 1978 / Appendix 11 of Financial Regulation 502(2)	Action should be taken in terms of Treasury Circular No.842 of 19 December 1978 / Appendix 11 of Financial Regulation 502(2)	The Fixed Assets Register is maintained under the CIGAS Programme and it is informed that assets purchased and assets disposed of are maintained in an updated manner.
(b) In terms of Financial Regulation 891(1), a Security Register containing information on officers and employees required to give security had not been maintained.	In terms of Financial Regulation 891(1), a Security Register containing information on officers required to give security should be maintained.	Staff Officers of the Department of Agrarian Development give securities in consultation with the Public Service Mutual Guarantee Association and the Security Register thereon is maintained by the Head Office.

1.6.5 Lack of Evidence for Audit

Audit Observation	Recommendation	Comments of the Department
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Nine vouchers valued at Rs.1,656,787 of the year under review had not been made available to Audit.	All payment vouchers should be made available to Audit.	Vouchers mentioned in the Audit Report are being looking for.

1.6.6 Responsibility of the Accounting Officer

Even though the Accounting Officer shall ensure the following matters in terms of provisions of Section 38 of the National Audit Act, No. 19 of 2018, action had not been taken accordingly.

Audit Observation	Recommendation	Comments of the Department
(a) The Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out. Further, the said reviews shall be in writing and a copy of the same shall be made available to the Auditor General. However, no statements had been made available to the Auditor General as to whether such reviews had been carried out.	Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.	No comments had been made.
(b) Even though the Chief Accounting Officer and Accounting Officer shall ensure the timely preparation and submission of annual and other financial statements, those requirements had not been fulfilled due to audit observations mentioned in paragraph 1.6.1 of the report.	Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.	Action is being taken to submit the account on due date in future.
(c) Even though the Chief Accounting Officer and Accounting Officer shall ensure that all audit queries be answered within the specified time as required by the Auditor General, in terms of paragraph 3.7 of the report, audit queries had not been replied.	Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.	There are 25 audit queries to be replied as at 15 September 2020.

- (d) Even though the Chief Accounting Officer and Accounting Officer shall ensure that an effective mechanism exists to conduct an internal audit, the said requirement had not been fulfilled according to observations in paragraph 4.2 of the report.
- Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.
- Even though the number of hours allocated for purposes pointed out by the said audit query stood at 2,192, it is the number of hours indicated before revising the audit plan. Number of hours of the Audit Plan of the year 2019 had been revised as 1,128 hours on 19 October 2019.

1.6.7 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with provisions of laws, rules and regulations observed at the audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Audit Observation ----- Non-compliance -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Section 51(1) of the Agrarian Development Act	In terms of the Act, Agrarian Development Councils had not been established.	Action should be taken in terms of provisions of the Agrarian Development Act.	The Committee operates its activities until the Agrarian Development Councils are established. Moreover, formulation of Orders for the said Section has been completed by now and action is being taken to publish them in the Gazette. Subsequently, necessary action has already been taken to establish development councils and it has been planned to complete these activities during year 2020.

- (b) Employees' Provident Fund Act, No.15 of 1958 and Employees' Trust Fund Act, No.46 of 1980
- The contribution for Employees' Provident Fund and the Employees' Trust Fund of Rs.367,002 deducted from the salary of officers temporarily attached to the Ellanga Project had been retained in General deposit accounts of the Head Office without being paid to the Central Bank of Sri Lanka and the Department of Labour.
- Action should be taken in terms of relevant provisions.
- It is kindly informed that necessary action will be taken in this connection in future.
- (c) Financial Regulation 571 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- Even though the closing balance of deposit accounts which had lapsed 02 years should be disposed of, action had not been taken accordingly with regard to deposits in 04 general deposit accounts, amounting to Rs.40,023,045 lapsed 02 years as at 31 December 2019.
- Action should be taken in terms of Financial Regulations.
- District offices have been notified to take expedite action with regard to deposits lapsed 02 years as at 31 December 2019 and action will be taken to settle them by 31 December 2020.
- (d) Public Administration Circular No. 05/2018(1) of 27 January 2018
- The Citizen-Client Charter relating to the Agrarian Development Department had not been formulated.
- Action should be taken in terms of Public Administration Circulars.
- A committee has been appointed to formulate the Citizen-Client Charter. Formulation of the Citizen-Client Charter has been temporarily discontinued due to construction activities of the new Departmental building and it is kindly informed that expedite action will be taken to complete them.
- (e) Section 30(iii) of Circular No.107 of 16 October 1981 of the Commissioner General of Agrarian
- Financial statements of 07 Agrarian Service Centres relating to years 2016, 2017 and 2018 and 73 Agrarian Service Centres relating to the year 2019 had not
- Action should be taken in terms of Departmental circulars.
- It has been informed by my letter No.7/5/12/ශ.ව.ව./
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Development	been furnished to the Auditor General on due date.	2020 to submit all reports on accounts that should have been submitted, before 15 September 2020.
(f) Guideline 7.8.4 (n) of the National Procurement Guidelines	It had been specified in bidding documents that documents on manufacture authorization should be submitted and the tender for purchase of 150 sets of rain gauges valued at Rs.2,760,000 had been awarded to an institution by which documents on manufacture authorization had not been submitted so.	Action should be taken in terms of the National Procurement Guidelines. It is informed that the said matter has been omitted by mistake.

