

## 23 Agrarian Services Committees in Matale District - 2023

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### 1. Audit Opinion

1.1 The audit of the financial statements of 23 Agrarian Services Committees in Matale District for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and the cash flow statement for the year then ended and, notes to the financial statements including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 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 the 23 audit reports issued in relation to 23 Agrarian Service Committees in mathale district, a qualified opinion has been expressed and the material deficiencies that had been caused to the qualified opinion are shown below.

### 1.3 Financial Statements

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

Audit Observation	Comments of the Management	Recommendation
(a) Although financial statements should be prepared on accrued basis according to Sri Lanka Public Sector Accounting Standard No.01, total of 08 Agrarian Service Committees had accounted acre tax income of Rs.2,250,518 on cash basis.	That in the preparation of future accounting reports, acreage tax revenue will be accounted on accrual basis.	Accounts should be kept as per Sri Lanka Public Sector Accounting Standards.
(b) Although in accordance with paragraph 38 of Sri Lanka Public Sector Accounting Standard No. 9, the net realizable value in respect of damaged or obsolete stock should be identified and accounted, the closing stock balance of an expired agrochemical stock of Rs. 529,942 as on December 31, 2023 of the Hettipola Agrarian Service Committee was given based on the purchase price.	That it will be abused in the future.	The net realizable value of destroyed and obsolete stock should be disclosed in the accounts.

### 1.3.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Reimbursable receipts of Rs.662,454 were accounted as income of the year under review and reimbursable payments of Rs.125,050 were accounted as expenditure of the year under review by 4 Agrarian Service Committees.	That the expenses incurred during the year are accounted and adjusted correctly in the future.	The income and expenses of the committee should be accurately identified and accounted.
(b) The committee does not make a profit or loss through the sale of subsidized fertilizer, but the Galewela Agricultural Service Committee prepared a subsidized fertilizer trade account and recorded its purchase value erroneously, as a gross loss of Rs. 229,329 was identified in the trade account, so the surplus of the committee was shown less than that amount.	That advised to correct.	Accounting errors should be corrected.
(c) The Dambulla Agrarian Service Committee, in the preparation of the fertilizer trading account of the reviewed year, did not include the purchase value of MOP and urea fertilizers of Rs.6,000,000 and the initial stock value of Rs.709,200 in the cost of sales, so the gross profit and surplus was overstated of Rs.6,709,200.	That the purchase value of MOP and Urea fertilizers has not been entered into the trade account by omission and that the mistakes that have been made will be corrected in the preparation of the 2024 account report.	- do -
(d) As of the last day of the year under review, the audit fees of 03 Agrarian Service Committees had been under-accounted by Rs.62,300, so the liabilities were understated by that amount.	That will be shown correctly in the future and make payments.	Accounts payable should be accurately accounted.
(e) The dividend income of Rs.263,440 paid by Hunukatela Agrarian Bank in relation to the years 2018, 2019 and 2020 was accounted as income for the year under review without making adjustments to the dividend receivable account.	That the accounts will be properly prepared by adjusted to the accumulated fund.	Appropriate adjustments should be made and corrected.
(f) Depreciation related to 13 fixed assets received by Laggala Pallegama Agrarian Service Committee in the reviewed year and the sum related to previous years amounting to Rs.176,515 had not been accounted.	That it will be correct in the future.	The correct depreciation value relating to the assets should be identified and accounted.

