

## 22 Agrarian Service Committees in the Matara District - 2024

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### 1. Audit Opinion

1.1 The audit of the financial statements of the 22 Agrarian Service Committees in the Matara District for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, the statement of financial performance and cash flow statement for the year then ended, and notes to the financial statements, including material 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 in the Section 58(1) of the Agrarian Development Act No. 46 of 2000 and the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

1.2 A qualified opinion has been given in 22 audit reports issued in relation to 22 Agrarian Service Committees in Matara District and the quantitative errors caused for the qualified opinion are mentioned below.

### 1.3 Financial Statements

1.3.1 Non-compliance with the accounting standards included in Sri Lanka Public Sector Accounting Policies

Audit Observations	Comments of the Management	Recommendations
(a) Statement of changes in net assets / in equity among the components that should be included in the Financial Statements according to the Sri Lanka Public Sector Accounting Standard No.01 had not been prepared and submitted by 22 Agrarian Service Committee.	Financial Statements had been prepared according to the format given by the Agrarian Development Department.	Financial Reports should be prepared and submitted in accordance with Sri Lanka Public Sector Accounting standards.
(b) Notes which show the cost, cumulative depreciation and net value relevant to the property, plant and equipment in relation to the fixed assets of 22 Agrarian Service Committees had not been submitted.	Format for the annual collections, annual depreciation, cumulative depreciation and net value of cost of fixed assets of the 22 centres had been prepared and submitted with the financial statements in terms of the accounts reporting format provided by the Department of Agrarian Development.	Financial Reports should be prepared and submitted according to the Sri Lanka Public Sector Accounting Standards.

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| (c) | 257 journal entries of pertaining to a sum of Rs. 72,159,387 used for preparing financial statements of 12 committees had not been approved by relevant executive officers of those committees. | Journal entries used to prepare financial statements of the year under review had been approved subsequently by the executive secretary. | Action should be taken to approve journal entries at the time when they are entered and steps should be taken against the parties who had not done so. |
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### 1.3.2 Accounting Deficiencies

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendations</b>
(a) Fixed assets i.e. 08 land plots of which 1,327 perches in extent belong to 08 committees Kamburupitiya, Wilpita, Thalalla, Deiyandara, akuressa, Beralapanathara, Weligama and Dandeniya, 13 land plots of which extent is not mentioned and belong to 13 committees MedaUyangoda, Mirissa, Deniyaya, hakmana, Kanangke, Pasgoda, Ransegoda, Malimbada, Kekanadura, dikwella, Madihagodagama, Morawaka and Urubokka, 12 office buildings of which the total extent is 45,340 square feet and 10 office buildings of which the area had not been mentioned was not assessed and mentioned in the financial statements.	Fixed assets have been assessed by now and the values needed to bring them to accounts have been sent to the centre by now. Action will be taken to enter them into accounts from next year onwards.	Action should be taken to assess and account for all fixed assets belong to the committees and submit them through financial statements.
(b) Since the total expenses of Agrarian Banks in the year under review relevant to the Madihagodagama, Kamburupitiya and Beralapanathara Agrarian Service Committee i.e. Rs. 108,685, Rs. 20,596 and Rs. 49,467 respectively had been brought in to accounts as expenses of the Agrarian Bank Expenses Committee, the sum of profits of that committees in the year had been understated by Rs. 178,748.	It had been instructed by the section no. 10.1 of the circular no 436/99 dated 25.11.1999 of the Agrarian Development Department to bear the expenses of the Agrarian Banks by the Agrarian Service Committees.	Financial Statements should be prepared so as to show the whole operation and performance of Agrarian Banks in Financial Statements of the Committee.
(c) The balance of Rs. 262,853 of the current account no. 1660275 of Madihagodagama Agrarian Services Committee as at 31 December 2024 had not been accounted for under current assets in the Statement of Financial Position and even the bank reconciliation statements had not been prepared by now after 31 July 2020.	A request had been made to give instructions to close this seeds and advance account, and necessary steps will be taken in due course, and the balance in the current account is Rs. 160,853.	The balance of the account should be entered as current assets in the statement of financial position and the bank reconciliation statements of the

months in which the transactions had been done should be made.

