

20 Agrarian Services Committees in Kalutara District - 2023

1. Audit Opinion

1.1 The audit of the financial statements of 20 Agrarian Services Committees in Kalutara District for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statements of financial performance, statements of changes in equity and statements of changes in net assets for the year then ended and the cash flow statement and notes to the financial statements for the year then ended including material accounting policy information 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 In 20 audit reports issued for 20 Agrarian service committees in Kalutara district, disclaimer of the opinion for 03 committees and a qualified opinion for 17 committees had been expressed and the material deficiencies caused for disclaimer of the opinion and for the qualified opinion as follows.

1.3 Financial Statements

1.3.1 Non-compliance with Accounting Policies including Sri Lanka Public Sector Accounting Standard

Audit Observation	Comments of the Management	Recommendation
(a) As per the Sections No.99 to 139 mentioned in Sri Lanka Public Sector Accounting Standard No.01, the Agrarian Banks of the 20 Committees had not prepared a statement of financial performance and statement of changes in equity along with financial statements and in all 20 Agrarian Service Committees had not been prepared the statements of changes in equity and submitted along with the financial statements.	It had been prepared as per the instructions given by the department and will present it correctly in the future.	It should be prepared and submitted in accordance with Sri Lanka Public Sector Accounting Standard No. 01.
(b) The cash flow statements of the Agrarian Bank division had been presented along with the financial statements without identifying and classifying the main cash flows in accordance with the Sri Lanka Public Sector Accounting Standard No.02.	Action will be taken to correct it.	The cash flow statement should be prepared and presented in accordance with Sri Lanka Public Sector Accounting Standard No. 02.

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| (c) | According to the Sri Lanka Public Sector Accounting Standard No.03, even though all accounting policies used in the preparation of financial statements should be recorded in the set of financial statements, all accounting policies had not been recorded in the financial statements of 10 committees and 10 Agrarian Banks | It will be noted correctly in the year 2024. | The accounting policies should be disclosed in the financial statements according to Sri Lanka Public Sector Accounting Standard No. 03. |
| (d) | According to Sri Lanka Public Sector Accounting Standard No.07, although cost, accumulated depreciation, and net value of fixed assets should be shown separately in the financial statements, it was not stated in that way in the 02 Committees. | It will be noted correctly in the year 2024. | It should be prepared and submitted in accordance with Sri Lanka Public Sector Accounting Standard No.07. |

1.3.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The 13 committees had paid a total of Rs.2,524,665 in the year 2023 for the purchase of computer equipment to the Agrarian Bank, and due to the payment value was debited to the accumulated fund account, the balance of the accumulated fund and asset account had been under stated by that amount.	Instruction of the District offices has been followed.	Actions should be taken to correct the asset account and the accumulated fund account.
(b) In preparing the financial statements of the 2023 financial statements of the Agrarian Bank pilot project of 17 Agrarian Service Committees, the accrued expenses of Rs.85,000 were not accounted as an expense to be paid on 31 December 2023, and the expense of Rs.85,000 paid in the year 2023 related to the year 2022 had been accounted as an expense of the year under review.	It will be checked and corrected in the year 2024.	Accrued expenses should be properly accounted.
(c) In depreciating office equipment of Rs.1,247,688 and agricultural equipment of Rs.43,092 in the	Action will be taken to correct.	Provision for Depreciation should be allocated on the basis

financial statements of Bandaragama Agrarian Service Committee, the depreciation value had been calculated without considering the date of purchase of each asset item.

of the date of purchase of the asset.

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| (d) | Rs.5,593,058 of liabilities in 13 committees which were not confirmed by files or otherway and the Rs.3,967,964 of assets of 15 committees without physical existence had been included as assets and liabilities in the financial statements. | Fictitious assets and fictitious liabilities will be removed and accounted. | The financial statements should be corrected after the formalities have been done and ascertained the balances. |
| (e) | A total of Rs.177,765 worth of expired seeds, seedlings and fertilizers in relation to 06 Committees and a total of Rs.43,996 of stock which has not been physically verified and not seen in 02 Committees had been included as an active stock in the stock of the statement of financial position as of 31 December 2023. | Accept. | It should be properly dealt with the expired stock and the stock not physically existence and the stock balances should be corrected. |
| (f) | In accounting the acreage tax income of the year 2023, the total of Rs.67,302 in 02 committees had been under accounted and the total of Rs.287,988 in 11 committees had been over accounted. | It will be checked and corrected. | The correct acreage tax revenue for the year should be identified and accounted. |

1.3.3 Un-reconciled Credit Control Accounts or Records

Audit Observation	Comments of the Management	Recommendation
There were differences in the balances amounting to Rs.5,511,654 between the financial statements and the corresponding reports relating to 26 accounting subjects of 11 committees.	Action will be taken to correct in the 2024 accounts.	Corrective action should be taken to correct the accounts or corresponding records.