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| (g) | By 03 Agrarian Service Committees, expenses of Rs. 320,451 related to previous years had been accounted as expenses of the reviewed year.   | That it will be correct in the next year.   | Accounting deficiencies should be corrected.                 |
| (h) | Accounting deficiencies of Rs. 1,507,633 which had been made in the previous year in 06 Agrarian Service Committees were not corrected during the year under review.  | That it will be correct in the next year.   | - do -   |
| (i) | By 06 Agrarian Service Committees, Rs.92,015 which was the income of the Committees related to the surveying of 18859 plots of paddy land under the GEO GOVIYA program was not accounted.   | That it will be correct in the next year.   | Revenues should be identified correctly and accounted.       |
| (j) | 12 Agrarian Service Committees spent Rs. 1,491,211 for the purchase of agricultural banking software and equipment related to the software, but the assets were not received by the committees until 03 to 05 months after the end of the year under review, and were accounted under non-current assets.   | That the payments were made as per the instructions of the Deputy Commissioner of Agrarian Development and that the related devices are being received. | Assets should be properly identified and accounts corrected. |
| (k) | According to the Deputy Commissioner for Agrarian Development's letter No. 5/3/5/1/23 dated November 13, 2023, although the assessed value of committee buildings has been stated, the assessed value of buildings of Rs. 3,565,000 and the depreciation of Rs.1,651,643 in the related year was not accounted by 05 Agrarian Services Committees and although the Laggala Pallegama and Thenna Agrarian Service Committees had accounted the assessed value, the depreciation of Rs.515,000 had not been accounted in the relevant year. | That it will be correct in the next year.   | Accounting deficiencies should be corrected.                 |
| (l) | 04 Agrarian Service Committees had overstated the income of Rs.44,831, current assets of Rs.82,670 and current liabilities of Rs.19,273 for the reviewed year.  | That it will be correct in the next year.   | - do -   |
| (m) | Dividends of Rs.1,693,430 related to the reviewed year and previous years had not been accounted by 04 Agrarian Service Committees.   | That it will be correct in the next year.   | - do -   |
| (n) | Income of Rs.299,427, current liabilities of  | That it will be correct in the  | - do -   |

Rs.697,515 and current assets of Rs.440,699 next year. related to the reviewed year of 13 Agrarian Service Committees had not been accounted.

### 1.3.3 Un-reconciled Control Accounts or Records

Audit Observation	Comments of the Management	Recommendation
(a) The balances shown in the financial statements in relation to 4 income subjects, 7 asset subjects, one liability subject and one expense subject of 10 Agrarian Service Committees, in comparison with the corresponding reports, there were discrepancies of Rs.1,206,348 in total.	That corrective action will be taken.	Account balances should be corrected.
(b) The value of annual dividend due from the Agrarian Bank according to the financial statements of the 09 Agrarian Service Committees, when compared with the financial statements of the Agrarian Bank, there was a discrepancy of 10,924,004.	That corrective action will be taken.	- do -
(c) Although the gross profit of Rs.1,384,661 should be received from the sales of fertilizer in the consideration of the profit between the sales quantities, unit purchase price and selling price of the reviewed year according to the fertilizer quantitative stock account of the Dambulla Agricultural Service Committee, since there was a gross profit of Rs.6,727,946 in the fertilizer trading account, a mismatch of Rs.5,343,285 was observed.	That will work to provide answers in the future	Mismatches should be identified and corrected.

### 1.3.4 Unauthorized Transactions

Audit Observation	Comments of the Management	Recommendation
(a) Although the total credit balances of Rs.76,235 and a debit balance of Rs.33,760 from the many years onwards of the Walawela Agrarian Service Committee had been adjusted and written off to the accumulated fund of the year under review, no written approval had been obtained for the same at the end of the year under review.	That again, to get approval for the balance, it will be submitted to the Deputy Commissioner of Agrarian Development and get permission.	Balance should be settled with formal approval.

- (b) A balance of Rs. 64,581 which could not be credited in the years related to 05 control accounts of the Devahuwa Agrarian Bank was debited and adjusted to the accumulated fund without proper approval. That arrangements will be made to obtain the approval of the Deputy Commissioner for the debits made to the Accumulated Fund for the coming years. Account balances should be cut off only upon formal approval.

### 1.3.5 Lack of Written Evidence for Audit

Audit Observation	Comments of the Management	Recommendation
The 08 asset subjects totaling Rs.1,750,297, 05 liability subjects totaling Rs.1,339,456 and one equity subject of Rs.1,819,801 related to 12 Agrarian Service Committee could not be satisfactorily verified in audit due to non-submission of schedules, balance confirmation registers and files.	That it is not possible to find the details as the balances are in the account reports from before, that they are working to get the pass books for the savings accounts and noted to settle in the future.	All the evidence should be submitted to the audit to ascertain the account balances.

