

14 Agrarian Services Committees in Kegalle District - 2023

1. Audit Opinion

1.1 The audit of the financial statements of 14 Agrarian Services Committees in Kegalle District for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, the statement of financial performance and cash flow statement for the year then ended, notes to the financial statements and including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the National Audit Act No.19 of 2018 and Section 58(1) of the Agrarian Development Act No.46 of 2000. My comments and observations which I consider should be report to Parliament appear in this report.

1.2 A qualified opinion has been expressed in the 14 audit reports issued in relation to the 14 Agrarian Service Committees in Kegalle district, and the material deficiencies that had been caused to the expressed qualified opinion are as follows.

1.3 Financial Statements

1.3.1 Accounting Deficiencies

	Committee / Committees	Audit Observations	Comment of the Management	Recommendation
(a)	Yatiyanthota	Subsidized fertilizer sales income of Rs.787,648 to be remitted to the district office was accounted as income of the committee and subsidized fertilizer sales of Rs.338,958 remitted to the district office had been accounted as expenses of the committee. Rs.448,690 which was further payable was not shown under current liabilities in the statement of financial position.	No answers provided	Accounts should be corrected
(b)	Ambepussa	A thresher and a 04 wheeler tractor and a trailer had been returned to the Department of Agricultural	That will be rectified after the approval of the Assistant	Accounts should be corrected

		Development. However, Rs.777,568 to be paid to that department for those assets had not been removed from the accounts till the date of this report.	Commissioner for Agricultural Development.	
(c)	Dedigama	Revenue of subsidized fertilizer sales of Rs.221,393 to be remitted to the Commissioner General of Agricultural Development had been accounted as income of the committee.	That the mistake will be corrected in the next account report.	- do -
(d)	Pinnawala	3 creditor balances with a total value of Rs.158,113 had been omitted from the statement of financial position.	That the mistake will be corrected in the future	- do -
(e)	Pinnawala	The revolving fund balance of Rs.243,034 due had been adjusted to the accumulated fund of the committee instead of being matched to the Farmers Bank Pilot Project as directed by the Commissioner General of Agricultural Development.	That will be adjusted to the Agricultural Banks pilot project.	- do -
(f)	Paragammana	Rs.475,432 payable for tractors and agricultural implements which did not exist physically had been shown in the financial statements.	That the Assistant Commissioner of Agricultural Development will be informed and take further steps.	- do -
(g)	Ruwanwella, Pinnawala, Deliwala, Ussapitiya, Batuwatta	There was no approval for 146 journal entries worth Rs.38,734,863.	That will be corrected in future.	Approval should be obtained for journal entries.

1.3.2 Un-reconciled Control Accounts or Reports

Committee / Committees	Audit Observations	Comment of the Management	Recommendation
Batuwatta, Panawala	There was a difference of Rs.630,458 between the value according the financial statements of 03 accounting subjects and that balance according the corresponding reports.	Answers had not been submitted for Rs.443,351. That the remaining balance was due to banking the money without issuing a bill.	Incomparables should be compared.

1.3.3 Suspense Accounts

Committee / Committees	Audit Observations	Comment of the Management	Recommendation
Yattogoda Ussapitiya Deliwala	Between 06 years and 13 years, the suspense balances of Rs.2,757,982 in 04 accounting subjects had not been settled.	That the accounts will be made and settled again.	The suspense account should be settled.

1.4 Non-compliance to the Laws, Rules, Regulations and Management Decisions etc.

Committee / Committees	Audit Observations	Comment of the Management	Recommendation	Committee / Committees
(a) Ruwanwella, Paragammana, Deraniyagala, Yatiyanthota, Deliwala, Batuwatta, Panawala,	Section 52(1) of Agrarian Development Act No. 46 of 2000	There was no agricultural program prepared for the jurisdiction before each cropping season.	That it will be corrected in the future.	Actions Should be taken according to the act.

