

42 Agrarian Service Committees in Anuradhapura District - 2024

1. Audit Opinion

The audit of the financial statements of the 42 Agrarian Service Committees in Anuradhapura 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 material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with 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 reported to Parliament appear in this report.

1.2 The qualified opinions have been expressed in 42 Audit Reports issued in relation to 42 Agrarian Service Committees in Anuradhapura district and the material deficiencies that had been caused to these are shown below.

1.3 Financial Statements

1.3.1 Non-Compliance with Sri Lanka Accounting Standard including Sri Lanka Public Sector Accounting

	Audit Observations	Comments of the Management	Recommendation
(a)	Although it is required to prepare consolidated financial statements as the Agrarian Bank is a unit of the Agrarian Service Committee, the proceedings had not been done accordingly by 42 Agrarian Service Committees.	The steps will be taken to rectify it next year.	The actions should be taken to prepare the consolidated financial statements.
(b)	Six Agrarian Banks had not disclosed the accounting policies of the Agrarian Banks along with the financial statements, and the financial statements had not been presented comparatively with the previous year.	The steps will be taken to rectify it next year.	The steps should be taken to disclose the accounting policies together with financial statements and to present the financial statements comparatively with the preceding year.
(c)	The accounting policy related to stock valuation in the financial statements of 17 Agrarian Service Committees and the depreciation policy related to the non-current assets of 09 Agrarian	The steps will be taken to include in the next year.	The accounting policy related to stock valuation and the depreciation policy related to the assets in the financial statements should

Service Committees had not been disclosed.

be disclosed.

(d) Even if the closing stock should be valued at the lower value out of cost or net realizable value, 17 committees had valued the stock at cost with no calculation of net realizable value.

The steps will be taken to rectify it next year.

The closing stock should be valued at the lower value out of cost or net realizable value

1.3.2 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
(a) The value of the buildings owned by 22 Agrarian Service Centers had not been assessed and accounted as non-current assets.	The steps will be taken to assess and include the value.	The value of the buildings owned by the Agrarian Service Centers should be assessed and accounted as per the instructions of the Department of Agrarian Development.
(b) 85 items of machinery at a value of Rs. 18,128,928 purchased for 24 Agrarian Banks and Committees in the year under review had not been accounted as non-current assets.	The steps will be taken to include that in the financial statements in the coming year.	The action should be taken to account the non-current assets.
. (c) The value of 08 seed planting machines, 06 weeding machines, 11 plant planting machines, 07 water tanks, 02 water motors, 04 grass cutters, 01 smart board, 02 televisions, a TAFE tractor, a two-wheel tractor and trailer, 02 threshing machines, a disc plough, a soil ridge laying machine, a disc harvesting machine, a mobile boiler, a seed peeling machine, a laptop computer and a compost sieving machine that had been given to 10 Agrarian Service Committees had not been identified and accounted under property, plant and equipment during the year under review.	The value of these machines should be identified and accounted.	The value of the machines and equipment owned by the Agrarian Service Committee should be identified and accounted.