### 1.4 Non-compliance with Laws, Rules, Regulations and Management decisions etc.

Reference to the Laws, Rules and Regulations etc.	Non-Compliance	Comments of the Management	Recommendation
(a) <b>Agrarian Development Act No.46 of 2000</b>	i. Section 53 (4) (a)	The paddy land registers of 217 domains of 14 Agrarian Service Committees were not checked and certified by the Commissioner General of Agrarian Development.	That the defects in the documents are being rectified, and that the defects are rectified and signatures are obtained. The provisions of the Act should be followed.
	ii. 51(3) (i)	The Laggala Agrarian Service Committee was not constituted to consist of even one representative of all the farmer organizations in the agrarian development area and out of the 18 registered farmer organizations in the	That the 5 out of 6 active farmer organizations participated due to 12 out of 18 farmer organizations are inactive. Arrangements should be made to kept the all farmer organizations in active and involved.

committee, it consisted of only 05 officers of 05 farmer organizations.

**(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

**i.** F.R. 315                      07 Agrarian Service Committees had not obtained insurance about cash in transit.                      That the necessary arrangements will be made to obtain insurance of cash in transit in the future.                      Financial Regulations should be followed.

**ii.** F.R. 396 (d)                      Actions had not been taken according to the Financial Regulations regarding the 4 cheques worth Rs.226,248 which were issued by the Dambulla and Hettipola Agrarian Service Committees but not presented to get cash.                      That will be corrected in the future.                      - do -

**(c) Public Administration Circular No.09/2009 dated 16 April 2009**                      In 10 Agrarian Service Committees, the fingerprint machine was not used to record the arrival and departure of officials for a period of 08 to 12 months and although the fingerprint machine was used in 11 Agrarian Service Committees, the arrival and departure of printed copies was not monitored.                      That the fingerprint machine is not working properly and that it has been sent for repair and attention is being paid to this matter.                      Circular provisions should be followed.

**(d) Agrarian Service Commissioner Circulars**

**i.** Paragraph 30(4) of the circular No.107 dated 16 October 1981 of Commissioner of                      Although the machinery should be depreciated on cost, the machinery of Palapatwala and Bandarapola Agrarian Service Committees and the                      That the all assets have been depreciated on the declining balance method as per the accounting policies practiced by the                      Circular instructions should be followed.

	Agrarian Service	buildings of Dambulla Agrarian Services Committee were depreciated on the declining balance method.	Department of Agricultural Development.	
ii.	Circular No.268 dated 27 August 1984	The Handungamuwa Agrarian Service Committee had not taken action to collect the outstanding acreage tax of Rs.44,887 from the year 2020.	That will be recovered in the future.	Circular instructions should be followed.
iii.	Paragraph 01 of the circular No.264 dated 21 October 1986	Room rents of Rs.414,000 had not been collected by 04 Agricultural Service Committees on the last day of the year under review.	That the necessary steps will be taken to recover the rent.	- do -
iv.	Section 15(3) of the Agrarian Development Act No. 46 of 2000 and paragraph 12(1) of the circular No. 322 dated 27 May 1988	There was no arrangement to settle the land owner inheritance money of Rs. 243,963 which existed for a period of 02 to 25 years in relation to 03 Agrarian Service Committees,.	That it has been informed by the letters, that the Agricultural Development Fund will be credited and that the necessary actions will be taken based on the decisions of the court on the issues between the peasants and the land owners.	- do -
v.	Paragraph 03 of the circular No. 518/2000 dated 06 June 2000 of Commissioner General of Agrarian Development and paragraph 5.6(i) of Circular No. 04/2012 dated 29 February 2012 of Agricultural Bank (Pilot) Project	The financial statements of the 23 agrarian banks in the year 2023 were not consolidated with the financial statements of the agricultural service committees.	That the account report has been prepared as per the instructions of the department.	- do -
vi.	Paragraph 3.4.2(ii) of Agrarian Bank (Pilot) circular No. 04/2012 dated 29 February	Although all the loan amount and interest must be recovered within 06 months from the date of granting the crop loan, 16 Agrarian Service Committees had not taken	That it has been referred to the tribunals and that legal proceedings are expected to be carried out in the future.	Loans should be recovered promptly.