	Ambepussa, Dedigama, Baminiwatta, Pinnawala, Aranayaka, Yattogoda, Ussapitiya				
(b)	Ruwanwella, Yattogoda, Yatiyanthota, Deliwala, Batuwatta, Dedigama, Ambepussa, Baminiwatta, Deraniyagala, Ussapitiya, Aranayaka	Agrarian Development Commissioner's Circular No. 264 dated 21 October 1986	The receivable room rent as at 31 December 2023 was Rs.1,178,939 from long time.	That cannot be recovered due to the information not found.	To be recovered as per circular.
(c)	Ambepussa, Ussapitiya, Baminiwatta, Panawala, Yatiyanthota, Yottogoda, Deraniyagala, Paragammana, Ruwanwella, Pinnawala, Batuwatta, Dedigama, Deliwala, Aranayaka	Agrarian Development Commissioner's Circular No. 08/2020 dated 25 June 2020	318 officers who were supposed to post bail had not been done so.	After receiving the necessary instructions, will be acted according to the relevant circular.	Actions should be taken as per the circular.
(d)	Ruwanwella, Paragammana, Deraniyagala, Yatiyanthota, Deliwala, Batuwatta, Panawala, Ambepussa, Dedigama,	Paragraph 5.6(i) of the Agrarian Commissioner General's Circular No. 04/2012 dated 29 February 2012	Agricultural bank accounts had not been included in the accounts of the Agricultural Committee.	That will be done accordingly in the future.	Accounts should be prepared as per the circular.

Baminiwatta,
Pinnawala,
Aranayaka,
Yottogoda,
Ussapitiya

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| (e) | Dedigama,
Pinnawala,
Aranayaka,
Ussapitiya | Paragraph No. 30(2) of the Circular No. 107 dated 16 October 1981 | There were no confirmations for 36 creditor balances totaling Rs.2,735,242. | Actions will be taken after searched the old balances. | Evidence should be submitted to confirm the balances. |
| (f) | | Agrarian Development Commissioner General's Circular No. 2012/04 dated 29 February 2012 and Circular No. 09/2020 dated 08 October 2020. | | | |
| (i) | Yottogoda,
Ussapitiya,
Panawala,
Dedigama,
Pinnawala,
Ambepussa,
Deliwala,
Yatiyanthota | Paragraph 3.2 (vii) | A total loan of Rs.5,475,000 had been given to 85 members who opened accounts against the conditions of loan issuance. | That will be acted as per the circular from now on. | Actions should be taken as per the circular. |
| (ii) | Yattogoda,
Ussapitiya,
Pinnawala,
Deliwala,
Yatiyanthota,
Aranayaka,
Panawala | Paragraph 3.2 (viii)
Paragraph 3.2 (ix) | A total of Rs.8,625,000 had been issued to 67 borrowers who had incomplete balances in the prescribed sections or small groups as on the date of loan recommendation. | That will be acted as per the circular from now on. | - do - |
| (iii) | Panawala,
Ussapitiya | Paragraph 3.3 (ii) | Applicants who do not have the minimum deposit | That will be acted as per the circular | - do - |

balance in the applicant's name while granting loan to a loan applicant who is not a member of a small group, a total of Rs.600,000 had been given to 6 applicants.

(iv)	Yattogoda, Ussapitiya, Dedigama, Ambepussa, Beminiwatta	Paragraph 3.8 (v)	Although only one member of a farming family can get the project loan, contrary on that, a total of Rs.5,750,000 had been given to members of the same family in 20 cases.	from now on. That will be acted as per the circular from now on.	Actions should be taken as per the circular.
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2. Financial review

2.1 Financial Results

In the year under review, the net operational growth of the 14 Agricultural Service Committees was Rs.9,548,298. In the last year, the net operating growth of 13 Agricultural Service Committees was Rs.8,934,540 and the net operating impairment of one committee was Rs.349,574.

3. Operating Review

3.1 Inactive Bank Accounts

Committee / Committees	Audit Observations	Comment of the Management	Recommendation
Ruwanwella, Ambepussa, Panawala, Paragammana	2 current accounts with a balance of Rs.153,684 in 02 Committees and 2 savings accounts with a balance of Rs.21,923 in 2 Committees remained inactive.	That the unnecessary accounts will be closed and other accounts will be kept active.	Bank accounts should be actively maintained.

3.2 Management Inefficiencies

	Committee / Committees	Audit Observations	Comment of the Management	Recommendation
(a)	Ussapitiya Pinnawala Dedigama Yatyanthota Aranayaka Beminiwatta	114 'Sithamu' women farmer organizations in 04 committees, 92 farmer organizations in 03 committees and 35 women farmer organizations in one committee remained inactive.	That the weak societies will be liquidated after consultation and will be initiated a program to activate women's societies.	All societies should be actively maintained.
(b)	Ambepussa, Paragammana, Yattogoda, Pinnawal, Panawala, Dedigama, Ussapitiya, Batuwatta, Deliwala, Aranayaka, Deraniyagala	As of December 31, 2023, the outstanding balance of 3214 borrowers was Rs.107,678,155 and in that balance, Rs.20,510,000 was due from 280 borrowers who had not paid any installments.	That the arrangements have been made to prepare plans to recover outstanding loans, inform debtors and officers, ask for advice to cut off balances, arrange for Prosecution etc.	Actions should be taken to recover the arrears loan.
(c)	Panawala, Ussapitiya, Dedigama, Batuwatta, Ambepussa, Yatyanthota, Aranayaka	09 Sithamu Women's Deposit Accounts established and maintained by Agrarian Bank, 1335 Peramaga Child Accounts and 7713 normal deposit accounts, 88 small group deposit accounts and 62 Women savings accounts, 37 Women agrarian organization accounts were inactive accounts	In this regard targets have been given to Agricultural Research Production Assistant Officers. That the necessary instructions and follow-up are carried out to achieve those goals.	Various deposit accounts maintaining in the Agricultural Bank should be actively maintained.

