

18 Agrarian Services Committees in Monaragala District - 2024

1. Audit Opinion

1.1 The audit of the financial statements of the 18 Agrarian Service Committees in Monaragala 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 The following are the material deficiencies that had been caused to the expression of a qualified opinion on the financial statements of 18 Agrarian Service Committees in the Monaragala District.

1.3 Financial Statements

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

	Audit Observations	Comments of the Management	Recommendation
(a)	Although the Farmers' Bank is a unit of the Agrarian Services Committee, consolidated financial statements of the 18 Agrarian Services Committees in the Monaragala District had not been prepared.	That the further action will be taken after seeking advice from the head office.	Steps should be taken to prepare consolidated financial statements.
(b)	Although debtors and creditors should not be offset according to Sri Lanka Public Sector Accounting Standards No. 01, the debit balance of Rs. 37,770 in the Fertilizer Secretariat Account of the Dambagalla Agrarian Services Committee had been offset against the credit balance in the payable account of Lanka Fertilizer Company.	That it will be accounted for correctly in future financial statements.	Accounting standards should be followed.

1.3.2 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
(a) 12 non-physical assets worth Rs.3,569,407 owned by 03 committees had been accounted for under fixed assets.	That it will be accounted for correctly in future financial statements.	A formal inspection should be conducted to identify assets and either record them or make adjustments to the accounts.
(b) The current assets of 03 committees, valued at Rs. 5,423,576, had been under-accounted.	That it will be accounted for correctly in future financial statements.	Current assets should be accounted for correctly.
(c) 06 committees had accounted for Rs. 3,940,202 worth of inventory with no realizable value under current assets.	That it will be accounted for correctly in future financial statements.	The value should be identified and accounted for in accordance with accounting standards.
(d) The value of 19 lands owned by 16 committees, 09 buildings owned by a committee, 05 machineries and equipment owned by 02 committees and 281 office equipment owned by 11 committees had not been identified and accounted for.	That it will be accounted for correctly in future financial statements.	The value should be identified and accounted for.
(e) 04 account balances worth Rs.2,973,046 of 03 committees were shown as false liabilities in the financial statements.	That it will be accounted for correctly in future financial statements.	Balances that cannot be verified as payable should be dealt with appropriately under formal approval and outstanding balances should be identified and settled promptly.
(f) The addition errors of Rs. 87,880 that had occurred in two account balances of the Monaragala Agrarian Services Committee in the year 2023 had not been corrected in the year under review.	That it will be accounted for correctly in future financial statements.	Adjustments should be made and corrections should be made in the relevant accounting subjects.

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| (g) | The income of 03 committees, amounting to Rs. 1,524,015 had been understated, and the non-income of 03 committees, amounting to Rs.138,440 had been recorded as income. | That it will be accounted for correctly in future financial statements. | Revenues should be accurately identified and accounted for, and adjustments should be made in the accounts. |
| (h) | The payable assessment tax by the Monaragala Agrarian Services Committee, which amounted to Rs.120,551, had been under-accounted. | That it will be accounted for correctly in future financial statements. | The value of current liabilities should be accurately identified and accounted for. |
| (i) | 07 committees had been under-accounted for non-current assets worth Rs. 13,010,130. | That it will be accounted for correctly in future financial statements. | The values of non-current assets should be accurately identified and accounted for. |
| (j) | Capital expenditure of Rs. 233,188 of 05 committees had been accounted for as capital expenditure. | That it will be accounted for correctly in future financial statements. | Financial statements should be prepared with correct classifications and relevant adjustments should be made. |
| (k) | The Hingurukaduwa Agrarian Services Committee had understated the value of 02 expense account balances totaling Rs. 104,976. | That it will be accounted for correctly in future financial statements. | Expenses should be accurately identified and accounted for. |
| (l) | In the year 2000, the Buttala Agrarian Bank had been provided Rs. 1,500,000 to the Buttala People's Farmers' Company for the production of seed paddy. The interest due as of the end of the year under review as loan interest up to 11 November 2010 was Rs. 2,382,758 due to the default of the farming company in paying the loan had been accounted for. However, a difference of Rs. 12,431 was observed due to the loan interest income being stated as Rs. 2,395,189 in the financial statements of the Agrarian Bank. | That it will be accounted for correctly in future financial statements. | Steps should be taken to ensure accurate accounting and the outstanding balance should be recovered under a formal program. |

