

56 Agrarian Services Committees in Kurunrgala - 2024

1. Audit Opinion

1.1 The audit of the financial statements of the 56 Agrarian Service Committees in Kurunegala District for the year ended 31 December 2024 comprising the statements of financial position as at 31 December 2024 and the statements of financial performance, cash flow statements 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 provisions of 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 Audit reports had been issued in relation to 56 Agrarian Service Committees in the Kurunegala District in 2024 and in those reports, the opinions of 6 committees were disclaimed, one committee expressed an adverse opinion, and 49 committees had been expressed a qualified opinion. The following are the material deficiencies that caused to those opinions.

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 the closing stock should be valued at the lower of cost or net realizable value and reported in the accounting records, 34 committees had been recorded at cost without calculating the net realizable value, which was not in accordance with this.	Instructions will be given to correct from 2025.	The inventory should be valued according to public sector accounting standards.

1.3.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Action had not been taken to take over and account for 34 acres 01 rood 13 perches of land belonging to 23 Agrarian Service Committees, and to assess and account for 31 acres 02 roods of land belonging to 26 Committees.	That the action will be taken to unclaimed lands to taken over and the land to be assessed and the values are accounted for.	The lands belonging to the Committee should be assessed and accounted for as per the instructions of the Department of Agrarian Development.
(b) 10 machines such as planting machines, weeders and multi-choppers, 06 committee buildings, an agrarian bank building, a government house, 05 sales outlets, a food hall,9 storage buildings and 6 office equipment of 15 Agrarian Services Committees had not been assessed and accounted for.	That the instructions will be given to account for in the year 2025.	All assets belonging to the Committee should be valued and accounted for.
(c) The income of Rs.252,838 of 05 Agrarian Service Committees and the expenditure of Rs. 1,277,265 of 07 committees relating to the previous year had been accounted for as income and expenditure of the year under review.	That the work is being done to correct it.	Financial statements should be prepared by accurately matching income and expenses for the accounting year.
(d) The income of Rs. 154,879 in 09 Agrarian Service Committees, the expenses of Rs.5,635 in 2 Committees, the current assets of Rs. 235,622 in 4 Committees, the current liabilities of Rs.11,516 in 03 Committees, the non-current assets of Rs. 20,285 in 01 Committee, the accumulative fund of Rs.488,631 had been over accounted in the year under review and the income of Rs.319,334 in 10 Agrarian Service Committees, the expenses of Rs. 39,608 in 04 Committees, the current assets of Rs.914,010 in 08 Committees, current liabilities of Rs.15,416 in 04 Committees, the non-current	That the work is being done to correct it.	When preparing financial statements, action should be taken to fully and accurately account for income and expenses, assets and liabilities related to the accounting year, and a related internal control system should be strengthened.

assets of Rs. 80,409 in 01 Committee, and the accumulative fund of Rs.2,600 had been under accounted in the year under review.

(e)	Stock items of Rs.224,709 that were accounted in 09 Committees and 15 units of fixed assets worth Rs.2,791,180 that were accounted in 11 Committees and 453 types of stock were not physically present	That instructions will be given to investigate the reasons for physical absence and remove these assets from the accounts that are not physically visible from the accounts.	A formal investigation should be conducted to find out the reasons and appropriate adjustments should be made to the financial statements accordingly.
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1.3.3 Unreconciled Control Accounts or Reports

Audit Observation	Comments of the Management	Recommendation
(e) There was a total difference of Rs.23,492,917 when compared with the balances shown in the financial statements and corresponding reports relating to 42 accounting subjects of 20 Agrarian Service Committees.	That the work is being done to correct it.	Unreconciled balances should be reconciled and the correct values should be adjusted to the financial statements.

1.3.4 Transactions without Authority

Audit Observation	Comments of the Management	Recommendation
(a) Formal approval had not been obtained for 418 journal entries worth Rs.130,100,785 in 14 Agrarian Service Committees.	That the work is being done to correct it.	Journal entries should be entered with formal approval.
(b) 08 Agrarian Service Committees had been written off 18 debit balances worth Rs.285,997 and 19 credit balances worth Rs.652,476 to the accumulated fund without formal approval.	That it will be submitted for audit after obtaining committee approval.	Formal approval should be obtained for write-off and adjust to the accumulated fund, and action should be taken regarding this has not been done.