2. Financial Review

2.1 Reconciliation Statement on Settlement of Advances to Public Officers Account

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Even though loan balances of officers who had transferred in should be settled within 03 months in terms of National Budget Circular No.118 of 11 October 2004, loan balances of officers who had transferred in and out as at 31 December 2019 had been Rs. 133,330 and Rs. 5,735,356 respectively.	Action should be taken in terms of National Budget Circular No.118 of 11 October 2004.	No comments had been made.
(b) The loan balance recoverable as at 31 December 2019 from officers, interdicted, left the service, deceased, retired, released and from other loans had been Rs. 15,316,695.	Loan balances should be recovered from their guarantors, pension, by taking disciplinary action against persons who had defaulted and or by following another appropriate method.	No comments had been made.

2.2 Deposit Balances

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A sum of Rs. 1,064,993 received from Agrarian Service Centres for settlement of advances given for fertilizer in the years 2018 and 2019 had been retained in general deposit accounts of the Head Office without being paid to the Ministry of Agriculture.	Accounts should be settled by making relevant payments to the Ministry of Agriculture.	Letters have been forwarded to relevant Divisions by notifying to settle moneys received for settlement of advances given for fertilizer in the years 2018 and 2019 and action is being taken to settle them completely by 31 December 2020.
(b) The loan balance of Rs. 655,287 recoverable from retired public officers and payable to Agrarian Service Centres had been retained in general deposits of the Head Office without being paid to centres.	Moneys relating to Agrarian Service Centres should be paid without delay.	The sum of Rs. 94,757 recoverable to the Kithalawa Agrarian Service Centre by 10 September 2020 from loan balances of Rs. 750,044 which had been retained in general deposit accounts of the Head Office, recoverable from retired officers and payable to relevant Agrarian Service Centres, has been settled through the cheque No. 751561 dated 29 July 2020.
(c) Contract retention of Rs. 4,553,091 of 08 District offices had been retained in general deposit accounts for a period between 02 and 05 years without making payments due to lack of recommendations of the Engineer and the Technical Officer. Action had not been taken even up to 31 December 2019 to settle the relevant retention money by remedying shortcomings of relevant contracts or if not, remedying those shortcomings by utilizing the said retention money.	Payments should be made without delay.	The balance of Rs. 4,097,307 has been settled by August 2020. Future action will be taken to settle the remainder of Rs. 455,784.
(d) Even though proceeds from hiring agricultural machinery should be sent to the Head Office, income of Rs. 1,256,497 earned from hiring machinery by District offices of Kurnegala and Monaragala from the year 2016 to the year 2018 had been retained in general	Income from hiring the said machinery should be remitted to the Head Office.	The sum of Rs. 588,485 out of the balance retained in general deposit accounts by August 2020 relating to the Kurunegala District Office has been sent to the Head Office by now and the District Office has informed that action

deposit accounts even by the end of the year under review.

- (e) Proceeds of Rs. 1,558,750 from auctioning goods to be disposed of, belonging to the Kurunegala District Office had been retained in general deposit accounts without sending to the Head Office over a period of 02 years. Income from disposal of goods should be remitted to the Head Office. The balance of Rs. 654,150 has been settled by 31 August 2020 while action is being taken to send a sum of Rs. 787,150 of the balance of Rs. 904,600 to the Head Office. Moreover, the Kurunegala District Office has informed that action is being taken to pay the balance of Rs.117,450 to Kithalawa Agrarian Service Committees. Action will be taken to summon the said income to the Head office after enquiring about the income received from disposal of tractors and agro-equipment assets of the year 2019.
- (f) Income of Rs. 5,533,250 from disposal of Tractors and agro-equipment assets of the Kurunegala District Office in the year 2019 had been retained in general deposit accounts without crediting to the Agrarian Development Fund, thus understating the income of the Fund. Income relating to the Agrarian Development Fund should be credited to the said Fund itself.
- (g) A sum of Rs. 995,849 received from the Farmers' Trust Fund for executing the project of construction of Urumutta Ralapanawa Dam, Pothuketiya Anicut and Mahapanwila Dawatagahadeniya Anicut on 24 April 2017 had been retained in general deposit accounts for making payments to third party of the Matara District Office without performing the relevant purpose by utilizing the said amount. Action should be taken in terms of the Action Plan. One project executed under the Farmers' Trust Fund could not be completed and as the Farmers Organization of the said Division had protested against the construction of the said anicut at the place proposed to be started, it has been proposed to be constructed at a distance of 100 metres from that location. The Matara District Office has informed that the said amount had been retained in the general deposit account as estimates have been prepared and forwarded to the Head Office for obtaining the approval therefor.