- 2012 of steps to recover the crop loans  
Commissioner given to 548 farmers with a  
General of total value of Rs.22,060,067  
Agrarian within the stipulated time.  
Development
- vii.** Paragraph 3.8 of Although it has been it was noted to arrange for Circular  
circular mentioned that the loans the issuance of loans in the instructions  
No.04/2012 dated issued for other non-short-term future according to the should be  
29 February 2012 cultivation projects and for circular 2012/4. followed.  
of Commissioner improvement of related  
General of products and improvement of  
Agrarian of post-harvest technology should be taken under project loans,  
Development be the Yatawatta and Weragama  
Agrarian Service Committees  
had given loans inconsistently  
amounting to Rs.759,194 to 34  
farmers for retail trade,  
carpentry and other activities  
such as sweetmeat production.
- viii.** Paragraphs 4.23.1 According to the forms The ledgering for the Documents  
and 4.23.2 of the introduced, the information of accounts of the Agricultural should be  
circular No. 1390 shareholders and 1336 Bank was not done regularly be  
04/2012 dated 29 depositors had not been formally from the maintained up to  
February 2012 of updated the share and deposit beginning, and now, sub- date.  
Commissioner ledgers by Pallepola Agrarian  
General of Bank. Also, although 93 ledgers have been started  
Agrarian microfinance depositors had for these accounts and the  
Development maintained deposits totaling ledgers are currently being  
Rs.1,025,207, there was no updated as above,  
ledger of microfinance  
depositors to confirm those  
balances.
- xi.** Circular No. Agricultural Research and That the materials were not Circular  
04/2013 dated No. Production Assistant Officers released on the basis of sale instructions  
March 2013 of Handungamuwa, and payment due to the should be  
Bandarapola and Alugolla existence of outstanding followed.  
Agrarian Service Committees balances in the previous  
participated in transactions on the basis of sale and payment promotion will be done in  
in the year 2023 and therefore the future.  
did not contribute to the  
development of the income  
status of the Agrarian Service  
Committee through sales



activities and activities such as sale of agricultural products, holding of temporary canteens and sale of agricultural products of the agricultural organization's at the Agrarian Service Center were not done by using the premises of Vasalakote, Alugolla, Kimbissa, Devahuwa, Hatthota-amuna Agrarian Service Center.

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| <b>x.</b>   | 02 paragraph of the circular No. 2016/03 dated 09 February 2016                    | Although an Agricultural Research and Production Assistant Officer shall inspect the farmers' organizations at least once in 04 months and submit a report of the farmers' organization inspection to the Agrarian Development Officer, no such reports were submitted in respect of 414 farmer organizations belonging to 292 domains in 16 Agrarian Service Committees. | In the future, the circular instructions will be followed. | - do -   |
| <b>xi.</b>  | Letter No. 7/5/2/1-2(1) dated 17 May 2018  | The Kimbissa Agrarian Service Committee had not obtained the signatures of the Deputy Commissioner of Agrarian Development for payments of Rs.2,310,250 which exceeded the limit of Rs.50,000 on 03 occasions.  | That we will work to correct and avoid such defects.       | - do -   |
| <b>xii.</b> | Agrarian Service Commissioner General's circular No. 16/2021 dated 27 October 2021 | Dambulla Agrarian Bank had provided interest concessions to farmers for overdue loans. According to step 05 of that circular, even after the interest has been cut should take legal action immediately for the borrowers who have not paid the loan money at the end of the year under review, 38  | That has been referred to the tribunals now.               | Arrangements should be made to recover the loan balance as per the circular. |

farmers who were referred to the tribunals at the time of interest relief had not paid any installments and although there was Rs.1,189,888 to be recovered from those farmers, no legal action had been taken.

