

33 Agrarian Services Committees in Galle District - 2023

1. Audit Opinion

1.1 The audit of the financial statements of 33 Agrarian Services Committees in Galle 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 the 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.

In the 33 audit reports issued in relation to 33 Agricultural Service Committees in Galle district, a qualified opinion has been expressed, and the material deficiencies that had been caused to the qualified opinion are shown below.

1.2 Financial Statements

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

Audit Observation	Comments of the Management	Recommendation
(a) The 09 Agrarian Service Committees followed the Sri Lankan Public Sector Accounting Standards and this had not been disclosed under the accounting policies.	Agreed and action will be taken to correct it in the future.	Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standards.
(b) The basis of depreciation on fixed assets which purchased and disposed during the current year had not been disclosed under the accounting policies by 18 Agrarian Service Committees.	Agreed and action will be taken to correct it in the future.	- do -
(c) 32 Agricultural Service Committees had not prepared and submitted the statement of changes of net assets / equity among the components to be included in the financial statements according to Sri Lanka Public Sector Accounting Standard No. 01 and submitted with the financial statements.	The accounts have been submitted as per the format provided by the Commissioner General of Agricultural Development.	Financial Statements should be presented according to the paragraph 21 of the Sri Lanka Public Sector Accounting Standards No. 01.
(d) According to the Paragraph No. 53 of the Sri Lanka Public Sector Accounting Standards No.01, comparative information from the previous period	The accounts have been submitted as per the format provided by the Commissioner General	Financial Statements should be presented according to the paragraph No.53 of the

should be presented for all numerical information reported in the financial statements, unless comparative information is otherwise required or permitted by Public Sector Accounting Standards. The previous year's information had not been disclosed in the financial performance statement, statement of the financial position and equity change statement of 30 agricultural banks for the year ended 31 December of the year under review.

of Agricultural Development.

Sri Lanka Public Sector Accounting Standards No. 01.

1.2.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The land on which the center is located of 14 Agrarian Service Committees and buildings of 03 Committees and 05 grass cutter machines of 03 committees and 08 computers of 04 committees had not been assessed and accounted.	I am making the necessary arrangements to transfer the land to the Agricultural Service Center. After the values of the assets are given by the Agricultural Development District Office, I will proceed to accounting.	Fixed assets should be assessed and the values shown in the financial statements.
(b) According to Paragraph 06 of Circular No. 7/12/4/5 dated 15 July 2021 and Department of Agricultural Development letter No. 7/12/4/5 dated 12 January 2024, although 27 percent of the profit of the Agricultural Bank to the Agricultural Service Committee and 23 percent for official incentives should be reserved, 06 Agricultural Service Committees had not made those reservations.	Agreed. Actions will be taken to correct in the future.	Financial statements should be prepared according to the circulars.
(c) As on the last day of the year under review by 04 Agricultural Service Committees, an obsolete stock valued at Rs.156,322 was shown as remaining stock in the statement of financial condition.	Working to cut off obsolete stock.	Actions should be taken according to the section 44 of the Public Sector Accounting Standards No.09.

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| (d) | The tractor which was given by the Agricultural Development Commissioner to 04 Agricultural Service Committees on loan basis was returned to the Agricultural Service Commissioner and the Keradewala Agricultural Service Committee had sold the Kubota tractor owned by the committee for Rs.103,000 in the year 2017, a tractor trailer for Rs.21,500 in the year 2018 and the 02 blade disc plow for Rs.28,100. The sum payable to the Commissioner of Agricultural Development for the removed assets, the loan balance of Rs.1,124,780 was shown under non-current liabilities in the financial statements and it was not settled in the year under review. | A request has been submitted to the district office for settlement of the loan balance. I will proceed according to the instructions. Information about the tractor sold by the Keradewala Committee has not been received in writing by the Centre. | When removing fixed assets, arrangements should be made to settle the liabilities associated with it. |
| (e) | The buildings owned by Labuduwa and Walahanduwa Agricultural Service Committees were revalued for Rs.6,200,000 and Rs.5,000,000 respectively in the year under review and while calculating the revaluation profit, the revaluation profit was understated by Rs.370,088 due to taking into account the basic cost instead of the net value of the asset on that day. | Accepted. I will be corrected it in the future. | Actions should be taken to calculate the revaluation profit accurately. |
| (f) | The Capacitance value of 31 non-current assets subjects of 11 Agricultural Service Committees were included in the statement of financial position as zero. The financial statements did not disclose the correct value of non-current assets as they were not revalued and accounted for. | Agreed. I will be corrected it in the future. | Depreciate over assets should be recalculated and adjusted to the accounts. |
| (g) | According to the letter of the Deputy Commissioner of Agricultural Services No.7/5/3/2 dated 21 December 2023, although the building of the Pahalagamhaya Agricultural Service Center was assessed at | - I will make adjustments according to the balance of Rs.4,100,000 in the year 2024. I will also transfer the balance of Rs.225,005 to the revaluation account and | The correct value of fixed assets should be shown in the financial statements. |

Rs.4,100,000, it was shown in the financial statements as Rs.4,325,005 and non-current assets had been overstated by Rs.225,005. Although the Pinikahana Agricultural Service Committee's buildings were valued at Rs.2,500,000, the non-current assets had been understated due to that amount was not included in the statement of financial condition.

bring forward the difference between that balance and the depreciation allocation balance as the revaluation reserve.