- (h) The sum of Rs. 8,000,000 received to the Vavuniya District Office from the Ministry of National Policies, Economic Affairs Resettlement and Rehabilitation, Northern Province Development and Youth Affairs for the construction of lower levels of tanks under the Wewgama Pubudu Project on 28 August 2019 had been retained in general deposit accounts without utilizing for the relevant purpose even by March 2020.
- Proposed functions should be carried out under Wewgama Pubudu Project.
- The said Wewgama Pubudu Project has been implemented in the District of Vavuniya from the year 2018 and an amount over Rs.5.2 million has been fully paid for several programmes of the said Project by now. The District Office, Vavuniya has informed that as remaining works are scheduled to be carried out up to the next year, relevant payments could have been retained in the general deposit account until then.
- (i) A loan of Rs. 1,508,527 had been recovered by instituting lawsuits at the court due to failure to settle loans granted to farmers by Farmers' Banks and the said loan had been retained in general deposit accounts of District Offices, Ampara and Galle without granting to relevant Farmers' Banks.
- Recovered bank loans should be granted to Farmers' Banks.
- Farmers' Banks have been notified thereon and as there is no response so far, the District Office, Galle has informed that the said amount had remained as a balance in the General Deposit Register. Examinations are carried out with regard to the sum of Rs. 586,276 remained from the year 2015 to the year 2017 and the District Office, Ampara has informed that prompt action will be taken thereon in future.

2.3 Incurring of Commitments and Liabilities

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
A total sum of Rs. 83,798,770 had been obtained on reimbursement basis by 17 Agrarian Development District Offices from 328 Agrarian Service Centres belonging to each District. It was further observed that a large amount of money such as Rs. 1,000,000 had been obtained by certain Agrarian Service Centres. Moreover, the said amount had not been settled even by 31 December	As the Agrarian Service Committees are independent institutions established in terms of the Act, the sum of Rs. 83,798,770 obtained from District offices should be reimbursed to those Agrarian Service Centres.	Explanations have been called for by my letter 7/5/15-05 dated 10 September 2020 from District offices in this regard. All District Deputy Commissioners/ Assistant Commissioners and all Regional Agrarian Development Officers have been made aware by my letter No. 7/5/15- 05 dated 03 September 2020 that except for expenditure incurred for activities of the Agrarian Service

2019 and those values had not been included in liabilities as at that date.

Committee, approval of the Commissioner General should be obtained for all other expenses.

2.4 Utilization of Provisions made available by other Ministries and Departments

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A sum of Rs. 200,000,000 had been allocated for restoration of 80 tanks and 100 anicuts by the Action Plan of the year 2019 under the Object Code 118-2-3-37-2506 of the Ministry of Agriculture. However, it was observed that a sum of Rs. 196,857,957 out of the said provision had been utilized for making payments of contracts of the year 2018 without restoring tanks and anicuts.	Provisions received from the Ministry of Agriculture should be utilized only for the relevant purpose.	Provision had been allocated for new works and it is kindly informed that the said provision had been utilized for payment of bills of the year 2018.
(b) A sum of Rs. 700,000,000 had been allocated under the Object Code 118-2-3-40-2506 of the Ministry of Agriculture for restoration of 100 tanks and 100 anicuts under the Wew Dahasai Gam Dahasai Programme included in the Action Plan of the year 2019. However, it was observed that a sum of Rs. 609,642,901 out of the said provision had been utilized for making payments of contracts of the year 2018 without restoring those tanks and anicuts.	Provisions received from the Ministry of Agriculture should be utilized only for the relevant purpose.	Provision had been allocated for new works and it is kindly informed that the said provision had been utilized for payment of bills of the year 2018.