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| (d) | As the total expenditure of Rs. 431,927 incurred by 05 Agrarian Service Committees in the year under review for the previous year was accounted as the expenditure for the year under review, the surplus for the year under review had been understated by that amount. | The expenses for the year will be accounted correctly in the future. | The expenses for the year should be identified and accounted correctly. |
| (e) | Although the depreciation value for the year under review in relation to 22 non-current asset items of 06 Agrarian Service Committees was Rs. 2,370,679, the said value had been stated as Rs. 659,381 in the financial statements. Consequently, the surplus and non-current assets for the year had been overstated by Rs. 1,711,298. | The action will be taken to rectify in the next year by adjusting to the cumulative fund. | The depreciation for the year should be accurately calculated and accounted and the relevant adjustments should be made in the financial statements. |
| (f) | As the fixed deposit interest of 06 Agrarian Service Committees had been overstated by Rs. 290,179 for the year under review, the surplus for the year had been understated by that amount. | The rectification will be done in future | Fixed Deposits interests should be identified and accounted correctly, and the relevant adjustments should be done in the financial statements. |
| (g) | The capital expenditure amounting to Rs. 302,585 incurred for the renovation of the sales outlets of 02 Agrarian Service Committees in the year under review had been accounted as revenue expenditure. | The rectification will be done in future | Capital Expenditures and Revenue Expenditures should be identified and accounted correctly. |
| (h) | Since the accumulated depreciation relating to furniture and equipment was understated by Rs. 422,453 when indicating the balance of furniture and equipment in the non-current assets of the Yakalla Agrarian Service Committee at the end of the year under review, the non-current assets had been overstated by that amount in the financial statement. | It will be rectified in the year 2025. | The steps should be taken to deduct the correct accumulated depreciation value from the furniture and equipment cost and to show the net value in the statement of financial position. |

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| (i) | Since the depreciation value of Rs. 1,454,443 in the year under review relating to machinery worth Rs. 10,658,409 purchased by 15 Agrarian Service Committees in the year under review and the preceding years had not been shown as expenditure in the statement of financial performance, the surplus of the year had been overstated by that amount. | The steps will be taken to rectify it in the financial statement in the coming year. | Depreciations for the year should be calculated and accounted correctly, and the relevant adjustments should be accounted. |
| (j) | As the stock of 21,050 kilograms of MOP fertilizer worth Rs. 3,789,000 existed in Ranorawa Agrarian Service Committee at the end of the year under review had not been taken to the remaining stock, the current assets and the surplus had been understated by that amount. | The steps will be taken to make rectifications. | The stock values should be included in the statement of financial position. |
| (k) | Although the total value of 07 non-current asset items of 03 Agrarian Service Committees was Rs. 1,222,680, the said value had been shown as Rs. 420,185 in the financial statements. Consequently, the non-current assets had been understated by Rs. 802,495. | It was unable to account as assets according to the instructions given by the Head Office to write off the expenditure related to the said assets against the accumulated fund of the Agrarian Bank. | The assets purchased by the Agrarian Bank should be accounted as Fixed Assets of the Agrarian Service Committee. |
| (l) | The accumulated depreciation value of Rs. 924,776 relating to 04 unaccounted machinery items of the Thanthirimale Agrarian Service Committee in the previous year had not been adjusted to the accumulated fund and non-current asset balance of the year under review. | The steps will be taken to adjust to the accumulation and make rectifications. | The relevant depreciation value should be adjusted to the accumulated fund and deducted from the non-current assets. |

(m)	Although a sum of Rs. 1,172,429 had been accounted as the receivable Agrarian Bank dividend in the financial statements of the Kekirawa Agrarian Service Committee, the dividends payable to the Agrarian Service Committee had not been accounted in the financial statements of the Agrarian Bank.	The steps will be taken to make rectifications.	The proceedings should be done formally and the dividends payable should be included to the statement of financial position of the Agrarian Bank.
(n)	Bad debt allocations had not been made for the debtors in the financial statements of 34 Agrarian Service Committees for the year under review.	The relevant allocations will be made in the coming year.	The relevant allocations should be done for the debtors.
(o)	17 Agrarian Service Committees had stated certain income and expenditures such as acreage, fixed deposit interest, bank charges and capital interest in the financial statements on a cash basis	The steps will be taken to make rectifications in the coming year.	The income and expenditure should be shown in the financial statements on accrual basis.
(p)	Even if the buildings, machinery and vehicles owned by the Committee should be depreciated at the rate of 5 and 20 percent of the original value respectively and furniture and equipment at the rate of 10 percent on the diminishing balance in terms of Section 30(4) of the Circular No. 107 dated 16 October 1981 issued by the Commissioner of Agrarian Services, the depreciations had been done by 15 Agrarian Service Committees contrary to this during the year under review.	The steps will be taken to make rectifications in the coming year.	The assets should be depreciated as per the circulars and the adjustment should be done in the financial statements related thereto.