1.3.5 Suspense Accounts

Audit Observation	Comments of the Management	Recommendation
(a) Two suspense account credit balances of Rs. 77,054, carried forward from the financial statements of 2 Agrarian Service Committees from 2005 and 2018, had not been settled by the end of the year under review.	That the work is being done to correct it.	A formal audit should be conducted and account balances should be corrected.

1.3.6 Lack of Written Evidence for Audit

Audit Observation	Comments of the Management	Recommendation
(a) There were no evidences as at the last day of the year under review such as detailed notes, valuation reports, balance confirmation certificates, related asset documents and title certificates totaling Rs.165,579,016 of 203 assets subjects in 51 Agrarian Services Committees and totaling Rs.88,739,639 of 103 liabilities subjects in 42 Agrarian Services Committees shown in the financial statements. Therefore those accounting subjects could not be satisfactorily vouched in audit.	That the deficiencies will be corrected and presented correctly in future financial reports, with proper training and instructions.	Relevant documents should be maintained to verify account balances, and relevant documents should be submitted for audit.

1.4 Non-compliances to Laws, Rules, Regulations and Management Decisions

	Reference to Laws, Rules and regulations	Non-compliance	Comment of the Management	Recommendation
(a)	Agrarian Development Act, No. 46 of 2000			
(i)	Section 14 (3)	Land inheritance amount of Rs.2,859,097 of 15 Agrarian Service Committees which was deposited by tenant farmers to be paid to land owners relating to disputed fields of was retained in the committee fund without making payments by the 31 December of the year under review.	That it will be arranged to promptly deposit the inheritance money in the court which cannot be paid to the tenant farmers.	Action should be taken as per the provisions of Agrarian Development Act.
(ii)	Section 52	Agrarian Committees should prepare an agricultural program for their jurisdiction of the Agricultural Committee before each season, but 44 Committees had not been done so.	That the implementation plan and budget estimate have been prepared and taken approval.	Action should be taken in accordance with the provisions of the Agrarian Development Act, and action should be taken against parties who fail to do so.
(iii)	Section 53 (4)	Although land registers should be revised every 03 years, 46 Agrarian Service Committees had not been acted accordingly.	That the updated and maintained.	Action should be taken in accordance with the provisions of the Agrarian Development Act, and action should be taken against officials who fail to do so.

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

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| (i) | Financial Regulation 133 | An internal audit had not been conducted by the Commissioner General of Agrarian Development or a responsible officer of 20 Agrarian Service Committees. | An audit of selected agrarian service centers will be conducted by the head office of the Department of Agrarian Development. | Internal audit activities should be conducted in accordance with financial regulations. |
| (ii) | Financial Regulation 264 | Although the receiver should confirm that he received the gross amount for every payment mentioned in the voucher, 05 Agrarian Service Committees had not been done so in relation to the payments of 14 payment vouchers amounting Rs.3,305,837 in the year under review | That the actions will be made to avoid such shortcomings in the future. | Action should be taken to obtain receipts according to financial regulations. |
| (iii) | Financial Regulation 880 and Section 09 of part II of the Public Finance Circular No. 01/2020 dated 28 August 2020 | Although all officers authorized to act in respect of money or stock should be give bond, Development Officers, Executive Secretary, Agrarian Bank Clerk, Agricultural Research and Production Assistants in 56 Agrarian Service Committees had not been bailed the bond and Agricultural Research and Production Assistant Officers had been exempted from depositing security for not complying with the said money regulation in the Circular No. 7/2/15/3/3/(VII) dated 23 January 2023 of the Commissioner of Agricultural Development. | That the according to the Circular, Agricultural Research and Production Assistants have been exempted from bail and other officers are being deposited bail. | Action should be taken according to Financial Regulation 880 and Public Finance Circular No. 01/2020. |

(c) **Circulars of the
Commissioner
General of
Agrarian
Development**

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| (i) | Paragraph 5.6(i) of the Circular No.04/2012 dated 29 February 2012 | Since the Agrarian Bank is a unit of the Agrarian Committee, all the accounts related to the Agrarian Bank should be included in the annual accounts of the Agrarian Services Committee and prepare consolidated financial statements, but all 56 committees had not done so. | That the arrangements will be made as per the Department circulars and the instructions of the Commissioner General of Agrarian Services. | Steps should be taken to prepare consolidated financial statements in accordance with the circular provisions. |
| (ii) | Circular No. 7/2014 (107 Edition III) dated 22 August 2014 | Although the maximum amount that can be kept by the committee clerk daily is Rs.10,000, in 479 cases of 27 Agrarian Service Committees, more money had been kept in hand. | That the instructions have been given to done correctly. | Action should be taken in accordance with the provisions of the circular and internal control should be strengthened in this regard. |
| (iii) | Letter No. 7/12/5/4 dated 22 October 2019 and Circular No. 09/2020 dated 08 October 2020 | Transactions of all registered farmer organizations should be done through a savings account in the respective Agrarian Bank, but out of 1,531 farmer organizations in 36 Agrarian Banks, 979 organizations had not been opened accounts in the Agrarian Bank. | That the action will be taken to raise awareness among farmer organizations | Steps should be taken to open farmer organization accounts in the Agricultural Bank using a formal program and in accordance with the circular provisions. |