- (c) A sum of Rs. 1,429,200 had been spent as at 31 December 2019 for 07 projects of restoration of tanks, canals and retaining walls at an estimated cost of Rs. 10,029,428 carried out from provision received from the Farmers Trust Fund. However, it was observed that those projects had not been completed even by 31 December 2019.
- Provision received from the Farmers Trust Fund should be utilized for the relevant purpose and works should be completed as at targeted date.
- Relevant Farmers Organization has taken action to complete works of the Project of Extension of the Farook Canal in Nuwara Eliya District based on paid up value and unfavourable weather condition prevailed in the year 2019 had been the reason therefor. Moreover, works of other 06 projects carried out under the Farmers Trust Fund could not be completed in the year 2019 due to unfavourable weather condition. However, it is kindly informed that final payments as well had been made for those projects by now.
- (d) The purpose of completion of 106 projects of restoration of minor irrigation works in Northern and Eastern Districts by obtaining provision of Rs. 373,500,000 from the National Peace and Reconciliation Commission, had been included in the Action Plan of the year 2019. However, only 53 projects had been completed by spending Rs. 143,770,451 out of the said provision during the year. In addition to that, a sum of Rs.24,281,876 out of the said provision had been spent for 12 projects proposed to be completed in the year 2018 but completed in the year 2019.
- Provision received from the National Peace and Reconciliation Commission should be utilized for the relevant purpose.
- No comments had been made.

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| (e) | It was observed that 08 projects of rehabilitation of small tanks, anicuts and canals and dams in Badulla and Matale Districts had not been implemented by utilizing provision of Rs. 5,300,000 granted from the Ministry of Public Enterprises, Kandyan Heritage and Kandy Development. | Provision granted from the Ministry of Public Enterprises, Kandyan Heritage and Kandy Development should be utilized for the relevant purpose. | Farmers Organizations could not implement projects proposed to be implemented in the year 2019, due to unfavorable weather conditions prevailed throughout the year. |
| (f) | Even though a sum of Rs. 2,253,194 of the provision granted by the Ministry of Public Enterprises, Kandyan Heritage and Kandy Development for 06 projects at an estimated cost of Rs. 2,332,500 in the District of Badulla, had been spent by 31 December 2019, it was observed that those projects had not been completed even by 31 December 2019. | Those projects should be completed as at targeted date by utilizing provision received from the Ministry of Public Enterprises, Kandyan Heritage and Kandy Development. | Even though provision had been made for projects, those projects had not been implemented in the year 2019. |
| (g) | Provision of Rs. 1,732,500 had been granted from the Presidential Secretariat in the year 2019 under the Object No. 001-2-6-11-2503 for cultivation of fallow lands and only a sum of Rs.362,000 of the said amount had been spent. | Provision received from the Presidential Secretariat should be utilized for the relevant purpose. | No comments had been made. |
| (h) | Even though a sum of Rs. 362,000 of the provision of Rs. 932,500 allocated by the Presidential Secretariat for the development of canals of the Nanawila fallow paddy field in the District of Colombo had been spent, the said Project had not been completed even by 31 December 2019. | The relevant project should be completed as at targeted date by utilizing provision received from the Presidential Secretariat. | No comments had been made. |
| (i) | Three projects of restoration of anicuts and canals and dams, in the District of Kegalle for which provision of Rs. 800,000 had been allocated from the Presidential Secretariat, had not been implemented in the year 2019. | Restoration of canals, anicuts and canals and dams should be completed as at targeted date by using provision received from the Presidential Secretariat. | As several projects by which estimates were prepared, should save provision as per Circular 5/2019, provisions were recalled. Moreover, it is kindly informed that other several projects had not been completed due to inadequate annual provision. |

2.5 Issuance and Settlement of Advances

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A period from 13 days to 271 days had been spent for the settlement of advances of Rs. 4,769,898 obtained by 17 officers in 253 instances.	Ad-hoc sub-impressts should be settled within the due period after completing the relevant purpose.	Internal circular No. DAD/FIN/PAY/3 dated 22/06/2020 has been issued for avoiding such delays occurred frequently and relevant Divisions have been instructed to adhere to provisions strictly, specified therein.
(b) A period from 06 days to 207 days had been spent for settlement of advances of Rs. 104,134 by cash, obtained by 05 officers at 10 instances and a sum of Rs. 48,000 out of that obtained by 02 officers had been retained in hand for a period from 07 days to 14 days and the entire amount had been resettled.	Except for an essential matter, advances should not be issued.	Internal circular No. DAD/FIN/PAY/3 dated 22/06/2020 has been issued for avoiding such delays occurred frequently and relevant Divisions have been instructed to adhere to provisions strictly, specified therein.