1.3.4 Unauthorized Transactions

Audit Observation	Comments of the Management	Recommendation
It had prepared the financial statements by 03 Agrarian Service Committees using 103 journal entries without preparing journal vouchers and approval and using a journal entry without preparing journal vouchers by an Agrarian Bank	In the year 2024, It will be accounted by preparing journal vouchers and getting approval.	Journal Vouchers should be prepared with supporting documents and journal entries should be applied after obtaining approval.

1.3.5 Documentary Evidences not made Available for Audit

Audit Observation	Comments of the Management	Recommendation
(a) Due to non-availability of written evidence such as share registers, deposit registers and cheque registers, bank reconciliation reports, small group deposit registers, fixed asset registers, loan balance registers and balance confirmation certificates related to the total value of Rs.28,841,480 of 15 Agrarian Service Committees, those accounting subjects could not be satisfactorily vouch during the audit.	Action will be taken to submit the relevant schedules and written supporting evidence with the financial statements of the year 2024.	According to the answers, relevant written evidence should be submitted along with the financial statements of the year 2024.
(b) There was no written evidence to confirm the balance of interest income of Rs.78,331 which was recorded as income in the statement of financial performance and as cash receipt in the cash flow statement of Itthepana Agrarian Service Committee.	It will be checked and corrected.	Audit evidence should be identified and correction should be done accordingly when preparing the 2024 financial statements.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Agrarian Development Act No.46 of 2000		
(i) Section 30	The area of 804 acres 79 roods and 12 perches, which could have been cultivated, remained fallow in 03 committees.	Accept.	Provisions of the Agrarian Development Act should be followed.
(ii) Section 56	All the acreage taxes that should be legally collected by 20 Agrarian Service Committees had not been collected properly.	Accept.	Provisions of the Agrarian Development Act should be followed.
(iii) Section 75	Although there are 15,336 farming families living in the area of authority of 02 Agrarian Service Committees, arrangements had not been made to issue farmer ID cards to those families according to the provisions of the Act.	Accept.	Provisions of the Agrarian Development Act should be followed.
(b)	Paragraph 5.6(1) of the circular No.4/2012 dated 29 February 2012 of Agrarian Development Commissioner General.	Accept	The instructions should be followed.
	Although all the accounts related to the Agrarian Bank should be included in the annual final accounts of the Agrarian Service Committee and prepared consolidated financial statements, all 20 Agrarian Service Committees had not act accordingly.		

(c) Financial Regulation
of the Democratic
Socialist Republic of
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| (i) | Financial Regulation
110 | Although Bulathsinghala Agrarian Service Committee should maintain a register regarding damages and losses, it had not acted accordingly. | Accept | The financial Regulation should be followed. |
| (ii) | Financial Regulations
141(2) 386(3) | The 17 cheque counterfoil totaling Rs.3,218,381 had not been initialed and not mentioned the voucher number by the cheque signing officer in Bulathsinghala Agrarian Service Committee. | Accept. | - do - |
| (iii) | Financial Regulations
215(1) | Although advance payments should not be made without completing all activities related to any supply, an amount of Rs.3,653,508 had been paid for the purchase of computer equipment for the use of 14 committees in the year 2023, all the relevant items had not been received by the committee by July 2024. | Accept. | - do - |
| (iv) | Financial Regulation
237 (c) | The 03 Committees had made payments for 39 purchases totaling Rs.2,679,736 before make reference to stock books/consumption registers inventory registers and physical receipt of stock. | Accept | - do - |

- (v) Financial Regulation 245(1) The Baduraliya Agrarian Service Committee had made payments for 12 payment vouchers with a total value of Rs.14,495,954 without approval or certification. Accept - do -

2. Financial Review

2.1 Financial Result

According to the presented financial statements, the total of 13 Agrarian Service Committees in the year 2023 was a surplus of Rs.7,343,884 and the total of 07 committees was a deficit of Rs.3,453,094, correspondingly the surplus and deficit of the previous year were Rs.4,375,045 and Rs.1,784,442 respectively. According to the financial results of the year under review, the total of 19 Agrarian Banks was a surplus of Rs.3,995,924 and one Agrarian Bank had a deficit of Rs.274,769, correspondingly the surplus and deficit of the previous year were Rs.3,047,933 and Rs.143,137 respectively.