- xiii. Paragraph 07 of the circular No. 01/2023 dated 24 April 2023 of Commissioner General Agrarian Development Although at the end of every quarter, the money collected in the disaster loan coverage account should be deposited in the disaster fund fixed deposit account, due to the fact that the money was not deposited in such fixed deposit account by the agrarian banks of 10 Agrarian Service Committees, the balance of disaster fund savings accounts as on December 31 of the year under review was Rs.1,161,846. That it was instructed to the money collected in 2023 should be deposited in a disaster funds fixed deposit account. Circular instructions should be followed. be

**2. Financial Review**  
**2.1 Financial Results**

The sum of the operating results of 19 Agricultural Service Committees in Matale District in the reviewed year was a surplus of Rs.23,298,179 and the sum of the operating results of 04 Committees was a deficit of Rs.725,470 and correspondingly that, there was a surplus of Rs.15,210,735 in 21 Committees and a deficit of Rs.215,178 in 02 Committees in the previous year. In the reviewed year, the financial result of the 23 Farmers Banks was a surplus of Rs.13,039,352, and correspondingly, the surplus of the previous year was Rs.5,300,046.

**3. Operational Review**  
**3.1 Money Management**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The Executive Secretary of the Hettipola Agrarian Service Committee failed to sign that he checked and supervised the daily receipts register, so there was an informal situation and according to the recorded receipts and payments, there were cases where the cash balance of 08 days was negative and Incomes not included in the	That the relevant documents have been prepared and certified correctly and that there are two notes in the preparation of the documents. That the correct balance has been calculated by now.	The internal control related to cash control should be strengthened and the correctness of the remaining balance should be monitored.

daily register were banked. Contrary to the provisions of Circular No. 07/2014 (107 Amendment iii) of the Commissioner General of Agrarian Development dated 22 August 2014, cash balances ranging from Rs.138,768 to Rs.1,676,275 were kept in hand on 8 days in December of the year under review. Based on this situation, the correctness of the cash balance of Rs. 259,616 stated in the financial statements was not confirmed according to the document.

### 3.2 Uneconomic Transactions / Identified Losses

Audit Observation	Comments of the Management	Recommendation
(a) Although the Kongahawela Agrarian Service Committee had purchased a stock of 2000 kg of maize urea fertilizer valued at Rs.600,000 from the Alugolla Agrarian Service Committee for cash in hand during the year under review without properly identifying the needs of the farmers, Out of which only 210 kg were sold and at the end of the year under review, a stock of 1790 kg was left.	That 1790 kg was left behind as the farmers rejected the fertilizer even though it was bought to the farmers who had grown maize.	The need of the farmers should be clearly identified and should be purchase with plan.
(b) The Galewela Agrarian Service Committee had procured Rs.1,275,000 worth of chilli fertilizer and vegetable fertilizer from a private fertilizer company on 28 February 2023, garden fertilizer worth Rs.172,200 had been taken on 06 July 2023 as compensation for the loss due to the decrease in their market price. But due to the purchase without realizing the need, none of the garden fertilizer was sold.	That such situations will not occur from now on, and that they are negotiating with the relevant institution to redirect the stock of fertilizer or lower the prices.	The committee should promote the buying and selling of stock so as to minimize the loss as much as possible.

### 3.3 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The lands belonging to 07 Agrarian Service Committees had not been taken over, assessed and accounted.	That the necessary arrangements are being made to take over the lands belonging to	Actions should be taken to take over the ownership.

the Agricultural Service Committee.

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| (b) | Although wild elephants damaged 04 places of the barbed wire fence with front mesh cover and concrete posts around the 02-acre land of the Kimbissa Agrarian Service Committee, which was built at a cost of Rs.500,000 and the buildings of the center in the year under review, no proper program was implemented to protect the center grounds and buildings from wild elephant threats.  | To construct an elephant enclosure and protect the land from wild animals, that a proposal will be discussed in the committee in June 2024 and a proposal will be submitted to the Deputy Commissioner. | Formal actions should be taken to reduce the threat of wild elephants. |
| (c) | Although according to the letter numbered 7/5/2/8.ව.ක.ග. of the Commissioner General of Agrarian Development dated 31 December 2018, it is stated that the outstanding balances that have existed for a long time should be settled, 56 accounts receivable balances of Rs.7,349,177 and 51 accounts payable balances of Rs.15,109,700 in the financial statements of 19 Agrarian Service Committees for a period of 02 to 30 years had not been settled by the last day of the year under review. | That will be settled in the future.   | Accounts receivable and payable balances should be settled promptly.   |
| (d) | An outstanding audit fee balance of Rs.67,100 relating to the Vasala Kotte Agrarian Service Committee for the period from 1994 to 2022 had not been settled even at the end of the year under review.  | No comments has been given.   | Outstanding audit fee balance should be settled.                       |
| (e) | Although according to the letter No. 77/ක.ඉ.ලේ.ජරනි/2023 of the Commissioner General of Agrarian Development dated May 16, 2023, the surveying of paddy land should be completed by May 31, 2023, as of 31 December 2023, 1438 paddy lands in 08 Agrarian Service Committees had not been surveyed.  | That the surveying work is to be done quickly and completed as soon as possible at present,   | Survey work should be completed promptly.                              |