- (d) The total expense of Rs. 334,423 of the Ransegoda, Kamburupitiya, Pasgoda, akuressa, Hakmana and Bellanthara Agrarian Service Committees relevant to preceding years had been accounted as expenses of the year under review. Agreed. The subject officer related to the preparation of financial statements will be called for a discussion regarding these faults and deficiencies and measures will be taken to prepare and submit financial statements in next year avoiding such deficiencies. Expenses relevant to the year should be identified and accounted for accordingly.
- (e) The finger print machine purchased at a cost of Rs. 22,410 by the Kanangke Agrarian Services Committee on 16 January 2020 and identified by the board of survey in year 2022 had not been accounted for and depreciation adjustments had not been made. Further, it had not been entered in the inventory in the year under review. Similarly, the finger print machine purchased by the Malimbada Agrarian Services Committee in the year under review at a cost of Rs. 60,000 had not been taken as an asset and had been written off as a fixing expense. Therefore, the non-current assets of the year under review had been understated by that amount while the operational surplus had been understated by that amount. Furthermore, the finger print machine of the Dandeniya Agrarian Services Committee which costs Rs. 60,000 had not been depreciated; and therefore the surplus of the year and the amount of non-current assets had been overstated by Rs. 6,000. Agreed. Action will be taken to call and discuss these faults and deficiencies with the subject officer in relation to preparation of financial statements of the centres and to prepare and submit the financial statements in the coming year without such deficiencies. The nature of the assets should be classified and accounted for in accordance with the accounting principles and actions should be taken to adjust in accounts as appropriate.

- (f) Since the interest receivable for fixed deposits belong to the Urubokka, Hakmana, Deniyaya, Kamburupitiya and Malimbada Agrarian Service Committees i.e. Rs. 50,106, Rs. 240,020, Rs.21,118, Rs.28,833,and Rs.28,555 respectively had not been calculated and accounted for ,the amount of surplus and current assets in the year under review had been under stated by that amount. Further, the fixed deposit interest income of the Vilpita and Deiyandara Agrarian Service Committees had been understated by Rs. 19,160 and Rs. 183,912 respectively.
- Agreed. The subject officer who prepares the financial statements of the centres will be called and discussed regarding these faults and deficiencies and action will be taken to prepare and submit the financial statements in the next year avoiding such deficiencies.
- Interest for the fixed deposits belong to the period should be calculated accurately and accounted for and the relevant adjustment should be made.
- (g) Even though the expenses against the income should not be set off according to accounting standards, When accounting for acreage in the year under review, the income of the Morawaka Agrarian Services Committee is Rs. 857,955 and a net amount of Rs. 590,431 had been taken in to the financial performance statement after setting off a 20% of the acreage allowance amounting to Rs. 106,752 and an amount of Rs. 160,950 against it to the head office. Further, acreage had not been accounted for on accrual basis. Similarly, even though expenses should not be set off when income and expenses accounted for, the net value had been understated as Rs. 196,127 reducing the expenses in the financial performance statement even though the acreage of the Kirinda Puhulwella Agrarian Services Committee is Rs. 282,695.
- Agreed. The subject officer who prepares the financial statements of the centres will be called and discussed regarding these faults and deficiencies and action will be taken to prepare and submit the financial statements in the next year avoiding such deficiencies.
- Action should be taken to account for the acreage on accrual basis and not to set off the expenses against the income when the income and expenses accounted for.
- (h) Even though 06 months had been passed from issuing by Deniyaya Agrarian Services Committee in previous years, the cheques valued Rs. 76,640 which had not been submitted to the bank, the surplus of the year under review had been overstated by that amount since it had been accounted for as an income of the year under review.
- Agreed. The relevant subject officer of the centre has been informed to take responsibility not to happen such faults When preparing account reports in coming years. These cheques hd been issued in year 2018,2019 and 2008.
- When taking expired cheques again to the income, need to account for the correct period.