2.2 Financial Results Analysis

- (a) The total value of the operating results of the year under review of 06 Committees was a surplus of Rs.6,337,506, and correspondingly, as the total value of the surplus of the previous year of those 06 Committees was Rs.2,384,881, a growth of Rs.3,952,625 was observed in the financial results. These growths were mainly due to increase in acreage tax income, increase in fixed deposit interest income and increase in sales income.
- (b) Although the total value of the operating result of the year under review of 02 committees was a surplus of Rs.238,482, correspondingly, as the total value of the previous year's deficit was Rs.149,140, a growth of Rs.387,622 was observed in the financial results.. These growths were mainly due to the increase in acre tax income, increase in fertilizer income, decrease in repair costs and increase in fee income.
- (c) The total value of the operating results of the year under review of 04 Committees were a deficiency of Rs.440,303, and correspondingly, as the total value of the previous year's surplus was Rs.493,019, a deterioration of the financial results of Rs.933,322 was observed. This deterioration was mainly due to the decrease in soil sales income, increase in tractor repair costs and increase in stationery costs.
- (d) The total value of the operating results of the year under review of 03 Committees was a deficiency of Rs.3,012,791, and correspondingly, as the total value of the previous year's deficiency was Rs.1,635,302, a deterioration of the financial results of Rs.1,377,189 was observed. This deterioration was mainly due to decrease in acreage tax revenue, decrease in sales revenue, decrease in fertilizer revenue and increase in expenses.
- (d) The operating results of the year under review of 05 Committees showed a surplus of Rs.767,896, and correspondingly, as the surplus of the previous year of those 05

Committees was Rs.1,497,145 a deterioration of Rs.729,249 was observed in the financial results. This decline was due to lower sales revenue and higher expenses.

- (e) The total operating results of 19 Agrarian Banks in the year under review was a surplus of Rs.3,995,924 and correspondingly, as the total value of the surplus of the previous year was Rs.3,047,933, a growth of Rs.947,991 was observed in the financial result. This was mainly due to actively providing loans to farmers and reducing expenses. However, in the year 2023, only Padagoda Agrarian Bank had a deficit of Rs.274,769 and correspondingly, as the surplus of the previous year was Rs.143,137, a deterioration of the financial result of Rs.417,906 was observed. This was mainly due to the decrease in the income of the Agrarian Bank and the increase in the expenses incurred.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although it has been planned to cultivate paddy in 21,119 hectares of 'w' category paddy fields of the 20 Agrarian Service Committees in the year 2023, only 15,679 hectares had been cultivated and therefore the target was not achieved by 5440 hectares.	Action will be taken to improve paddy cultivation in the future.	Actions should be taken to increase cultivation targets.
(b) As of 31 December 2023, 2182 accounts out of 3576 of small group deposit accounts, women farmer organization deposit accounts and "Peramanga" child deposit accounts of one Agricultural Service Committee i.e. 61 percent, had become inactive accounts without transactions in more than 02 years.	It will be checked and action will be taken to make to the active condition.	Answers should be followed.
(c) In the year 2023, 16 Agricultural Banks had implemented 363 Sithamu women programs and among which, the progress of 174 programs was not at a satisfactory level.	I will be checked and corrected it in 2024.	Answers should be followed.
(d) Although 20 Agrarian Service Committees aimed to cultivate paddy in 2268 acres of fallow fields during the year, 1331 acres of fallow fields had not been harvested during the year.	Action will be taken to achieve target of fallow fields in the year 2024.	Actions should be taken to improve paddy cultivation in fallow fields.
(e) The ownership of the lands which operates 11 committees had not been taken over from the divisional secretariats.	Taking over is in progress.	Action should be taken to acquire land.

3.2 Underutilization of Fund

Audit Observation	Comments of the Management	Recommendation
(a) An amount of Rs.209,420 received for the development activities of the Ingiriya Committee was not used for effective work and had been idly kept in the current account.	Action will be taken to invest in the year 2024.	Deploy in development activities or invest in fixed deposit with formal approval.
(b) The total advance value of Rs.106,500 received while giving the Hela Bojunhala building and external outlet of the Panadura Committee to an external party on rental basis had been retained in a bank current account without investing in the short term.	Arrangement will be made to deposit in a fixed account.	This money which is in a current account should be invested.
(c) Action had not been taken to invested the current account balance of Rs.1,682,067 of the Pelawatta Committee as on 31 December 2023 to earn interest income.	It will be invested after obtaining the approval of the Assistant Commissioner for Agricultural Development.	This money which is in a current account should be invested.
(d) There was a balance of Rs.1,315,229 in 02 current accounts and a savings account held by the Bandaragama Committee from 2 years to the end of the reviewed year, and action had not been taken to invest those money in a fixed deposit at a high interest rate.	Accept.	This money should be invested in higher returns.
(e) The balances of 02 bank savings accounts with a total value of Rs.139,316 as on 31 December 2023 of the Baduraliya Committee had been deposited in the savings accounts without being transferred to the fixed deposit accounts which have a higher percentage of interest.	Accept	This money should be invested in higher returns.
(f) In cases where the refundable deposit and fees deposited in the committee for the various activities of the Millaniya Agrarian Service Committee with a total value of Rs.1,875,166 had been retained in the current bank account of the committee without investing in fixed deposit as to be disbursed to the relevant receive should be given to the respective security depositors as they need and to be received income to the committee and	It will be invested in the future.	This money should be invested in the investment way with higher returns.

therefore, there was a loss of interest income which could have been earned.