2.6 Operating Bank Accounts

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action in terms of Financial Regulation 396(d) had not been taken regarding 192 cheques valued at Rs. 3,534,159 included in the bank reconciliation statement as at 31 December 2019.	Action should be taken in terms of the relevant Regulation.	Fifty nine cheques valued at Rs. 1,812,287, included in the bank reconciliation statement as at 31 December 2019, have been settled and it has been informed that action should be taken in terms of Financial Regulation 396 (d) by district offices to settle cheques.
(b) There were unidentified payments of Rs. 110,775 in bank reconciliation statements of 02 District offices and those had not been identified and adjusted to the cash book. Moreover, those cheques	Unidentified balances in bank reconciliation statements should be identified and adjusted to the cash	Unidentified payment of Rs. 47,000 of the Polonnaruwa District Office is mentioned as a double payment made by the bank for the amount payable as compensation for mite damage. The

had remained over a period from 06 months to 04 years.

said payment has been corrected by the bank by June 2020. The Kilinochchi District Office had closed accounts on 31 December 2008 due to war activities. After commencing the District Office in the year 2010, a sum of Rs. 63,775 is shown as unidentified payments in the bank reconciliation statement. As documents have been destroyed due to war condition, it is mentioned that details thereon are not available with the bank or District Secretariat. As such, action is being taken in terms of Financial Regulation 109 to settle the said balance.

3. Operating Review

3.1 Non-achievement of expected Level of Output

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) In the implementation of 06 functions included in the Action Plan of the year under review, only 65 per cent of the expected level of output had been achieved and a sum of Rs.1,965,061,804 had been saved.	Projects should be executed as planned, in compliance with the Action Plan.	Comments had not been made.
(b) According to the online database of the development programmes implemented in the year 2019, the total physical progress was 82 per cent as at 31 December 2019 and it was observed that the District database is not updated properly. Moreover, it was also observed that the development projects are not completed within the prescribed period as planned.	Projects should be executed as planned, in compliance with the Action Plan.	Comments had not been made.

3.2 Delays in the execution of Projects

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>A sum of Rs.4,474,985 had been spent by 31 December 2019 for 05 projects with an estimated cost of Rs.10,338,000. One project out of those, had been completed with a delay of one month while another 04 projects had not been completed even by 30 May 2020.</p>	<p>Projects should be executed as planned, in compliance with the Action Plan.</p>	<p>The 02 projects in the District of Colombo could not be completed due to being executed by one Farmers organization and due to unfavourable weather conditions throughout the year, 02 projects in the District of Kurunegala and one project in the District of Puttalam, could not be completed due to delay in receipt of monies and unfavourable weather conditions respectively.</p>

3.3 Project Work Commenced after Delays

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>A sum of Rs.45,965,962 had been spent by 31 December 2019 for 69 projects with an estimated cost of Rs.204,628,881. Out of these, 21 projects which had commenced after delays, had been completed with a delay of 01 to 05 months exceeding the prescribed date. Moreover, works of 48 projects were being carried out even by 30 May 2020.</p>	<p>Projects should be executed as planned, in compliance with the Action Plan.</p>	<p>It is kindly informed that mainly weather conditions as well as procurement delays and changes in estimates affect the commencement of projects on prescribed time and that works of such projects commenced after delays cannot be completed on prescribed time.</p>

3.4 Annual Performance Report

Audit Observation	Recommendation	Comments of the Accounting Officer
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In terms of the letter No.PED/RED/COPA/2019/01 dated 30 January 2020 of the Director General of Public Finance, the performance report relating to the year under review should be tabled in Parliament by the Department within 150 days after the closure of the financial year. However, performance reports relating to the years 2016, 2017, 2018 and 2019 had not been tabled in Parliament.	The performance report should be tabled in Parliament on the due date.	Approval for tabling of performance reports of the years 2016, 2017 and 2018 in Parliament had been granted by the letter No.MOA/AD/EA/05/ performance report 2016 dated 09/09/2020 of the Secretary to the Ministry of Agriculture and accordingly, action necessary for printing of relevant reports, are being taken. The annual performance report for the year 2019 has been submitted for the approval of the Ministry on 21 July 2020.

3.5 Assets Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A staircase had not been built to enter the cafeteria constructed in Panadura, spending a sum of Rs.1,579,332 of provisions made by the Ministry of Agriculture in the year 2018. Subsequently, a staircase had been built by spending a sum of Rs.197,000 from the Committee Fund of the Panadura Agrarian Service Centre. However, the cafeteria had not been opened and made use of even by 07 June 2020.	The cafeteria should be opened without delay.	Comments had not been made.