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| (i) | Even though acreage income of the Vilpita Agrarian Services Committee relevant to the year under review is Rs. 209,200, the surplus of the year had been understated by Rs. 97,771 due to only an amount of Rs. 111,429 had been taken as an income. Further, even though the acreage income of the Deiyandara Agrarian Services Committee for the year under review was Rs. 295,550, the surplus of the year had been overstated by Rs. 73,707 due to the amount of Rs. 369,257 received in cash had been considered as the income of the year. | Agreed. The subject officer who prepares the financial statements of the centres will be called and discussed regarding these faults and deficiencies and action will be taken to prepare and submit the financial statements in the next year avoiding such deficiencies.       | The income belongs to the year under review should be identified and accounted for in the same year, and relevant adjustments should be made. |
| (j) | Even though room rent income of the malimbada Agrarian Services Committee for the year under review was Rs. 66,000, it had been understated by Rs. 24,000 as Rs. 42,000 and therefore surplus and the current assets had been understated by that amount.  | Agreed. The subject officer who prepares the financial statements of the centres will be called and discussed regarding these faults and deficiencies and action will be taken to prepare and submit the financial statements in the next year avoiding such deficiencies.       | Income belongs to the year under review should be identified and accounted for in the same year and relevant adjustments should be made.      |
| (k) | Since the surplus of the year under review had been overstated by Rs. 57,659 as the acreage income of the Akuressa Agrarian Services Committee for the year under review was Rs. 296,800 and it had been accounted for as Rs. 354,459.   | Agreed. The subject officer who prepares the financial statements of the centres will be called and discussed regarding these faults and deficiencies and action will be taken to prepare and submit the financial statements in the next year avoiding such deficiencies.       | - do -  |
| (l) | Even though 50 fixed assets of which total cost is Rs. 614,651 and carrying amount is null and belongs to the Medagoda agrarian Services Committee are still in use, no action had been taken to review the effective life span of those assets.   | Agreed. The subject officer related to preparation of financial statements of the centres will be called and these faults and deficiencies will be discussed and actions will be taken to prepare and submit financial statements of the coming year avoiding such deficiencies. | Effective life span of the fixed assets should be reassessed and accounted for.   |
| (m) | Asset balance of Rs. 435,503 and liability balance of Rs. 15,284 of the Meda Uyangoda Agrarian Services Committee  | Agreed. Action will be taken to call the subject officer related to preparation of   | It should be accounted for with the approval, and steps should be   |

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| for the year under review had been adjusted to the cumulative fund without an approval.   | financial statements of the centres and discuss these faults and deficiencies and take action to prepare and submit financial statements avoiding such deficiencies.   | taken against the parties who have not received the approval.   |
| (n) The fault of getting the amount of Rs. 4,875,064 payable to the Assistant Provincial Commissioner under fertilizer subsidies of the MedaUyandoda Agrarian Services Committee in the year 2023 to the income of the same year had not been corrected and represented as current liabilities even in the current year.                  | Agreed. The subject officer who prepares the financial statements of the centres will be called and discussed regarding these faults and deficiencies and action will be taken to prepare and submit the financial statements in the next year avoiding such deficiencies. | Action should be taken to adjust in the accounts correctly and that amount should be accounted as current liabilities.                              |
| (o) Even though the amount payable to the Department of Agrarian Development by the Medauyangoda Agrarian services Committee is Rs. 38,080 i.e. an amount equivalent to 20 per cent of the targeted acreage income of the year, the surplus had been understated by Rs. 20,149 since it had been stated as Rs. 58,229.                    | Agreed. The subject officer who prepares the financial statements of the centres will be called and discussed regarding these faults and deficiencies and action will be taken to prepare and submit the financial statements in the next year avoiding such deficiencies. | Correct values should be identified and adjusted in the financial statements.   |
| (p) Due to adjustment of an amount of Rs. 2,000,000 received by selling Urea and MOP payable to the Department of Agrarian Development of the Weligama Agrarian Services Committee to the cumulative fund, the payable Urea and MOP account had been understated by that amount.  | Agreed. The subject officer who prepares the financial statements of the centres will be called and discussed regarding these faults and deficiencies and action will be taken to prepare and submit the financial statements in the next year avoiding such deficiencies. | Accounts payable should be correctly accounted for.   |
| (q) The fertilizer stock amounting to Rs. 1,920,420 and MOP stock amounting to Rs. 3,201,300 prevailed before the commencement date of the year under review of the Kirinda Puhulwella Agrarian Services Committee and fertilizer stock amounting to Rs. 173,100 and Rs. MOP stock amounting to 2,776,440 prevailed as at the end date of | Agreed. The subject officer who prepares the financial statements of the centres will be called and discussed regarding these faults and deficiencies and action will be taken to prepare and submit the financial statements in the next year                             | Initial and final stock values of the year should be accounted for accurately, and the relevant adjustments should be made in financial statements. |

the year under review had not been avoiding such deficiencies mentioned in the Financial Statements.

### 1.3.3 Un-reconciled Control Accounts or Records

Audit Observations	Comments of the Management	Recommendations
(a) There was a reconciliation amount of Rs. 777,977 between the account balance value mentioned in financial statements of 15 account subjects of 06 Agrarian Service Committees and according to the value mentioned in its' corresponding reports.	Agreed. Action will be taken to call subject officer related to preparation of financial statements and discuss these faults and deficiencies and to prepare and submit financial statements in the coming year avoiding such deficiencies.	The reasons for non-reconciliations between account balances and corresponding reports should be identified.