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| (g) | The Itthevana Agrarian Service Committee had maintained a cash balance of Rs.465,038 in 02 savings accounts and a current account as on 31December 2023, and these bank accounts had not been used for transactions during the year under review. Until this money was used for a productive purpose, it had not been invested in a fixed deposit that could earn a higher percentage of interest. | Those money will be invested in more benefited investment way. | This money should be used in an effective way of investment. |
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3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation	
(a)	The 02 land masters received from the Western Provincial Department of Agriculture in the year 2006 for 02 Committees were not in working condition by the audited year 2024, and the Committees had not taken any action to utilize after the required maintenance work or dispose.	Agree. It will be used in the future.	It should be used for effective work or properly dispose.
(b)	A safe given to a committee by the Department of Agricultural Development had not been used for more than 10 years and information about the value of the safe had not been obtained and accounted for and entered in the inventory books.	Unable to open and advice has been requested.	The safe should be put to use, entered in the inventory books and the value should be accounted.
(c)	The Department of Agrarian Development had built a restaurant called Hela Bojun Hala in the Kananwila committee premises at a total cost of Rs.1,506,720 and it was underutilized without being used for any effective purpose.	Accept. It will be used for effective work from 2024.	These canteens should be used for effective purposes.
(d)	The water tanks built for the cultivation of fresh water fish in the Pamunugama committee area remained idle without being used for any effective purpose.	Accept.	These water tanks should be used for effective purpose.

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| (e) | The land master in the possession of the Bandaragama Committee remained idle in the years 2022, 2023 and until July 2024 without being used for effective work. | Accept. | This tractor should be used for effective work. |
| (f) | The building where the fertilizer store was built in the center of Madurawala was used for the storage of other waste materials instead of being used for storing fertilizer due to the fact that a staircase was built at the entrance to the fertilizer store and it was being underutilized about for 06 years. | These stairs make it difficult to unload and load fertilizer. Liquid fertilizers and old books and stationery are stored. | The changes should be done properly and the building should be used for the planned purposes. |

3.4 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
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Regarding 19 Committees, There were 548 of A.R.P.A domains, and due to the number of officers assigned to the respective domains being 403, 140 domains were under acting officers.	Acting work has to be done due to lack of workers.	Vacancies should be filled in order to efficiently provide services to the farmers in the domains.
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4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
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Although 16 committees have prepared an action plan for the year 2023, those plans were not prepared so that the plan can be compared with the physical and financial progress targets on 31 December 2023 and the targeted income and expenses including all the activities of the center could be checked with the actual activities at the end of the year.	It will be corrected in 2024.	The next year's plan should be prepared in the previous year and written approval should be obtained and progress reports should be prepared.
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5. Agrarian Bank

Audit Observation	Comments of the Management	Recommendation
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| (a) | The sum of Rs. 6,667,282 given to 296 farmers by 17 Agrarian Banks had been referred to the | Physical actions are being taken to recover these | Actions should be taken to recover |
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| <p>tribunals due non-recovering of loans and interest. As of 31 December 2023, a total amount of Rs.1,136,015 could only be recovered, as it was not possible to recover Rs.5,531,267 on that day. However legal action had not been taken to recover these outstanding loan balances, which have remained uncollectible for a long time.</p> | <p>outstanding loans.</p> | <p>these outstanding loan balances.</p> |
| <p>(b) In the year 2023, a total of Rs.94,336,050 had been given to 1619 farmers as various loans through the pilot projects of 20 Agrarian Service Committees. As on 31 December 2023, a total of Rs.121,122,391 loans were to be received which has given to 3171 farmers under various types of loans and out of which, there was a loan balance of Rs.5,594,941 in 16 Agrarian Banks over 5 years.</p> | <p>These old arrears are being recovered.</p> | <p>Physical action should be taken to recover these outstanding loan balances which are more than 5 years old.</p> |
| <p>(c) Although the amount of Rs.854,900 which was given to Horana (Janatha) Farming Company Limited in the year 2000, amounting to Rs.854,900 has remained outstanding for more than 22 years, sufficient action had not been taken to recover the said loans.</p> | <p>This old loan balance is being recovered.</p> | <p>Action should be taken to recover these old outstanding loan balances.</p> |