- At the time of preparation of the accounting report, since there was no valuation certificate or report, I inform that the value of the building of Rs.2,500,000 was not accounted for.

1.2.3 Un-reconciled Control Accounts or Reports

Audit Observation	Comments of the Management	Recommendation
(a) There was a discrepancy of Rs.543,564 between the account balance value indicated in the financial statements and the value indicated according to the corresponding reports of 07 accounting subjects of 07 Agricultural Service Committees.	Agreed and will correct in the future.	Actions should be taken to made adjustments and relevant corrections.
(b) A difference of Rs.5,665,225 was observed between the Agrarian Bank dividend receivable to the Committee according to the statement of financial position and the balance payable to the Committee according to the Agrarian Bank's financial position statement according of the 18 Agricultural Service Committees.	Agreed. I will correct in the future.	The disagreements between the Committee and the Agricultural Bank should be resolved promptly.

1.2.4 Lack of Written Evidence for Audit

Audit Observation	Comments of the Management	Recommendation
There had no evidence requested for audit related to 187 assets and liability account subjects valued at Rs.41,302,369 of 31 Agrarian Services Committees and therefore those balances could not be satisfactorily examined during the audit.	Agreed.	Evidence requested by the audit relating to the reference asset and liability account balances should be submitted.

1.3 Non-compliance to Laws, Rules, Regulations and Management decisions etc.

Reference to Laws, Rules and Regulations etc.	Non-Compliance	Comments of the Management	Recommendation
(a) Agrarian Development Act No.46 of 2000			
(i) Section 53(1)	A register of Agricultural lands within the area of authority of 03 Agrarian Service Committees had not been prepared, amended and revised and certified by the Commissioner General.	That it will be checked and done in the future.	The provisions of the Agrarian Development Act should be followed.
(ii) Section 53(4)(a)	Although every registers of the committee should be checked and certified by the Commissioner General every 03 years, it had not been certified accordingly in 07 Agrarian service committees.	That it will be checked and done in the future.	The provisions of the Agrarian Development Act should be followed.
(iii) Section 56(1)	Although the acreage tax for each Agricultural land should be collected before 31 March of each year, there had an outstanding acreage tax balance of Rs.1,429,717 by the end of the year under review in the 11 Agrarian Service Committees.	I will recover in the year 2024.	The provisions of the Agrarian Development Act should be followed.

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| (iv) | Sections 56(3) and 56(4) | Legal action had not been taken against the farmers who default to pay the arrears of 06 Agrarian Service Committees. | The reasons for non-payment of tax arrears are the acquisition of land for government projects, Plots of land, existence of judicial proceedings for land, existence of reserved land, etc. In the future, I will take legal action against the farmers who have not paid the arrears of tax by taking the advice of the department. | The provisions of the Agrarian Development Act should be followed. |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | | | |
| (i) | F.R.110 | The registers regarding the damages and losses of 06 Agrarian Service Committees had not been maintained. | Action will be taken to maintain the damages and losses registers. | Financial Regulations should be followed. |
| (ii) | Financial Regulation 880 and Circular No.08/2020 dated 25 June 2020 of Department of Agrarian Development | In 30 Agrarian Service Committees, officers in charge of cash or stores and officers performing duties related to revenue collection should deposit security, but regional officials and revenue collection officers did not deposit security. | Action will be taken to obtain security from the officers. | - do - |
| (c) Circulars of the Commissioner of Agrarian Services | | | | |
| (i) | Circular No.264 dated 21 October 1986 | Although the vouchers should be prepared and presented up to | I will work to find out and correct the balances from before in | Provisions of the Circulars should be followed. |

December of that year the next account report.
 06 months before the
 end of the year for the
 room rent receivables
 within the year and the
 rent should be collected
 from various
 departments who have
 rented rooms in the
 committee building, due
 to 18 Agrarian Service
 Committees did not act
 accordingly in the year
 under review, there was
 an outstanding room rent
 balance of Rs.1,550,836
 as at the end of the year.