2. Financial Review

2.1 Financial results

According to the presented financial statements for the year 2024, The total of the 56 Agrarian Service Committees was a net surplus of Rs. 37,598,275, and the total of the 56 Agrarian Banks was a surplus of Rs.17,207,830. Correspondingly, the total of the 56 Agrarian Service Committees in the year 2023 was a net surplus of Rs. 31,017,816, and the total of the 56 Agrarian Banks was a surplus of Rs. 23,195,294.

2.1.1 Analytical Review

- (a) In the year under review, 49 Agrarian Service Committees had been obtained a surplus of Rs.40,246,606 and correspondingly that, the surplus of 52 Agrarian Service Committees in the previous year was Rs. 31,774,009. Accordingly, there was an increase in the surplus of Rs.8,472,597. The deficit of 07 committees during the year under review was Rs. 2,648,331 and correspondingly that, the deficit of 04 committees in the previous year was Rs. 756,193. Accordingly, although the increase in deficit was Rs. 1,892,138, the total surplus of the 56 committees had been increased by Rs. 6,580,459 due to the adjustment of the increase in surplus.

3. Operating Review

3.1 Investing Excess Money

Audit Observation	Comments of the Management	Recommendation
(a) As on 31 December 2024, 56 Agrarian Service Committees and 56 Agrarian Banks had retained a total of Rs.110,325,810 in current accounts of Government Commercial Banks without effective investment and a total amount of Rs.130,272,307 had been invested in savings deposits earning low interest income. Accordingly, it was observed that the surplus money was not invested effectively.	That the action will be taken to invest the funds in productive investments	Excess money should be invested in a more productive way, under formal approval.
(b) 08 bank accounts held by 03 Agrarian Service Committees have been inactive for a long time, the total balance of those accounts was Rs. 2,232,360. No steps had been taken to increase income by investing this money in more productive investments.	That we will work towards making productive investments (fixed deposits).	Idle money should be invested in a more productive way under formal approval.

3.2 Identified Losses

Audit Observation	Comments of the Management	Recommendation
(a) The amount of Rs.771,097 to be recovered for the stock shortages identified in Mawathagama Agrarian	That the investigations are ongoing.	Proceed in accordance with the financial regulations, promptly

<p>Service Committee for the year 2020 had not been recovered from the relevant parties in the year under review and While the investigation into the money laundering has not been completed, the related officer in question had been reinstated.</p>	<p>collect the monies due, and take disciplinary action in accordance with the provisions of the Establishments Code.</p>	
<p>(b) Actions had not been taken to recover Rs.137,706 due in connection with the financial fraud committed by an Agricultural Research Production Assistant (R.P.N.A.) officer of the Rambe Agrarian Service Committee prior to the year 1999 by misusing agrarian bank funds and acreage tax funds during the year under review.</p>	<p>That the further action will be taken.</p>	<p>The money due should be collected promptly in accordance with financial regulations, and action should also be taken against parties who have not collected the money on time.</p>
<p>(c) No action had been taken in the year under review to recover the total deficiency of Rs. 2,954,156 made by the transactions made in the period from 01 January 2020 to 05 July 2021 in Nathagane Agrarian Bank due to not balancing the cash book correctly, misuse of cheques while issuing loans, unaccounted loan amount and related interest which had not been collected and 06 receipt books had been missed and the transactions related to those receipts had not been recorded.</p>	<p>That the investigations are ongoing.</p>	<p>Investigations should be completed promptly, the money due should be recovered promptly, and disciplinary action should be taken against the relevant parties.</p>
<p>(d) A financial fraud of Rs.3,310,450 discovered by checking the ledger of Tarana Agrarian Bank resulted in a further balance to be collected of Rs.2,491,649, which had not been recovered during the year under review.</p>	<p>That the further action will be taken to recover the remaining money.</p>	<p>Steps should be taken to recover the money due promptly.</p>