1.3.3 Unreconciled Control Accounts or Reports

	Audit Observations	Comments of the Management	Recommendation
(a)	Although the net value of the assets as per the fixed assets register of the Palugaswewa Agricultural Services	Answers have not been received.	It should be reconciled formally and the value of fixed assets should be

	Committee as at 31 December of the year under review was Rs. 200,183, it had been shown as Rs. 1,162,000 in the statement of financial position. Consequently, there was a difference of Rs. 961,817.		accurately identified and accounted according to the fixed asset register.
(b)	There was a difference of Rs. 1,023,813 between the fixed asset register and the fixed asset balance in the statement of financial position of 02 Agrarian Service Committees.	The rectifications will be done in the future.	The actions should be taken to rectify the mismatches.
(c)	Although the closing balance of furniture and equipment was Rs. 690,500 according to the audited financial statements of the Ethakada Agrarian Service Committee for the previous year, it had been brought as Rs. 1,031,456 to the opening balance of the year under review. Consequently, there was a difference of Rs. 340,956.	The rectifications will be done in the future.	-DO-
(d)	There was a disparity totaling Rs. 1,839,606 related to 10 items between the balance as at 31 December 2023 and the balance as at 01 January 2024 in the balance check submitted with the Financial Statements of 02 Agrarian Service Committees and an Agrarian Bank.	This has occurred due to a typing error and the actions will be taken to rectify it in future.	-DO-
(e)	As per the material stock account presented with the fertilizer stock records and financial statements of the Kebitigollewa Agrarian Service Committee at the end of the year under review, there was a difference of Rs. 5,774,291 related to 04 stock items between the balances.	The actions will be taken to make rectifications in the future.	The steps should be taken to reconcile formally and to rectify the stock balances.
(f)	As per the stock register of the Ethakada Agrarian Service Committee, the stock of subsidized Urea Fertilizer was 20900	The steps will be taken to rectify the error in the material stock account	- DO-

kilograms and according to the material stock account, the said balance was 28058 kilograms as at the end of the year under review. Consequently, it had resulted in a difference of 7158 kilograms.

occurred by mistake.

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| (g) | According to the statement of financial position the Kapugollawa Agrarian Service Committee as at the end of the year under review, the subsidized fertilizer stock was Rs. 3,924,880 and according to the material stock account, the said balance had been Rs. 594,102 causing a difference of Rs. 3,330,778. | The actions will be taken to rectify it in future. | - DO - |
| (h) | There was a difference of Rs. 183,517 related to 6 balances between the financial statements and debtor ledger of 02 Agrarian Banks. | Control Accounts will be updated and rectified in future. | The steps should be taken to make reconciliations formally and include the correct balances in the financial statements. |
| (i) | There was a difference of Rs. 2,468,672 related to 22 balances between the financial statements and ledger accounts of 08 Agrarian Service Committees. | The steps will be taken to update and rectify the Ledger. | - DO- |

1.3.4 Suspense Accounts

Committees	Item	Amount Rs.	Period of Suspense Status	Comments of the Management	Recommendation	
(a)	Ranorawa	Current Assets	2,214	Since 1985	This is a balance prevailing since the year 1985	The steps should be taken to settle the suspense accounts immediately.
(b)	Gambirigaswe wa	Liabilities (Bank)	705,714	An unidentifiable Balance	The steps will be taken to identify and settle next year.	- DO -