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| (ii) | Circular No. 322(7/10/4/3) dated 27 May 1988 | Land inheritance tax money should be paid to the relevant people within 14 days from the date of receipt and if the amount is not accepted within a year, it should be credited to the Agricultural Service Fund, but at the end of the year under review, 15 Agricultural Service Committees had an unsettled inheritance tax balance of Rs.372,103. | I will arrange to credit the agricultural service fund in the future, the balances that have been going on for a long time and it is not known to whom it should be paid. I will arrange to pay the identified balances in future. | Circulars should be followed. |
| (iii) | Circular No.439/92 dated 03 August 1992 and Circular No.0459/95 dated 07 September 1995 | Although 20 percent of the collected acreage tax revenue should be remitted to the Agrarian Development Fund, 23 Agrarian Service Committees had not remitted Rs.1,505,056 to the said fund at the end of the year under review. | I will pay in future. | - do - |
| (iv) | Section 5.6(1) of Circular No. | As the Agricultural Bank is a unit of the | No instructions have been given by head | - do - |

04/2012 dated 29 February 2012 Agricultural Services office for preparation of consolidated financial statements should be prepared, but all the 33 committees had not done so.

- (d) Paragraph 6.4 of Circular No. 2016 NFC/FCGvi of Secretary to the Ministry of Agriculture Although the money received from the sale of subsidized fertilizers at higher prices should be credited to the government's income, 03 Agrarian Service Committees had not remitted Rs.229,125 from the sale of fertilizers to the Ministry of Agriculture. I will arrange to pay after the income situation improves. Circulars should be followed.

2. Financial Review

2.1 Financial Results

In the year under review, the total operating results of 21 Committees were a surplus of Rs.3,987,997, and a deficit of Rs.1,118,118 in 12 Committees. Accordingly, the total surplus of the financial result of the 33 committees was Rs.2,869,879, and correspondingly, the total surplus of the financial result of the previous year was Rs.5,882,048. The surplus of the 33 agricultural banks in the reviewed year was Rs.15,530,194 and correspondingly the surplus of the previous year was Rs.11,276,361.

2.2 Analytical Review

- (a) Garden income, acreage tax income, deposit interest income, other fertilizer sales, Sales of vegetable seeds, sales of plants, sales of seeds, increased income from fees for using paddy land for other purposes and purchase of fertilizers, reduction in fertilizer application costs, center maintenance and labor hire garden development costs contributed to the surplus in the operating result of 21 Committees.
- (b) The increase of the deficit in the operating result of the 12 Committees was due to garden income, fertilizer application income, paddy seeds sales income, other fertilizer sales, vegetable seed sales, decrease in plant sales and travel expenses, stationery, postage and printing expenses, telephone and electricity expenses, training expenses, stock cut off expenses, increase the building depreciation expenses.

3. Operating Review
3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) In the year under review, 25 Agricultural Service Committees had not been taken action to take over the total amount of 23 acres and 29 perches of land where the Committees are located to the Department of Agricultural Development.	Agreed and I will arrange to take over the land and buildings where the Agricultural Service Center is located and include them in the annual financial statements.	The land on which the committee is located should be taken over and the value assessed and included in the financial statements.
(b) According to the Financial Regulation 142(2), although money collected on behalf of the Government should be sent to the receiving officer as soon as possible, the advance amount of Rs.100,000 and Rs.150,000 respectively given by the Department of Agricultural Development in the year 2005 to the Keradewala and Kodagoda Agricultural Service Committees for the implementation of the fertilizer subsidy program had not been settled in the year under review.	A request has been submitted to the district office to settle the balance.	Should be done according to the Financial Regulations.
(c) During the period of 2021-2023, the number of farmer complaints received by 05 Committees was 412, of which 83 could not be resolved by the last day of the year under review.	Agreed and I will take necessary actions to solve the problems.	Arrangements should be made to resolve farmers' complaints promptly.

3.2 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) 169 accounts receivable balances totaling Rs. 11,834,104 and 207 accounts payable balances totaling Rs. 15,584,061 which have been brought forward for many years without settlement in 30	Agreed. I will take necessary actions in the future.	Urgent steps should be taken to settle the balances brought forward from a long time.

Agricultural Service Committees had not been arranged to be settled by the end of the year under review.