limited to initial deposit only.

(d) Aranayaka	Saubhagya Sara Bhumi Loan which was to be issued in stages, had been issued the total loan amount of Rs.2,200,000 at once. Although the loan was to be paid off within 02 years, there was an outstanding loan balance of Rs.2,039,504 that expired.	That this loan has been waived to farmers who produce organic fertilizers in the year 2021.	Actions should be taken to recover the loan.
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3.3 Receivable and payable Accounts

Committee / Committees	Audit Observations	Comment of the Management	Recommendation
(a) Beminiwatta Deliwala Batuwatta Ambepussa Ussapitiya Yatyanthota Aranayaka Ruwanwella Deraniyagala Panawala Pinnawala Yattogoda Dedhigama Paragammana	186 debtor balances amounting to Rs.11,576,990 in the financial statements had not been recovered for a long time and 199 creditor balances amounting to Rs.8,779,705 had not been settled on 31 December 2023.	That the after receiving instructions of Assistant Commissioner of Agricultural Development, the settlement will be made.	Arrangements should be made to recover debtor balances and settle creditor balances.
(b) Ruwanwella Aranayaka Beminiwatta Pinnawala	At the end of the year under review, Rs.2,359,355 was to be received from 44	The officers have been informed in the weekly meeting and through letters. That	Money should be collected within the relevant period for goods sold on cash

	officers in relation to the goods given to the Agriculture Research Production Assistant (A.R.P.A.) officers on the basis of sale after payment.	will be recovered in the future.	basis, .
(c) Yatiyanthota	Actions had not been taken till now to take back a tractor and a trailer costing Rs.978,173 taken by the Army in 1992.	That it is not possible to remove from the accounts because no information about this can be found.	Steps should be taken to take over the relevant assets.

3.4 Idled or Underutilized Property, Plant and Equipment

Committee / Committees	Audit Observations	Comment of the Management	Recommendation
(a) Aranayaka	The "Polytunnel" and "Shadow House" built in the year 2021 at a cost of Rs.256,000 remained underutilized on 21 April 2023, which was the audit date.	That they are working to cultivate in it.	Assets should not be underutilized.
(b) Aranayaka	The leaf shredding machine purchased for Rs.130,000 in the year 2021 for the production of organic fertilizers had not been utilized.	That the non-implementation of organic fertilizer programs and the lack of interest of farmers in it had led to the reduction in the use of shredders.	- do -.
(c) Aranayaka Ussapitiya	The counterfeit currency detection machine purchased in 2014 remained unused.	That the machine has not been used so far and will be used in the future.	- do-

(d)	Dedhigama	The building that was built at the center site to hold the weekly fair remained unused for about 03 years.	That the traders had refused to come here to sell goods due to the low attendance of farmers.	- do -
(e)	Deliwala	Kubota 4 wheeler tractor, 02 trailers, cheddar, paddy cutter machine and thresher remained underutilized.	That the actions will be taken to auction of these machines and repairable machines will be repaired.	- do -
(f)	Ruwanwella	A four-wheel tractor, trailer and a plow of Rs.650,000 received in February 2012 under the 2KR project had not been used due to the tractor in a condition that could not be plowed in the fields.	That it will be forwarded to the Assistant Commissioner for further action in this regard.	- do -

3.5 Human Resource Management

Committee / Committees	Audit Observations	Comment of the Management	Recommendation
Beminiwatta, Deliwala, Batuwatta, Ambepussa, Ussapitiya, Yatiyanthota, Aranayaka, Ruwanwella, Deraniyagala, Panawala, Pinnawala, Yattogoda, Dedhigama, Paragammana	There are 4 posts of Regional Officer and 173 posts of Agriculture Research and Production Assistant vacant on 31 December 2023 in the district..	That no appointments have been made by the government so far.	Necessary arrangements should be made to fill up the vacancies.