(c)	Anuradhapura	Other Income (Unidentifiable Income)	30,000	2024	The particulars could not be found.	- DO -
(d)	Kapugollewa	Current Liabilities (Trust Fund)	185,680	Since 2006	The steps will be taken to rectify in future.	- DO -
(e)	Pemaduwa	Current Liabilities (Suspense Account)	358,861	2024	The steps will be taken to rectify.	- DO -
(f)	Shrawasthipura	Current Assets (Expenditure exceeding Income)	400,103	Since 1998	The steps will be taken to rectify in future.	- DO -
(g)	Adiyagala	Suspense Account Balance	611	Since 2020	The steps will be taken to rectify in future.	- DO -
(h)	Madatugama	Credit Balance of Suspense Account	786,172	An old balance	The steps will be taken to rectify in future.	- DO -
(i)	Kallanchiya	Stock Deficit	68,731	2024	No answer has been given.	- DO -
(j)	Kekirawa	Suspense Account Balance	557,660	A balance existing since many years	The steps will be taken to rectify in future.	- DO -

1.3.5 Documentary Evidences not made available for Audit

	Audit Observations	Comments of the Management	Recommendation
(a)	In relation to 36 Agrarian Service Committees, 61 non-current asset items amounting to a total value of Rs. 45,484,532, 71 current asset items with a total value of Rs. 315,899,017, 02 non-current liability items with a total value of Rs. 2,486,925, 50 current liability items with a total value of Rs. 336,878,081, 27 revenue items with a total value of Rs. 21,736,391 and 18 expenditure items with a total value of Rs.	The steps will be taken to correct these deficiencies in the year accounting reports of the year 2025 and include the necessary documents, notes, and report confirmations to present accurate information.	The steps should be taken to present the relevant evidence to the audit to verify the balance of assets, liabilities, income and expenses.

8,151,062 could not be satisfactorily verified / vouched during the audit due to the absence of fixed asset register, detailed schedules, fixed deposit certificates, updated debtor documents, updated creditor documents, balance confirmations, age analysis, balanced ledger accounts, stock documents, cash books, bank reconciliations, bank statements, deposit documents, bank pass books, information related to fertilizer vouchers provided to farmers by the Agriculture Research and Production Assistants, agreements related to obtaining loans, loan payment records, agricultural land register including high land, and income and expenditure records.

1.3.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, Regulations etc	Non-compliance	Comments of the Management	Recommendation
(a) Agrarian Development Act No.46 of 2000 amended by the Agrarian Development (Amendment) Act, No. 46 of 2011	Even though a sum of Rs.446, 040 had been paid to purchase the printer machines for 07 Agrarian Service Committees and a sum of Rs.845, 169 had been paid to purchase the software and the scanners for 22 agrarian banks, such assets had not been received at the end of the year under review and such values had been accounted as the expenses without	The action will be taken to rectify in the future.	The step should be taken to accurately identify and account the receivable assets and the relevant rectifications should be made.

mentioning as
receivable expenses.

- (ii) Section 53(4)
(a) Even if every agricultural land register should be inspected and certified by the Commissioner General once in every three years, the paddy land registers of 407 divisions belonging to 27 Agricultural Service Centers had not been inspected and certified by the Commissioner General.
- The documents will be prepared subject to amendments and presented to the Commissioner and the actions will be taken to get the relevant documents certified.
- The proceedings should be done as per the provisions of the Act

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

- (i) Financial Regulation 104(6)
- Although the investigations should be started immediately after the occurrence of a loss or damage to specifically find out the exact extent and causes and to determine those responsible thereto, according to the letter dated 20 June 2025 of the Executive Secretary of the Siwalakulam Agrarian Service Committee, the stock shortage of Rs. 241,980 that occurred before the year 2023 had not been determined even by the end of the year under review.
- Required actions will be taken to carry out the investigations immediately.
- The steps should be taken in accordance with financial regulations to determine those responsible for the shortage of raw materials, and the actions should be taken against the parties who did not act in a timely manner.