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| (m) | Debt collections of Rs. 61,214 based on court orders had not been adjusted to the relevant debtor accounts. | That it will be accounted for correctly in future financial statements. | Debtors should be identified and adjustments made to accounts. |
| (n) | The value of 91,987 kilograms of fertilizer available for distribution to farmers in the Medagama Agrarian Services authority area at the end of the year under review had not been identified and disclosed in the financial statements. | That it will be accounted for correctly in future financial statements. | Remaining stock values should be accurately identified and accounted for. |

1.3.3 Un-reconciled Control Accounts or Reports

Audit Observations	Comments of the Management	Recommendation
(a) A difference of Rs. 7,140,270 was observed when comparing the value of 16 accounting subjects according to the financial statements and corresponding reports related to 08 Agrarian Service Committees.	That it will be accounted for correctly in future financial statements.	Comparisons should be made and corrections should be made.

1.3.4 Lack of Written Evidence for Audit

Audit Observations	Comments of the Management	Recommendation
(a) Due to the failure to submit debtor documents, balance confirmation letters, creditor documents, and security deposit documents related to 04 asset balances of Rs. 90,733 pertaining to the Monaragala Agrarian Services Committee and 18 liabilities balances of Rs.2,005,958 pertaining to Monaragala and Bibila Agrarian Services Committees, it was not possible to satisfactorily verify during the audit.	That we will work to correct it in the future.	Necessary written evidence should be submitted to substantiate all balances shown in the financial statements.

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

	Reference to Value Laws, Rules, (Rs.) Regulations	Non-compliance	Comment of the Management	Recommendation
(a)	Agrarian Development act No.46 of 2000	Regulations had not been prepared regarding the appointment of the Chairman, the role of the Chairman, the appointment of standing committees and the election of the Secretary and Treasurer of the 18 Agrarian Service Committees.	Management comments have not been provided.	Action should be taken in accordance with the Act, and action should be taken against parties who do not comply.
(ii)	Sub-section 54(1)	All 18 Agrarian Service Committee had not notified by the landowner, farmer or occupier of each agricultural land in a written form with the prescribed details regarding that the details of the agricultural land, its ownership, current residence and all agricultural activities carried on within such period as may be specified by the said Council to the Agricultural Development Council within the jurisdiction of the land.	Management comments have not been provided.	- Do -

(iii)	Sub-section 55(1)	In accordance with the provisions of the Commissioner General of all 18 Agrarian Services Committees, each Agrarian Development Council was required to survey agricultural lands within its jurisdiction, but this had not been done.	Management comments have not been provided.	- Do -	
(iv)	Sub-section 53(4)	Although the all 18 Agrarian Service Committees were required to have the register of agricultural paddy lands inspected and certified by the Commissioner General every 03 years, that requirement had not been fulfilled.	Management comments have not been provided.	- Do -	
(b)	Section 40 of the Audit act No. 19 of 2018 and Financial Regulation 133 and 144	An internal audit had not been conducted for 16 committees and 13 farmers' banks during the year under review.	Action will be taken on the instructions of the Commissioner General of Agrarian Development	The provisions of the Act and the Financial Regulations should be followed and action should be taken against parties who fail to comply.	
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i)	Financial Regulation 188(2)	120,682	Action had not been taken regarding 02 cheques deposited by the Aluthwewa Agrarian	Management comments have not been provided.	Action should be taken as per the Financial Regulations.

			Services Committee but which had not been realized.		
(ii)	Financial Regulation 396 (d)	90,158	No action had been taken regarding 08 cheques issued by 03 committees and not presented to the bank for payment for more than 06 months.	That in the future, we will act in accordance with financial regulations.	Action should be
(d)	Circulars of the Commissioner Generals of Agrarian Development				
(i)	3.4.11 Paragraph of the circular No. 04/2012 dated 29 February 2012		A farmer disaster loan coverage account had not been maintained for farmers who had obtained loans from the Dambagalla Agrarian Bank.	Management comments have not been provided.	Action should be taken in accordance with the provisions of the circular, and action should be taken against parties who do not comply.
(ii)	Circular No. 07/2014 (No. 107 edited) dated 22 August 2014		Although the maximum amount that can be held on hand daily is Rs.10,000, 6 committees had exceeded that limit and held money on 99 occasions.	That we will act correctly in the future.	- Do -
(iii)	21.2 Paragraph of the circular No. 107 dated 16 October 1981		Although the Secretary of the Agrarian Service Center should check the stock book at least once a fortnight and be satisfied that the information entered therein is correct, he should sign the stock book, this had not been	Management comments have not been provided.	- Do -

done in the 4 Agrarian Service Centers of Thanamalwila, Okkampitiya, Bibila and Badalkumbura.