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| (b) | In relation to 09 Agricultural Service Committees, the amount of A grade fallow paddy that can be used for paddy cultivation is about 2,253 acres 03 rood 20 perches and the amount of B grade fallow paddy that can be used for short-term crops other than paddy is about 881 acres 12 perches, had not been arranged for use to paddy or other crops. | Agreed. | According to the provisions of the Act, necessary actions should be taken to use the fallow fields for paddy cultivation or other agricultural activities. |
| (c) | About 2,588 acres 01 rood 25 perches of uncultivated paddy land identified in relation to 15 Agricultural Service Committees had not been used for cultivation during the year under review. | Due to the problem of not getting fertilizer money on time and environmental conditions, the amount of cultivated paddy land remained low. I will work to avoid these situations in the future. | Actions should be taken to cultivate the uncultivated paddy land. |
| (d) | Although the Labuduwa Agricultural Service Committee had shown a People's Bank savings account balance of Rs.382,066 under current assets in the statement of financial position, the bank had reported that the account had been zeroed on 29 December 1999. | In this regard, I will take necessary measures based on the instructions received from the Galle District Deputy Commissioner. | In case of physical non-availability of the savings balance shown in the financial statement, an inquiry should be made and necessary action taken. |
| (e) | The total acre tax target of 04 Agricultural Service Committees was Rs.885,600 and the acre tax collection was Rs.551,626. Acreage tax collection progress was as low as 52 percent from 75 percent. No any amount was collected from the total acre tax target of Rs.106,640 in 11 domains related to 03 Committees. | In the future, I will pay attention to this matter and arrange to collect the acre tax on 31 March. | Arrangements should be made to collect the arrears of acre tax promptly. |

3.3 Idle Assets

Audit Observation	Comments of the Management	Recommendation
(a) The fingerprint machines belonging to 08 Agricultural Service Committees, which were purchased at a cost of Rs.32,900 each, were installed in the year 2020, but those machines had been inactivated by the year under review. Accordingly, the intended purpose of purchasing the machines was not fulfilled.	Agreed. Arrangements are being made to purchase a new machine.	Inoperative machines should be repaired and put into use immediately.
(b) The shop building owned by the Athkandura and Kodagoda Agricultural Service Committees had been closed for many years and the committee had not worked to make use of the building or to earn income by providing it on rental basis.	The lessors have not come forward to run the shop as it does not have basic facilities.	Arrangements should be made to use the shop building for effective work.
(c) 03 unused tractor-trailers and 01 four wheeler tractor existing in Ahangama Agrarian Services Committee were dilapidated to the point of being unusable due to idle parking in the office premises for 15 years.	An inspection has been done for dispose and I will proceed according to the report.	Arrangements should be made to dispose the unusable assets in accordance with financial regulations.
(d) The savings account worth Rs.844,200 owned by Pinkanda Agricultural Service Committee has been unused for several years, and the balance was not invested in a fixed deposit that could fetch higher returns.	Accepted. I will act according to the instructions of the Deputy Commissioner.	Surplus funds should be invested in more profitable investment avenues.

3.4 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
(a) There were vacancies in post of 116 Agricultural Research and Production Assistant Officers, 08 Development Officers, 11 Center Management Assistant Officers, 01 Agricultural Development Regional Officer and 01 Laborer related to 22 Agricultural Service Committees.	The vacancies are handled by the Agricultural Development District Office and informed about the same.	A staff analysis should be done and arrangements should be made to fill up the vacancies in the required posts promptly.

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| (b) | It was observed that staff officers working in 10 Agricultural Service Committees have been working in the same center for more than 09 years due to non-implementation of formal transfer policy. | A function of the Department of Agricultural Development. | Arrangements should be made to implement the annual transfer policy. |
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4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observation

According to the paragraph 6.6 of Public Enterprises Circular No. 01/2021 dated 16 November 2021, although the financial statements related to a particular year should be submitted for audit within 60 days of the end of the relevant financial year, all the 33 Agricultural Service Committees had submitted their financial statements for the year under review after a delay of 12 to 34 days.

Comments of the Management

It was referred to the Agricultural Development Department, Galle District Office before the scheduled date.

Recommendation

Should be done according to the circular provisions.

5. Agrarian Banks

Audit Observation

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| (a) | There were 309 active farmer organizations related to 15 Agricultural Service Committees, out of which only 161 farmer organizations had started deposits in the Farmers Bank. | Accepted. Deposits have not been initiated due to insufficient funds available to farmers' organizations. | Cooperation between farmers' bank and farmers' organizations should be developed. |
| (b) | The loan amount granted by Niagama Agrarian Services Committee to farmer organizations was Rs.477,970 and during the year under review, loan collections remained at zero level. Furthermore an unidentified balance of Rs.5,000 was also observed in that loan balance. | The credit balance of Farmer Organizations is from before 1999 and the unrecognized balance is from 2012 and as correct information is not available, the committee has taken a decision on 12 August 2024 to write off the balance. | Arrears loan amount should be recovered. |

Comments of the Management

Recommendation

(c) The loan balance of Rs.33,634,976 due from 1,746 farmers from project loans, agricultural loans and one lakh loans issued to farmers by 31 farmer banks belonging to 31 agricultural service committees was overdue. The progress in recovering those loans was slow.

The relevant arrears are being collected by the tribunals and courts.

Installments and interest should be collected as per Agricultural Development Department Circular No. 04/2012 dated February 29, 2012.