3.3 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The creditor balances of Rs.22,832,891 in 33 Agrarian Service Committees, which have been brought forward as debts to be paid for a long time related to the acquisition of assets, had not been settled and most of the assets related to these loan balances had not shown physically in the committee.	That the work is being done to correct it.	Formal steps should be taken to settle outstanding loan balances and to investigate the reasons for the physical absence of assets.
(b) As of the year under review, the amount of A grade fallow paddy that can be used for paddy cultivation in 19 Agrarian Service Committees is about 365 acres 01 roods 36 perches and in 11 Agrarian Service Committees, the amount of B grade fallow fields that can be used for crops other than paddy is about 145 acres, 30 perches and the amount of fallow fields belonging to category C of 18 Agrarian Service Committees was about 620 acres, 01 roods, 10 perches. These fallow fields had not been used for paddy cultivation or other crops during the year under review.	According to the national program initiated in 2025, that the activities are being carried out related to the cultivation of paddy lands.	In accordance with the provisions of the Agrarian Development Act, a formal program should be formulated and implemented to utilize each paddy field for cultivation as appropriate.
(c) Action had not been taken regarding the expired stocks worth Rs. 1,672,704 held in 12 Agrarian Service Committees in accordance with the Circular No. 2006/08 dated 08 December 2006 and its amendments No. 16/2017 dated 28 November 2017 of the Commissioner General of Agrarian Development.	It is stated that action will be taken to write off these balances with the approval of the Commissioner of Agrarian Services.	Steps should be taken to remove expired stocks from the stock books in a proper manner, in accordance with the circulars.
(d) Action had not been taken to recover the acreage tax arrears of Rs. 376,823 brought forward from 05 Agrarian Service Committees for many years, and the room rent arrears of Rs. 275,195 from 03 Agrarian Committees.	That the action is being taken to recover the money.	Steps should be taken to recover arrears of revenue, and action should be taken against officers who have not taken steps to collect them on time.

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| (e) | From 10 Agrarian Service Committees, a total of Rs.249,460 audit fees were to be charged for the period from 2000 to 2023. | That the action will be taken to make payment promptly. | Arrangements should be made to pay outstanding audit fees using an expedited process. |
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3.4 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Steps had not been taken to collect 294 receivable balances amounting to Rs.48,238,177 in 47 Agrarian Service Committees and to settle 46 payable balances amounting to Rs.51,089,328 in 46 Agrarian Services Committees brought forward from many years.	That the steps are being taken to settle the relevant accounts.	After properly verifying the balances, action should be taken to settle the ongoing receivable balances and payable balances in the financial statements.

3.5 Assets Management

Audit Observation	Comments of the Management	Recommendation
(a) 07 agricultural equipment, 04 warehouses, a drip irrigation system, 04 planters, 13 weeders, 05 planters, a wall safe, 03 outlets, 02 canteens, a bag sewing machine, a money counting machine, a scanner, 03 printers, 02 computers and accessories, a LED television, 03 seed sowing machines, a dairy building and equipment, a tab machine and 139 water level gauges and minor irrigation road equipment of 26 Agrarian Service Committees remained idle and underutilized.	Action will be taken to provide usable items to other institutions.	Action should be taken to utilize usable assets and equipment and to dispose of other assets and equipment in a proper manner.
(b) Although an expenditure of Rs.20,348,084 had been incurred in the year under review and the previous year to establish a computer software system for 55 Agrarian Service Committees and Agrarian Banks, the expenditure incurred	That the arrangements were made to purchase computers and accessories as per the instructions of the Departmental Procurement Board.	Steps should be taken to install the computer software system as planned using an expedited program.

had become idle due to the failure to install those systems in the year under review.

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| (c) | 196 tanks and 63 embankments in 14 Agrarian Service Committees had been abandoned due to inactivity, and 03 out of 118 embankments remained in an inactive state. | It has been stated that due to insufficient funds and lack of technical personnel, it has not been possible to carry out the renovation of the tank enclosures in a timely manner. | Action should be taken to keep irrigation industries and irrigation canal renovation works up to date by allocating adequate funds and obtaining technical services. |
| (d) | As per the action plan for the year under review, there were 2,306 agricultural wells and 2,012 kilometers of agricultural roads in 27 Agrarian Service Committees, but 241 agricultural wells and 520 kilometers of agricultural roads had been abandoned as they were not functional level and these had not been renovated and used for agriculture. | That the unable to act due to lack of funds | Adequate provisions should be allocated and action should be taken to carry out renovation work in a timely manner. |

3.6 Delays of Project or Capital Work

Audit Observation	Comments of the Management	Recommendation
(a) Although 710 projects prepared in accordance with priority were submitted for renovation work during the year under review from 3,222 minor irrigation tanks, 1,072 embankments and 118 canals in 40 Agrarian Service Committees, only 70 projects were implemented.	That the maximum progress possible has been achieved based on the amount of funds allocated and the existing shortage of officers.	Irrigation and irrigation renovation work should be carried out in a updated manner by formal programme.