(e)	Circular No. 30,768,602 7/5/9/05 (මෙම.මපා.) dated 26 January and Procurement Guideline 2006	The Siyambalanduwa and Kataragama Agrarian Service Committees had not followed the procedures when purchasing agricultural equipment, agrochemicals, plants and fertilizers in the year 2024.	Management comments have not been provided.	Action should be taken in accordance with the guidelines, and action should be taken against those who have not done so.
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2 Financial Review

2.1 Financial Results

The operating result for the year under review for 14 Agrarian Service Committees in the Monaragala District was a surplus of Rs. 15,983,518 and a deficit of Rs. 1,171,855 for 04 Agrarian Service Committees and Accordingly, the total surplus was Rs. 14,811,663, and Accordingly, the total surplus for the previous year was Rs. 17,088,510, resulting in a decline of Rs. 2,276,847 in the financial result. This decline was mainly due to the lack of growth in revenue streams and increased operating expenses.

3 Operating Review

3.1 Management Inefficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	Although recommendations had been received for the disposal of fertilizer stocks worth Rs. 121,950 of the Thanamalwila Agrarian Services Committee, 04 machines, that were value not submitted for audit in 03 Agrarian Service Committees and 54 office equipment had not been disposed of.	That the action will be taken to eliminate abuse in the future.	Action should be taken to deal with the abuse in a proper manner.

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| (b) | 17 committees had not taken steps to acquire the legal ownership of 24 lands belonging to those committees. | That the requests have been made to the relevant Divisional Secretariats. | Steps should be taken to acquire the legal ownership of the lands owned by the Agrarian Services Committees in the name of the Committee, after obtaining advice from the Department of Agrarian Development. |
| (c) | 381 land registry amendment applications received at the end of the year under review had not been amended in 05 Agrarian Service Committees. | That is being revised. | Action should be taken to revise the land registers, and action should be taken against officers who have not acted in a timely manner. |
| (d) | Approximately 1464.67 metric tons of paddy harvest that could have been obtained had been lost due to the failure to renovate 93 irrigation projects identified as needing development by 06 Agrarian Service Committees. | That it was not possible to renovate due to lack of funds and that it will be renovated after receiving funds. | Funding should be obtained and work should be done to renovate. |
| (e) | Although Agrarian Service Committees have been established at the regional level to meet the agricultural needs of farmers in the area of jurisdiction, 12 Agrarian Service Committees had not been held committee meetings for a period of 3 to 10 months. | That it was not held as the committee members could not be contacted. | Agrarian Service Committee meetings should be held actively on a monthly basis. |
| (f) | Although the survey of paddy lands should have been completed under the Geo Goviya program, survey work had not been carried out on 8,738 plots of land in 8 committees. | That the future action will be taken after obtaining the advice of the Commissioner General of Agrarian Development. | The survey of paddy lands should be completed using an expedited program. |
| (g) | The Agricultural Research Production Assistant Officers had not taken the necessary steps to cultivate 236.44 hectares of agricultural land in 06 committees. | Actions are being made to cultivate land efficiently. | Efforts should be made to ensure efficient cultivation, and action should be taken against officers who have not |

			carried out formal supervision.
(h)	10,772.75 kilograms of fertilizer remained idle in 04 committees.	Actions will be taken to issue them to farmers in the coming seasons.	A formal inspection should be conducted and necessary steps should be taken to utilize or dispose of it with proper approval.
(i)	Action had not been taken to renovate 206 irrigation projects identified as needing renovation by 10 committees.	Management comments have not been provided.	Provisions should be obtained and work should be done to reform it under a formal program.
(j)	31 plants worth Rs. 5,425, 1182 kilograms of subsidized fertilizer worth Rs. 32,385 and 808 kilograms of unspecified high-priced fertilizer had been expired in Buttala Agrarian Services Committee and no necessary steps had been taken to dispose of them.	Management comments have not been provided.	Necessary steps should be taken to dispose of with formal approval.
(k)	Approximately 119.99 metric tons of paddy harvest that could have been obtained had been lost due to the non-cultivation of 100.08 hectares of paddy lands in 05 Agrarian Service Committees.	Management comments have not been provided.	Agricultural Research Production Assistant Officers should be taken formal steps to ensure cultivation.
(l)	38,805 kilograms of fertilizer worth Rs.5,925,263, which had been purchased without the need of farmers and farmer organizations from the 2022/2023 Maha season to the 2023/24 Maha season at the Thanamalwila Agrarian Service Center, and a stock of fertilizer worth Rs.680,000, which had been sold without ordering and obtained on a cash payment basis at the Okkampitiya Agrarian Service Center, had been stored in the warehouse due to non-sale.	Management comments have not been provided.	The required quantities of fertilizer should be accurately identified and purchased, and action should be taken against those who have not done so.