- (b) A jeep had been airborne by the World Food Programme of the United Nations during Tsunami period without paying customs duty, made to run and given to the Ministry of Agrarian Services and Wildlife. This vehicle which had been subsequently handed over to this Department in the year 2015, had not been registered and parked in the Malabe vehicle park since that year itself without being made to run.
- The relevant jeep should be registered and made to run.
- This jeep had been airborne by the United Nations during Tsunami period without paying customs duty, made to run and given to the Ministry of Agrarian Services and Wildlife. It has been condemned and subsequently given to the Department of Agrarian Services. The Director, Department of Trade and Investment Policy was addressed by my letter No.7/6/4/1/CR-0098 of 23 September 2019 in respect of vehicle No.CR-0098 seeking advice on registration of this vehicle at the Department of Motor Vehicles by paying a customs duty of Rs.3,664,055 therefor and it had been replied that steps are to be taken relating to custom duty after discussing with the line Ministry under which the Department falls. A letter had been sent to the Secretary to the Ministry of Agriculture through my letter No.7/6/4/1/CR-0098 of 02 December 2019 seeking advice thereon.
- (c) Two motor cycles bearing Nos.VA – 2490, VA – 2489 and 13 vehicles not owned by the Department, remain in the Malabe vehicle park and action had not been taken to hand over these vehicles to the relevant institutions or to take them over.
- Action should be taken to hand over to the relevant institutions or to take over.
- Action is being taken to hand over the vehicles remaining in the Malabe vehicle park to relevant institutions or to take them over.
- (d) Twenty nine vehicles and 03 motor cycles not operated, remain in the Malabe vehicle park owned by the Department and it was observed that action had not been taken over a period of 15 years to
- Action should be taken to repair and make use of or to dispose of the said vehicles.
- Vehicles are parked in the Malabe vehicle park for about a period of 25 years and except for 02 motor vehicles owned by the Ministry of Lands and a

make use of them by repairing or to dispose of certain vehicles out of those which were being subjected to corrosion.

lorry owned by the **Department of Government Supplies**, it was about 02- 05 years since all other vehicles were brought to the Malabe vehicle park. They are parked for disposal. Moreover, several lorries manufactured in Japan are parked due to lack of Drivers and for repairs and action has been taken to repair and operate them in future.

- (e) Seven out of 35 agricultural machinery and equipment remained in the mechanical yards owned by the Department, had not been made use of since the year 2019. The remaining 28 machines had been underutilized and the total number of machine hours operated, stood at 8,968. An acceptable system should be used for computing the number of hours of machines without meters and action should be taken to repair machines, increase efficiency and to make use of them. There are no meters in 02 machines remaining in mechanical yards to record meter hours. Moreover, situations of underutilization arise due to machines under repairs, annually unfavourable weather conditions, difficulties in utilizing machines for projects and minimum demand for machines.
- (f) Seventeen fertilizer stores had remained unused during the period from the year 1977 to the year 2018. Fertilizer stores should be brought to operative condition. The use of fertilizer stores have decreased due to existence of fertilizer stores to be repaired and the method of granting monies to farmers instead of fertilizer.
- (g) It was observed that assets such as 96 tractors, 21 trailers, 83 harvesting machines, 24 scales, 03 planting machines, 07 seed halving machines, 29 water pumps, 16 power sowing machines, 53 bent ploughs/hook ploughs, 03 lawn mowers and 06 rotavator machines had been inoperative and not in use during a period between 06 to 24 years. Action should be taken to dispose of assets before they are decayed. Boards of assessment have been appointed by now for disposal of tractors and agricultural accessories and action is being taken by this year for the prompt disposal of machinery and equipment proposed to be disposed of.

3.6 Security of Public Officers

Audit Observation

In terms of Financial Regulation 880, public officers required to give security, should do so in accordance with the Public Officers (Security) Ordinance (Cap. 612). However, 9,540 officers of the Department had not given security.

Recommendation

Securities should be obtained in terms of Financial Regulations.

Comments of the Accounting Officer

Officers have been notified by my letter No.7/5/15-05 and circular No.8/2020 of 25 June on giving security by Public Officers and action has been taken by now to notify the officers through my letter No.7/5/15-05 of 06 July 2020.

3.7 Non –submission of replies to Audit Queries

Audit Observation

Twenty five audit queries issued to the Department for the accounting year of 2019, had not been answered even up to 18 August 2020.

Recommendation

Audit queries should be answered within the due period.

Comments of the Accounting Officer

Twenty five audit queries are to be replied before 15 September 2020.

3.8 Management Weaknesses

The following observations are made.

Audit Observation

(a) Even though reports have been summoned for 62 preliminary investigations, they had not been received even after an elapse of 06 to 09 months. Moreover, a period ranging between 02 and 08 years had elapsed in obtaining reports by holding 97 formal disciplinary inquiries and implementing disciplinary orders.

Recommendation

As an unusual delay is observed, plans should be made to complete all inquiries without delay.