(ii) Financial Regulation 137	Although the payment should be done only for the approved vouchers, 225 vouchers amounting to a total of Rs. 13,235,132 of 08 Agrarian Service Committees had been paid without approval.	Approval has been granted with signatures. The respective officers have been informed to make payments only for the approved vouchers in the future.	Payments should be done only for the certified vouchers in accordance with Financial Regulations, and the actions should be taken regarding those who did not proceeded accordingly.
(iii) Financial Regulation 137(5)	Even though the responsibility of the payment approval officer is to verify that it had been accurately received after inspecting in the event of supplies, the payments had been made before receipts the goods for a sum of Rs.446, 040 for purchase the printer machines for 07 Agrarian Service Committees and a sum of Rs.845, 169 for purchase the software and the scanners for 22 agrarian banks.	The action will be taken to rectify.	Only after the verification the receipt of goods requested as per the Financial Regulation, the action should be taken to pay.
(iv) Financial Regulation 139	The payments had been made without certification for 72 vouchers amounting to a total value of Rs. 3,886,959 of 06 Agrarian Service Committees and 58 vouchers with a total value of Rs. 5,224,950	The steps have already been taken to certify and the actions will be taken to make rectifications.	Payments should be done only for the certified vouchers in accordance with Financial Regulations, and the actions should be taken regarding those who did not preceded

of 03 Agrarian Banks.

accordingly.

(v) Financial
Regulation 264

Although confirmation on receipt of the amount mentioned in the voucher should be obtained for each payment, such confirmation had not been obtained for 114 vouchers totaling Rs. 4,902,819 of 08 Agrarian Service Committees.

The steps will be taken to keep the receipts and to make rectifications.

In accordance with financial regulations, verification on the receipt of the amount mentioned in the voucher should be obtained for each payment.

(vi) Financial
Regulation
272 (3)

Although it is required to send the paid vouchers to the Auditor General, 10 payment vouchers for 10 expenditure items totaling Rs. 6,231,775 that had been entered in the daily cash payment register by 02 Agrarian Service Committees had not been presented for audit.

Since these vouchers have been sent to District Offices, the arrangement will be made to take those back.

The steps should be taken to present the relevant outstanding vouchers to the audit; otherwise further steps should be taken in accordance with the financial regulations.

(c) Circular No.107 dated
16 October 1981 of
the Department of
Agrarian Service

(i) Paragraph 21.2

Although the Secretary should inspect the stock books at least once a fortnight and sign the stock books after being satisfied about the accuracy of the details contained therein, the

The steps will be taken to make rectifications in future.

The proceedings should be done as per the circular and the actions should be taken against those who do not comply.

(ii) Paragraph 30.2	<p>supervision activities had not been done in 11 Agrarian Service Committees accordingly.</p> <p>Although the accuracy of the debtor balances shown in the financial statements should be verified with the relevant debtors and the said confirmations should be presented with the financial statements, the proceedings had not been done accordingly by 21 Agrarian Service Committees.</p>	<p>The steps will be taken to obtain confirmation letters in future.</p>	- DO -
(iii) 3 (vii) of Paragraph 30	<p>Although the cash flow statement should be presented together with the financial statements, the cash flow statement had not been prepared and presented in the financial statements of the year under review by Palugaswewa Agrarian Service Committee.</p>	<p>No answer had been given.</p>	- DO -
(d) Agrarian Banks Circular No.04/2012 dated 29 February 2012	<p>(i) Paragraph 2.4.1 A plan had not been prepared for encouraging the farmers and persuading them to the production process and the sales.</p>	<p>The step will be taken to prepare the plans in the future.</p>	<p>The measures should be taken to prepare the plans as per the circulars and the action should be taken</p>