3.2 Operating Inefficiencies

3.2.1 Assets Management

Audit Observations	Comments of the Management	Recommendation
(a) 29 assets worth Rs. 9,136,532 owned by 13 committees and 32 assets with no value stated remained unused and idle for a period between 02 months and 18 years.	That they will be used in the future or, if they cannot be used in that way, will take steps to obtain permission and dispose of it.	Actions should be taken to utilize assets optimally.

3.3 Human Resources Management

Audit Observations	Comments of the Management	Recommendation
(a) There was a surplus of 04 employees in two posts and a shortage of 189 employees in 16 posts in relation to the Agrarian Services District Office and Agrarian Services Committees.	That they will act according to the instructions of the head office.	A staff review should be conducted and necessary staff vacancies should be filled.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observations	Comments of the Management	Recommendation
(a) 11 Agrarian Service Committees were late in submitting their accounts from 04 days to 03 months and 11 days, and the financial statements of the Wellawaya Agrarian Bank were not submitted for audit.	It is stated that efforts will be made to submit it on the due date in the future, and that agricultural development officers will be directed for that purpose.	Financial statements should be submitted on time, and action should be taken against those who fail to do so.

4.2 Agrarian Banks

Audit Observations	Comments of the Management	Recommendation
(a) During the period from 1999 to 31 December 2024, totaling Rs.77,852,899 as Rs.46,131,337 of the agricultural loans issued to 1301 farmers by 18 committees, Rs. 2,948,548 of the project loans issued to 55 farmers by 07 committees, Rs. 100,000 of the entrepreneurial loans issued to 02 farmers by 01 committee, Rs.14,282,613 of the special maize loans issued to 198 farmers by 07 committees and Rs. 14,390,401 of the agricultural equipment and other loans issued to 197 farmers by 05 committees had not been recovered.	Action will be taken to recover the amount by taking legal action, referring it to the Agrarian Tribunal, conducting office investigations and sending awareness letters.	A formal investigation should be conducted regarding the granting of loans and their non-recovery on time, action should be taken against the relevant parties, and steps should be taken to recover the loans in accordance with the relevant agreements.
(b) Although it is the objective of the Agrarian Bank to provide the necessary financial and advisory facilities to convert subsistence agriculture to a commercial level under the 1.6 (iii) of Circular No. 04/2012 of the Commissioner General of Agrarian Development dated 29 February 2012, credit facilities had not been provided to 87 Agricultural Research and Production Assistant Divisions of 10 Agrarian Service Committees in the year 2024.	That the loans will be provided based on the available funds as per the farmers' requests, and that the farmers in many districts have not requested loans.	A formal program should be developed to achieve the objective of establishing banks.
(c) 24,723 farming families in 10 agrarian service areas had not obtained membership in the Farmers' Bank.	That we are working towards that in the future.	Efforts should be made to ensure that all farmers contribute to the farmers' banking system.

4.3 Receivable and Payable Accounts

Audit Observations	Comments of the Management	Recommendation
(a) 47 outstanding balances amounting to Rs. 29,968,217 of 11 Agrarian Service Committees from 1991 to 2023, had not been recovered.	That the action will be taken to recover the money in the future.	Actions should be taken to recover the loan without delay, and action should be taken against parties who have not collected the loan on time.
(b) The arrears acreage tax of Rs.199,677 due from 1999 to 2024 of 03 Agrarian Service Committees had not been collected.	That the action will be taken to recover the money in the future.	Action should be taken to recover the amount in accordance with the Agrarian Development Act and circulars, and action should be taken against those who have not collected the amount in a timely manner.
(c) Action had not been taken to settle the total of Rs. 27,335,512, which is the balance of 26 loans outstanding from 1993 to 2023, of 07 Agrarian Service Committees.	That the action will be taken to recover the money in the future.	The relevant parties should be identified and resolved.