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| (f) | Although the Commissioner General of Agrarian Development has given instructions dated January 01, 2008 that an irrigation register should be maintained and the information mentioned in it should be checked and certified annually, the information related to 307 dykes and lakes of 09 Agrarian Service Committees was not updated in the irrigation register from 01 to 2016 and no information was recorded about 39 tanks and bunds.   | That the arrangements will be made to update the documents.  | Documents should be kept up to date.      |
| (g) | 05 dykes within the jurisdiction of the Vasalakotte Agrarian Service Committee had not been repaired, and the Maussana Oya dykes remained inactive for about 10 years due to lack of water. Also, 28 acres of paddy land in 4 domains in Ratthota Agrarian Service Committee's jurisdiction area, which are in suitable condition for paddy cultivation, remained idle for a period of 1 to 25 years cultivating other crops without cultivating paddy and without any cultivation due to non-renovation of the dyke, blocking of the water flow in the canal and the blocking of the access road to the paddy field by private parties. | That after receiving the financial allocation, they will work to repair and that the broken culverts and the inactive culverts due to lack of water will be repaired and the amount of cultivable land will be cultivated. | Irrigation should be properly maintained. |
| (h) | An amount of Rs. 1,271,877 due from 11 agricultural research and production assistant officers of 05 Agrarian Service Committees for the materials obtained on the basis of sale and payment had not been recovered for a period of 2 to 10 years.   | That the officers have been informed to settle the arrears.  | Arrears should be recovered promptly      |

### 3.4 Transactions of Contentious Nature

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>the Recommendation</b>
(a) The Dambulla Agrarian Service Committee had purchased a sum of Rs. 9,085,000 worth of fertilizer from a private company during the period from July 2022 to March 2023 without	That they have obtained representative positions and that they are not attached to each other because the price	That a transparent procurement system should

following the provisions of the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka 2006, later on, stock of purchase cost of Rs.1,286,250 was returned on the grounds of price fluctuations and unsalability, but no other material or cash was recovered.

documents are presented in general and thus the reduction in prices is an unusual situation. Furthermore, there have been deficiencies in the filing of information and the preparation of documents on issues such as the workload of the Agricultural Service Center and the need to work on market competition, and that they will be prepared in the future.

be adopted and suppliers should be dealt with through written return agreements.

(b) The Galewela Agrarian Service Committee bought 6378 kg of vegetable fertilizer from a private company last year for cash basis without following a formal procurement method, as of the year under review unable to sell, a stock of 6377 kg was sold at a price of Rs.165 less than the purchase price of Rs.436, with a loss of Rs.1,728,167. From the same company, which did not agree to provide other fertilizers due to non-sale of bulk, had again purchased 300 bundles of 50 kg urea fertilizer for Rs. 2,400,000 during the year under review.

That on the demand of the farmers, on informing the District Agriculture Committees, fertilizers had to be procured without any procurement process. Also, on 04 occasions, that the Deputy Commissioner was informed that although the stock of fertilizer was purchased, the price of fertilizer dropped rapidly due to the policies and decisions of the government.

That the loss to the committee should be minimized as much as possible and Procurement procedures should be followed.

(c) 5212 liters of liquid fertilizer worth Rs.4,487,532 was expired in the year 2020 due to it handed over to the committee by Ceylon Fertilizer Company Ltd on 15 March 2019 without the request of the Hettipola Committee and not used. The stock was also shown under closing stocks and payable balances in the statement of financial position.

That legal work is currently going on regarding this fertilizer stock and Lanka Fertilizer Company Limited has been informed that it will take steps to deliver or remove the stock in the future according to those activities.