4 Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
(a) Although the 56 Agrarian Service Committees had prepared their own action plan for the year under review, the related progress reports had not been prepared.	That an action plan is being prepared and a performance report will be prepared from 2025.	Action should be taken to prepare progress reports.

4.2 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
(a) According to the budget estimates prepared by the 50 committees for the year under review, there were variations from 01 percent to 30,607 percent in relation to 810 subjects of income and expenditure. Due to this, the budget document, which is used as a control method had not been used as an effective control method by the committees.	That the variations have occurred due to the inability to carry out the relevant tasks due to the shortage of officers.	Action should be taken to use the budget as an effective control tool.

5. Agrarian Banks

Audit Observation	Comments of the Management	Recommendation
(a) The Mahagirilla Agrarian Bank had been overstated its income by Rs.245,813, while the Ambanpola Agrarian Bank had been understated its expenses by Rs. 503,421.	That the work is being done to correct it.	Action should be taken to correct the account balances.
(b) Formal approval had not been obtained for 1,522 journal entries worth Rs.30,801,996 in 06 agrarian banks.	That the work is being done to correct it.	Formal approval should be obtained for journal entries.

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| (c) | The Nathagane Agrarian Bank had not been maintained ledger accounts for 5,001 share deposits worth Rs.4,436,700. | Actions will be taken to systematically maintain documents in the future. | Ledger accounts should be maintained properly and the accounting process should be strengthened. |
| (d) | 22,603 deposits out of 35,838 share deposits in 15 agrarian banks, 18,964 deposits out of 17,097 general deposits in 14 agrarian banks, 1,465 deposits out of 2,188 children's deposits in 21 agrarian banks, 58 deposits out of 180 farmer organization deposits in 06 agrarian banks and 683 deposits out of 1,330 small group deposits in 15 agrarian banks and 98 out of 388 "Sithamu" Women deposits in 12 agrarian banks 98 had been limited to initial deposits without any active status. | Regional officers will be informed to actively maintain those accounts in the future. | A program should be developed and implemented to maintain accounts in a functional state. |
| (e) | In relation to previous years, action had not been taken to recover the outstanding loan balance of Rs.1,553,721 from the relevant guarantors even during the year under review, which was due from 40 deceased debtors of 20 agrarian banks. | That the actions will be taken in accordance with the instructions of the head office in the future. | Steps should be taken to recover the outstanding loan balance from the guarantors using an expedited process. |
| (f) | When examining the monthly transactions of 34 agrarian banks during the year under review, the average daily banking transactions were very low, between 01 and 10. | That the awareness will be provided through regional officials to ensure transactions are conducted in an active and effective manner. | Actions should be taken to develop transactions using a fast and attractive process. |
| (g) | Although the number of registered farmers was 50,497 and the area of paddy land was 24,587 acres, loans had not been issued for 342 out of 869 divisions of 31 agrarian banks in relation to previous years. Also, although it was the responsibility of the relevant Agricultural Research and Production Assistant Officers to provide | That the information will be provided through regional officers for the issuance of loans. | In order to achieve the objectives of establishing banks, a program should be implemented to educate farmers and increase the issuance of loans. |

advice and guidance to the farmers in the division to meet their credit needs, this had not been carried out properly.

- (h) In accordance with the Circular No. 04/2012 dated 29 February 2012 and No. 09/2020 dated 08 October 2020 (Amendment II of 04/2012) of the Commissioner General of Agrarian Development, from the year 2003 to 31 December of the year under review, a balance of Rs.107,451,657 in outstanding loans had not been recovered from 1,158 farmers in 33 Agrarian Service Committees.

That it has been referred to the Tribunal and the Court for recovery.

A formal investigation should be conducted into the granting of loans and non-timely collection, and steps should be taken to investigate whether there has been any misuse of officers and steps should be taken to recover the loans within the prescribed time frame as per the circular.