				against the parties who had not acted in that manner.
(ii)	3.15 (i)	The name list of the farmers approved by 10 Agrarian Service Committees had not been displayed at the Agrarian Service Center at the beginning of the season.	The steps will be taken to display it in future.	The proceedings should be done as per the circulars and the actions should be taken regarding those who did not proceed so.
(e)	Paragraph 02 of the Circular No. 2016/03 dated 09 February 2016	Although every Agriculture Research and Production Assistant Officer is required to inspect the farmer organizations at least once every 04 months and submit a farmer organization inspection report to the Agrarian Development Officer, the Agriculture Research and Production Assistant Officers of 14 Agrarian Service Committees had not proceeded accordingly.	The steps will be taken to keep the records.	- DO-
(f)	Circular No.04/2012 (Amendment vii) dated 28 December 2022	Although the maximum limit of the amount in hand to be kept in a Farmer Bank (Pilot) project is Rs. 50,000, 18 Farmer Banks had retained cash in hand ranging from Rs. 50,000 to Rs. 1,333,466 on 515 occasions during the year 2024.	This has occurred due to the receipt of money after 3 pm, distant location of bank branches, and rejection of damaged cash by the machines, and the steps will be taken to correct this in the future.	-DO-
(g)	Volume 3 Letter (କୌଣସି) No.7/5/9-05	The Bulnawa Agrarian Services Committee had	According to the letter of the Commissioner of	The proceeding should be done as

	dated 05 October 2023 of the Commissioner General of Agrarian Development	purchased 2450 kilograms of Urea worth Rs. 428,750 from a private company on 25 April 2024 carrying out no comparison on the prices.	Agrarian Development 7/5/9-05 (මෙමභ.පො), it is not necessary to call for quotations.	per the Procurement Guideline.
(h)	Treasury Circular No.842 dated 19 December 1978 (178)	Although it is required to maintain a fixed asset register containing details of all fixed assets owned by the institution, a register had not been maintained for the fixed assets with a net value of Rs. 1,617,233 owned by the Kekirawa Agrarian Services Committee.	The steps will be taken to maintain a fixed asset register	The steps should be taken to maintain a fixed asset register.

2. Financial Review

2.1 Financial Result

The aggregate operating result of 42 of Agrarian Service Committees in Anuradhapura District is a surplus of Rs.39, 735,294 and correspondingly the surplus in the preceding year was Rs. 55, 282,612. Accordingly, a deterioration of Rs.15,547,318 in the financial result was observed and the aggregate of the operating result of 42 agrarian banks is a surplus of Rs. 16,268,775 in the year under review correspondingly the surplus in the preceding year was Rs. .20,937,533. Accordingly, a deterioration of Rs.4, 668,758 in the financial result of the bank was observed. The reasons for this deterioration are decrease of service supply income by Rs. 30,750,745, income earned under the provisions of Agrarian Development Act by Rs. 3,981,719, non-operating income by Rs.11, 849,660 and other income by Rs .1, 462,211.

3. Operational Review

3.1 Cash Management

	Audit Observation	Comments of the Management	Recommendation
(a)	A total amount of Rs.23, 634,449 of the current accounts of 04 Agrarian Service Committees had been retained as at 31 December 2024 and receivable interest income had lost due to not taking action to invest a considerable part of said amount	The action will be taken to deposit the money in a fixed deposit account.	The action should be taken to invest excess money under formal approval.

under the formal approval.

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| (b) | No measures had been taken to identify the reasons for the cash in hand shortage of Rs.1, 166,098 identified in accordance with the bank statement records and the documents on the transactions occurred since 2016 of Saliyapura Agrarian Service Committee and recover from the responsible parties. | Since a preliminary inquiry is being performed in this regard in departmental level, the action will be taken to rectify as per the decisions of inquiry. | The measures should be taken to immediately carry out the inquiry activities and recover the loss from the responsible parties. |
| (c) | No measures had been taken to conduct a formal inquiry on the payments of Rs.354,268 which had been noted as the payments without vouchers existed since 2019,unidentified payment of Rs.33,230 which had been shown as the dishoured cheques in the financial statements since 2015 but the cash had been paid by the bank and the payment of Rs.57,274 on which the payment had been made by cheques in 2018 and there is no any note on the payment of Saliyapura Agrarian Service Committee and identify the responsible persons. | Since a preliminary inquiry is being performed in this regard in departmental level, the action will be taken to rectify as per the decisions of inquiry. | The preliminary inquiry should be carried out as per the Financial Regulations and the required action should be taken in accordance with the inquiry decisions. |
| (d) | Agrarian Development District Office had deposited an amount of Rs.11, 727,200 by a cheque in the current account of Anuradhapura Agrarian Service Committee on 30 December 2023 and withdrawn a total amount of Rs.8, 632,400 in the year 2024 from time to time and a balance of Rs.3, 094,800 had further existed at the last date of the year under review and the reasons for retaining the money of another party in the current account of the committee had not been submitted to the audit. | The answers had not been presented. | A formal inquiry should be performed on cash deposits and withdrawals and related approvals and the relevant steps should be taken. |
| (e) | 02 cheques with a total value of Rs.1, 009,100 had been issued on 30 and 31 December 2024 by Yakkala Agrarian Service Committee while the cash balance of committee current account had prevailed as Rs.66, 872 as at 30 December 2024. | Even though the bank had been made aware to transfer the money from the savings account to the current account, the money had not been transferred. | After it had been inspected the considerable balance in the current account, the cheques should be issued and the action should be taken to not to pay the bank |