### 1.3.5 Documentary Evidence not made available for Audit

Audit Observations	Comments of the Management	Recommendations
(a) Since the evidences required for confirm 121 account subjects of which value is Rs. 26,876,340 belongs to 22 Agrarian Service Committees had not been submitted audit , those balances could not be examine at the audit.	Agreed. Action will be taken to rectify in due course.	Evidences requested for audit relevant to confirm assets and liability balances should be provided.

### 1.4 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations, etc.	Non-compliance	Comments of the Management	Recommendation
(a) Agrarian Development Act, No. 46 of 2000	(i) Sections 30 (1) (2) (3) (4) and (5) Every cultivable paddy land shall be used for paddy cultivation in accordance with the provisions referred to. Non-perennial crops or semi-annual crops or long-term crops may be	Agree. A programme is being implemented for the 2025/26 Maha season to identify and cultivate fallow paddy fields correctly. Currently, 380 acres have been cultivated in	A formal programme should be implemented to utilize every cultivable paddy land for paddy cultivation as per the provisions.

cultivated after obtaining the Yala season of the authorization of the Commissioner General in cases where paddy cannot be cultivated. However, a programme had not been prepared to cultivate 13,990 acres of fallow paddy fields existing in 22 limits of Agrarian Service Committees.

(ii) 56 (3) (4) Action had not been taken in accordance with the referred section regarding the default of the payment of acreage tax amounting to Rs. 3,399,538, which was further to be recovered in 20 committees even by the end of the year under review.

The arrears of acreage tax have been collected in the committees of Talalla, Mirissa and Kirinda. I will take action in the future to collect the arrears of acreage tax in other Committees.

Action should be taken against the parties, who have not collected timely, and action should be taken to recover the defaulted amounts in accordance with the provisions of the Act.

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

(i) F.R. 110 Registers regarding losses and damages of all the 22 committees had not been maintained.

I agree. The subject officer involved in the preparation of the financial statements of the centres will be called to discuss these errors and shortcomings and steps will be taken to ensure that such errors do not occur in the preparation of the financial statements in the following year.

Action should be taken in terms of the financial regulations, and action should be taken against the parties, who had not taken action accordingly.

(ii) F.R. 751, 752 Fixed Asset Registers of all the 22 committees had not been maintained.

I agree. The subject officer involved in the preparation of the financial statements of the centers will be

Action should be taken to maintain a fixed assets register, and action should be taken against the

		called to discuss these errors and shortcomings and steps will be taken to ensure that such errors do not occur in the preparation of the financial statements in the following year.	parties who had not taken action accordingly.
(iii) F.R. 757(2) (a) (b) and (4)	Reports on annual verification of goods for the year under review had not been submitted to the Auditor General in accordance with the regulations referred to.	I agree. I will take steps to submit them to the Audit in the future.	The reports on the annual verification of goods should be submitted to the Auditor General.
(c) Circulars of the Commissioner of Agrarian Development			
(i) Circular No. 7/2016 dated 08 September 2016	Even though a compost project should be implemented in each Agrarian Service Centre, the Agrarian Service Committee had not taken action accordingly.	Since the compost fertilizer programmes are not currently implemented, production activities are not carried out. Although there are no separate sales outlets at those centres, agricultural products are sold.	Necessary measures should be taken to implement a compost project in each Agrarian Service Centre.
(ii) Circular No. 07/2014 (107 Amendment iii) dated 22 August 2014	Even though the daily limit of cash that can be kept in hand by an Agricultural Service Committee is Rs. 10,000 as per the referred circular, 03 Committees had kept daily cash balance between Rs. 10,500 and Rs. 1,381,855 in hand for a number of days between 07 to 49 during the year under review.	I agree. Due to practical difficulties, it was not possible to go to the bank, and therefore, depositing of money was delayed. I will take steps to prevent the occurrence of this in future.	Steps should be taken to maintain compliance, and if this maximum cash limit is not sufficient periodically, action should be taken to revise it.

(iii) Letter No.7/15/18/ සේ.වි/පොදු/ක.ගො . dated 08 September 2019	Actions had not been taken to number and maintain a register of trees with timber/economic value in the Agricultural Service Centre and lands controlled by the Agricultural Service Centres.	I agree. I will take steps to maintain such a register in the future.	Steps should be taken to number and maintain a register of trees of timber/economic value, and action should be taken against the parties who have not done so.
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**2. Financial Review**  
**Financial Results**

The total operating results of 20 committees during the year under review were a surplus of Rs.9,695,976, and a deficit of Rs. 590,844 in 2 committees, and the corresponding to that, the total operating results of 16 committees in the previous year were a surplus of Rs. 10,100,340, and a deficit of Rs. 851,542 in 06 committees. Accordingly, a net deterioration of Rs. 143,666 was observed in the total financial result of 22 committees in the year under review compared to the previous year.