Comments of the Accounting Officer

Out of the preliminary investigations mentioned herein, preliminary investigation reports of 07 files have been received by now and action is being taken accordingly. Moreover, submission of reports has been delayed in this manner due to extension of days for submission of reports on certain duties of officers who were appointed for preliminary

investigations. It is kindly informed that action will be taken to summon these reports promptly. Reports of 17 disciplinary inquiries which had been called for, have been received by now. Disciplinary orders relating to 11 files have been issued up to date. The disciplinary orders issued relating to these files are presently in effect. It is kindly informed that appeals have been made by officers to the Public Service Commission relating to 03 files.

- (b) The Register of Losses of the Department contained balances of losses brought forward from a period of 14 years. Action should be taken to avoid the unusual delay relating to losses and damage and to recover the loss occurred. Comments had not been made.
- (c) Approval had been granted by the Commissioner General of Agrarian Services on 21 February 2019 to recover the salary of Rs.321,728 paid, by an initial installment of Rs.100,000 and 06 equal installments relating to the period in which an Agricultural Research and Production Assistant who had discharged duties, attached to the Agrarian Service Centre of Baduraliya in the Kalutara District, had been released to the Western Provincial Information Technology Resource Development Centre. However, a sum of Rs.126,773 was recoverable even by 18 August 2020 from the said officer. Salaries and allowances relating to the period of release, should be reimbursed as early as possible from the relevant institution. A sum of Rs.158,000 has been paid by cash by him from 27 September 2019 to settle the amount recoverable and a sum of Rs.36,954 has been recovered from his salary in May and July 2020. Even though a balance of Rs.126,773 remained as at 18 August 2020, a sum of Rs.18,122 has been recovered from the salary of August 2020 and the balance remaining at present is Rs.108,600.

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| <p>(d) According to inquiries held in terms of Financial Regulation 104 from the year 2014 to the year 2018, action had not been taken even by 31 December 2019 to recover the sum of Rs.7,809,976 recoverable from 15 officers.</p> | <p>As it is an unusual delay, these monies should be recovered promptly.</p> | <p>Inquiries relating to 08 files are in progress.</p> |
| <p>(e) A sum of Rs.148,282, received from the Polonnaruwa District Secretariat in the year 2016, had been retained in the general deposit accounts of the Polonnaruwa District Office for nearly a period of 04 years without identifying the project.</p> | <p>Deposits should be promptly settled after continuous follow up action.</p> | <p>The sum of Rs.148,282 mentioned therein has been paid to the District Secretary, Polonnaruwa on 29 June 2020.</p> |
| <p>(f) A sum of Rs.4,156,615 received from the Farmers' Trust Fund on 04 December 2017 for restoring the Sapumalgaskada wewa and Kudadik wewa of the Anuradhapura District Office, had been retained in general deposit accounts without being made use of for the relevant purpose for nearly a period of 02 years.</p> | <p>-do-</p> | <p>Even though restoration had been commenced in the year 2017, in the delimitation of the District of Vavunia, the aforesaid irrigation work has changed from the area of authority of the Madukanda Agrarian Service to the area of authority of the Kebithigollawa Agrarian Service. As such, restoration had delayed due to the difficulty of obtaining monies from shares, thus resulting in extending the date to 15 April 2018. However, the Farmers' Organization has not taken action to complete constructions up to now. Accordingly, as restoration of the Kudadik wewa irrigation work were incomplete, the sum of Rs.4,156,615, which could not be paid, had been repaid to the Fund.</p> |
| <p>(g) It was observed that finger scanners have not been installed in 97 Agrarian Service Centres. Moreover, even though finger</p> | <p>Finger scanners should be installed and arrival and departure should be recorded therefrom.</p> | <p>Comments had not been made.</p> |

scanners have been installed in Agrarian Service Centres, records could not be obtained due to technical issues.

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| (h) | Solar power hydro systems valued at Rs.400,000 had been granted to 09 farmers on payment basis by the sustainable Agricultural Water Management Project (2005-2018) of the Ratnapura District Office. As those loan amounts had not been recovered within the due period, a sum of Rs.3,273,478 was recoverable from 09 farmers by 31 December 2019. Moreover, 06 out of these 09 systems had been inoperative by 10 July 2020. | Loans should be recovered. | Comments had not been made. |
| (i) | It was observed that registers of paddy lands in 21 Districts had not been certified and submitted under the Agricultural Lands Revision Programme even by 18 July 2020. | Registers of paddy lands should be certified and submitted. | Comments had not been made. |
| (j) | It was observed that a loan balance of Rs. 297,372,717 issued for 17,895 farmers by Farmers banks of 14 District Offices relating to 13 types of loans lapsed as at 31 December 2019, had not been recovered. | Loans should be recovered. | Comments had not been made. |
| (k) | Action had not been taken to vest 259 acres of land maintained by 04 District Offices and 237 Agrarian Service Centres, in the Department. | Action should be taken to vest the said land in the Department. | Comments had not been made. |
| (l) | According to financial statements prepared as at 31 December 2018 in 406 Agrarian Service Centres, there were 4,355 recoverable balances valued at Rs.532,689,579 brought forward over a long period. District Offices and the Department had not taken action to recover the aforesaid loan balances. | Debtors' loan balances should be recovered promptly. | Comments had not been made. |

4. Good Governance

4.1 Rendering of Services to the Public

Audit Observation

It was observed that out of public complaints and requests received in the years 2017, 2018 and 2019 respectively to the Department, 422, 478 and 326 had not been solved.