The concerned company should be informed and directed to return the fertilizer stock or identify the responsible parties and referred to take necessary action.

### 3.5 Underutilization of Funds

#### Audit Observation

#### Comments of the Recommendation Management

Although the balance of the savings Since the money in the Arrangements

account of Kimbissa Agrarian Service Committee had grown to Rs.1,396,448 as on 31 December 2023 and Rs.2,566,386 four months after the end of the year under review, the money had not been invested in a fixed deposit with high interest. account has to be paid to settle the subsidy fertilizer loan, that it has not been possible to invest in an income-generating way again. should be made to invest in short-term fixed deposits subject to meeting the working capital requirement.

### 3.6 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
The warehouse building built in the year 2012 within the premises of Kimbissa Agrarian Service Center remained idle for more than 10 years due to not being used even after 05 months of the year under review. A front aluminum and glass door, a window and two asbestos sheets on the roof were also damaged.	According to the decision of the committee, the approval of the deputy commissioner has been received to renovate the Mahaweli extension office from the committee fund and establish it there.	Idle assets should be utilized.

### 3.7 Financial Irregularities

Audit Observation	Comments of the Management	Recommendation
(a) In order to confirm the cash deficiency of Rs.171,796 included in the statement of the financial position of the Handungamuwa Agricultural Service Committee, even after 05 months have passed since the end of the reviewed year, no formal investigation has been carried out and the relevant amount has not been recovered from the responsible officers. No formal action has been taken regarding the lack of money of Rs.186,916, which was informed by the Deputy Commissioner of Agrarian Development's letter No. 5/3/5/6 dated 07 March 2023, "Retention of money beyond the balance limit".	It has been reported to the Commissioner General who is the disciplinary authority to take disciplinary action regarding these matters and that the steps are being taken to expedite the proceedings.	Arrangements should be made promptly regarding the financial irregularities.
(b) A development officer who performed the duties of Alkaduwa Agricultural Bank since 2015 committed an irregularity of Rs. 743,248, while an offense was committed under Section 5	That a preliminary investigation has been conducted regarding the activities of the development officer and he has been suspended, and further	Prompt disciplinary action related to financial irregularities should be taken and

of Chapter XLVII of Group II of the Institutions Code of the Democratic Socialist Republic of Sri Lanka, only the transfer to another Agrarian Service Committee was done without taking appropriate disciplinary action as per Section 31 of Chapter XLVIII of the Institutions Code

disciplinary measures are being taken by the Commissioner General.

arrangements should be made to recover the relevant money.

- (c) It was decided to charge Rs.778,310 from the year 2019 after an investigation related to a financial irregularity committed by a former Agricultural Research and Production Assistant officer of the Kongahawela Agrarian Service Committee and an amount of Rs.345,000 was charged from that year to the year 2022, and the collection of the amount of Rs.433,310 had been suspended without mentioning any reason.
- Disciplinary proceedings in this regard are being implemented by the Commissioner General. - do -

### 3.8 Human Resource Management

#### Audit Observation

#### Comments of the Recommendation Management

The 117 Agricultural and Research Production Assistant Officers in 117 domains belonging to 18 Agrarian Service Committees were vacant for a period of 02 months to 14 years.

If these officers are recruited in the future, necessary actions will be taken to fill these vacancies.

Vacancies should be filled.

### 4. Accountability and Good Governance

#### 4.1 Budgetary Control

#### Audit Observation

#### Comments of the Recommendation Management

When comparing the budget estimate prepared by the Laggala Agricultural Service Committee with the income, expenditure and profit of the annual financial performance statement, the budget document was not used as a formal financial control tool as there were variations of 80 per cent, 126 per cent and 99 per cent respectively.

That the annual budget estimate will be prepared after careful study in the future.

Accurate budget estimates should be prepared and used as a formal financial control tool.