**3. Operational Review**  
**3.1 Cash Management**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) A total value of Rs. 11,135,181 had been retained in current accounts by the Agricultural Service Committees of Morawaka, Madihagodaga, Pasgoda, Akuressa, Beralapanath, Kamburupitiya and Wilpita after incurring all monthly expenses of the committee at the end of each month of the year under review with taking steps to invest the surplus funds effectively and to obtain more benefits.	I agree. I will take steps to invest the funds in the future.	The funds should not be kept idle and should be utilized under formal approval to obtain maximum benefits.

**3.2 Management Inefficiencies**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) It was observed that 77 members of 17 committees had not participated in more than three consecutive committee meetings during the year under review. Action had not been taken to terminate their appointments as per Section 51(6)(d) (I) and (II) of the Agrarian Development Act and to appoint other	I agree. I will take steps to rectify this in the future.	Action should be taken as per the provisions of the Act and action should be taken against the parties who have not taken action accordingly.

persons to the committees instead of them.

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| <p>(b) Sixty-one (61) receivable account balances of 17 Agricultural Service Committees totaling to Rs. 5,902,128, which had been prevailing without settling for a period of 02 to 30 years, and 64 payable account balances totaling to Rs. 5,079,128, which had been prevailing without settling for a period of 02 to 33 years, had been included in the financial statements even by the end of the year under review.</p>   | <p>I agree. I will take steps to rectify this in the future.</p>  | <p>Action should be taken against the parties who have not collected the receivable balances periodically, and arrangements should be made to promptly collect the receivable balances that have been outstanding for a long time, and to settle the payable balances.</p> |
| <p>(c) Although the Agricultural Research and Production Assistants are required to submit future monthly programmes and completed programmes in relation to their duties, it was observed that 05 officers serving in the Malimbada Agrarian Development Committee had not submitted the completed programmes during the year under review.</p>  | <p>I agree. I will take steps to rectify this in the future.</p>  | <p>Appropriate action should be taken against the officers, who had not submitted future monthly programmes and completed programmes.</p>  |
| <p>(d) The tractor of the Morawaka Agrarian Service Committee had been leased in the year 2014 and it had been returned by the lessee on 07 January 2019. Although it had been stated that the tractor had been in working condition at the time of returning it, any action taken regarding this tractor had not been included in the file for a period of 06 years up to 07 February 2025, the date of audit, and it was also observed that it was decaying in the garage of the centre as an idle asset.</p> | <p>The officer in charge of the subject will be called to discuss these errors and shortcomings and steps will be taken to present the financial statements without such shortcomings in the preparation of the financial statements in the following year.</p> | <p>The officers responsible for the negligence and inefficient performance of duties that have allowed assets to decay without being used should be identified and disciplinary action should be taken against them.</p>   |
| <p>(e) The organic fertilizer division of the Weligama Agrarian Service Committee was not operational in the year under review, and the gross profit of other fertilizers, vegetable seeds, plants and agricultural equipment had decreased by 60, 95, 30 and 83 percent respectively compared to the previous</p>  | <p>The officer in charge of the subject will be called to discuss these errors and shortcomings and steps will be taken to present the financial statements without such shortcomings in the preparation of the</p>   | <p>Action should be taken to operate the organic fertilizer division and to increase the profitability accordingly.</p>  |

year. Moreover, the total profit of the committee had been as low as about 4 percent of the total revenue. financial statements in the following year.

#### 4 Agrarian Banks

Audit Observation	Comments of the Management	Recommendation
(a) The loan balance totaling to Rs. 50,483,874 to be recovered by the end of the year under review from the project loans and agricultural loans issued to farmers by 20 Agricultural Banks belonging to 20 Agricultural Service Committees had been overdue. The progress in recovering those loans was not satisfactory.	Agree. The overdue loan has been reduced up to Rs. 35,249,445 as at 30.09.2025.	Farmers should be encouraged to take action against those who have not collected their loans on time, and to recover the bank loan within the relevant period, and to utilize project loan in a manner that enables deriving benefits.
(b) Even though farmers' banks should allocate 10 percent of their annual net profit to the farmers' disaster loan coverage account, the farmers' banks in Kambura had not done so. Accordingly, it was observed that this fund, which should be maintained with the aim of managing the risk of overdue loans, providing benefits to farmers and ensuring the sustainability of the farmers' bank pilot project, had not been implemented properly. Therefore, there was a risk of achieving the desired objectives.	I agree. This year, 10% of the disaster loan has been allocated to the loan coverage account.	Action should be taken as per the circular and action should be taken against the parties who had not done so.