Recommendation

A methodology should be introduced for prompt supervision of complaints.

Comments of the Accounting Officer

Public complaints and requests are handled by Deputy/Assistant Commissioners in charge of each District and Regional Development Officers. We refer the requests and complaints forwarded to the Commissioner General, to each District and grant necessary approval and give instructions as requested by Deputy/Assistant Commissioners in charge of Districts.

4.2 Internal Audit

Audit Observation

It was observed that objectives such as incurring expenditure on personal emoluments and maintenance, acquisition of capital assets and expenditure for rehabilitation of procurements, acquisition of capital assets relevant for implementing the Agrarian Development Act and incurring expenditure for restoration, repairs, restoration and rehabilitation of tanks and rehabilitation of minor irrigation works, examination of receipts and payments of the Agrarian Development Fund, final accounts of Centres, required for maintaining general administration of the Department included in the Internal

Recommendation

The Head Office and District Offices of the Department of Agrarian Development should be included in the Audit Plan.

Comments of the Accounting Officer

Even though the number of hours allocated for the activities indicated stood at 2,192, those were the number of hours indicated before revising the Audit Plan. The number of hours indicated in the Audit Plan of the year 2019 was revised as 1,128 hours on 19 October 2019.

Audit Plan, could not be achieved during the year under review. The amount incurred for salaries and travelling expenses of 19 District Offices incurred during the year under review on behalf of the Internal Audit Unit, was Rs.13,180,787.

5. Human Resource Management

5.1 Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The total number of vacancies in the Department as at 31 December 2019 stood at 3,534 while not even a single employee had been recruited for 10 posts out of the approved cadre.	All essential vacancies including Commissioner (Administration and Human Resources), Commissioner (Services) and Commissioner (Development), who is due to retire in October 2020, should be filled.	Necessary action was taken to fill a large number of vacancies of the Department in the years 2018 and 2019. Approval of the Department of Management Services has been received for filling a part of the existing vacancies in the year 2020 and another part in the year 2021. A request has been forwarded by now, to the Department of Examinations on matters relating to the examination for recruitment for vacancies of Agrarian Development Officers. Moreover, necessary action for filling vacancies of Technical Officers is presently being taken as well
(b) According to the Scheme of Recruitment of the Department, officers of Grade I of the Sri Lanka Administrative Services should be appointed to the posts of	Action should be taken to fill essential posts.	Letters have been forwarded continuously to the Ministry of Public Administration up to now, requesting to appoint two officers of

Commissioner. However, officers of Grade III of the Sri Lanka Administrative Services had been appointed to act in the posts of Commissioner, Services and Administration and Human Resources.

Grade I of the Sri Lanka Administrative Services to the two posts of Commissioner (Services) and Commissioner (Administration and Human Resources), which are posts of Grade I of the Sri Lanka Administrative Services, to the Head Office of the Department of Agrarian Development. However, action necessary for filling vacancies in the said posts, have not been taken as yet and as such, two officers of Grade III of the Sri Lanka Administrative Services, were appointed to act in the said posts.

- (c) There are 555 agrarian banks all over the island and all posts including officers and assistant officers of Farmers' banks were vacant. Agricultural Research and Production Assistants had been deployed for matters of Farmers' banks and as such, instances were observed in which one Agricultural Research and Production Assistant had been deployed for several divisions of Agrarian Service Centres.
- Recruitment of Agricultural Research and Product Assistants by taking action to fill vacancies by conducting a formal investigation on essential posts.
- The Scheme of Recruitment relating to vacancies in the posts of officers of Farmers' Banks and Assistant officers of Farmers' Banks of the department of Agrarian Development had been forwarded to the Ministry and it has been returned to us for revision. The said revisions are being made at present and until then, Agricultural Research and Producton Assistants have been deployed for duties of several divisions of Agrarian Service Centres.
- (d) The personal files of officers of the Department, serving in Districts have not been updated. As such, confirmation in the service, salary increments and annual promotions had delayed. It was observed that the said officers had to face problematic situations in promotions, retirement and various other instances.
- Personal files should be updated.
- Comments had not been made.