## 5. Agrarian Banks

Audit Observation	Comments of the Management	Recommendation
(a) The accounting policy of 22 Agrarian Service Committees had not been disclosed with the financial statements of the Agrarian Bank.	That the accounts have been prepared as per the instructions of the department. That the accounting policies will be disclosed separately in the future.	Accounting policies should be disclosed.
(b) Although the total value of Rs.1,294,800 was spent for the purchase of agricultural banking software and its service fees by 08 agricultural service committees in previous years, those systems remained idle due to not being fully utilized, not having all the data entered and not in working condition.	That the data will be entered and completed as soon as possible and that the steps will be taken to do Agrarian Banking using the software introduced by the department in the future.	Software should be used for purposeful tasks.
(c) The 03 Agrarian Service Committees had not summoned the tribunals to recover the loan balance of Rs.2,513,996 related to 54 farmers who had been referred to the tribunals as at 31 December of the year under review.	That the summonses are now being received for the borrowers referred to the Tribunal.	Debts should be recovered promptly.
(d) The 199 women's farmer organizations in 06 Agrarian Service Committees as of 31 December of the year under review remained inactive.	In the year 2019, instructions were given to form and register one 'Sithamu' farmer organization per village, but at present, instructions have been given to merge one society per Grama Niladhari domain. According to this, that the general councils of other societies have been convened and decisions have been taken and forwarded for approval for the merger of one women's farmer organization per domain.	Women farmer organizations should be actively maintained.
(e) As on 31 December of the reviewed year, totaling Rs.3,736,186 loan balance as the project loan amounting to Rs.1,808,835 from 51 farmers of 04 Agrarian Service	At present, the said loan is being recovered and referred to the tribunal.	Arrangements should be made to recover outstanding loan balances.

Committees, the entrepreneurship loans totaling Rs.415,278 from 09 farmers of 02 Agrarian Service Committees and a rain cover loan balance of Rs.1,512,073 provided by Dehuwa Agrarian Bank had not been collected even after a period of 07 to 20 years.

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| (f) | The savings balance of 512 children's savings accounts held in 03 Agrarian Service Committees as of December 31 of the year under review was less than Rs.1,000.   | That due to the decrease in the benefits provided, the balances have decreased as the technology and facilities provided by the commercial banks cannot be provided by the agricultural banks and in order to maintain Peramanga Children's Savings deposits at an active level, directed to the Pre-schools, parents were informed and instructions were given to the Agricultural Research Production Assistant Officers in charge of the domains to prepare various programmes. | Action should be taken to improve the savings.        |
| (g) | Although the Dambulla Agrarian Service Committee had given a loan of Rs.1,000,000 to a Janatha company in 2001, no installments were collected from the loan amount and in addition to the loan amount, there was Rs.1,743,698 as interest to be collected at the end of the year under review.  | That it has been referred to the Tribunal in the year 2015 and the case has been called five times so far and no decision has been given as it is still under investigation.   | Loan and interest should be recovered promptly.       |
| (h) | For the purchase of a new banking software and related accessories and equipment to be installed by the Department of Agrarian Development, although the Agrarian Banks of 14 Agrarian Service Committees spent Rs.4,028,665 on the advice of the Matale District Agrarian Development Deputy Commissioner during the year under review and Rs.3,485,460 were deducted to the accumulated fund from that amount. | As per circular 7/12/4 dated 23 January 2024, farmers banks have been deducted from the accumulated fund and that the assets have been assigned to the Agricultural Services Committee and tenders have been called as per the order of the Commissioner General on the instructions of the Deputy Commissioner for Agricultural   | Necessary disclosures should be made in the accounts. |

The devices and equipments were not received until 05 months after the end of the reviewed year and the Bandarapola Agricultural Service Committee had accounted for the physical non-existent assets amounting to Rs.543,205 under non-current assets.

Development. Therefore, that the action have been taken as per the said instructions, upon in the notification that the relevant devices will be provided after the prescribed fee are credited in the name of the Commissioner General through the cheques.

- (i) As on the last day of the year under review, there were 58 non-performing loan balances of Rs.894,708 in Dehuwa Agricultural Bank and there was no loan file information to confirm the loan balance of Rs.98,016.

As of 31 May 2024, there are 47 loan balances amounting to Rs.764,248, of which 11 loan balances amounting to Rs.124,841 have been referred to the Dambulla Court and that the 36 remaining loan balances have been referred to the tribunals. That the loan balances without information will be identified in the year 2024.

Loan should be recovered promptly.