overdraft interest.

3.2 Identified Losses

Audit Observation	Comments of the Management	Recommendation
(a) A case had been filed in Anuradhapura High Court to recover a balance of Rs.4, 341,936 due from the rice mill owner due to not returning the paddy stock after turning to rice provided to a rice mill owner in 2006 by Thalawa Agrarian Service Committee under turning the Government paddy stock to rice and providing to the Government warehouses Program and the loan balance couldn't be recovered owing to death of rice mill owner and a loss had occurred to the committee from that amount.	The answer had not been received.	The required necessary measures should be taken against the relevant parties in relation to not recover as per the agreement within the stipulated period of time.

3.3 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The action had not been taken to recover 261 receivable balance of Rs. 272,651,704 existed for more than many years in the financial statements of 32 agrarian service committees within the year under review.	The action will be taken to settle.	The step should be taken to promptly recover the receivable balances and the step should be taken against the parties who had not recovered timely.
(b) No action had been taken to settle 210 payable balance of Rs. 258,650,295 continuously existed for many years in the financial statements of 29 agrarian service committees within the year under review.	An internal audit examination is being carried out by Palagala Agrarian Service Committee and subsequently, the necessary steps will be taken and the instructions had been requested to adjust to the cumulative fund and the actions will be taken to settle.	After it had been verified subsequent to a formal examination, the action should be taken to settle the payable value.

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| (c) | Though a total amount of Rs.21,835,674 had been paid in 2023 and 2024 to purchase required equipment for 38 agrarian banks and 32 Agrarian Service Committees in Anuradhapura District for the establishment of the software prepared for Agrarian Service Committees and Agrarian Banks (pilot) Project with an objective of fulfilling the duties of agrarian banks (pilot) project in efficient and satisfactory manner, the relevant software and the scanners had not been received even up to 31 December 2024 and the equipment purchased so far had become idle due to non-establishment of the software up to 11 July 2025. | The action will be taken to establish the software after making aware Agrarian Development Deputy Commissioner in this regard and the measures will be taken to utilize subsequent to receipt of the technical instructions, necessary training and guidance. | The relevant software should be immediately established and the measures should be taken to use a formal program by providing required training and guidance and fulfill the expected objectives from the project. |
| (d) | 556.85 acres of paddy fields which can be newly cultivated couldn't be cultivated due to non-renovation of 195 small irrigation tanks proposed to be renovated within the year under review which can provide the water to 8225.75 acres of paddy fields benefited by 6920 farmer families within the limits of 16 agrarian service committees. | It couldn't be cultivated within the stipulated period of time due to heavy rains and it had been planned to carry out the renovation activities as per the priority list. | The action should be taken to increase the number of paddy fields which can be newly cultivated by renovating small irrigation tanks to be renovated. |
| (e) | The fertilizer stock with total value of Rs.1, 209,604 of 05 agrarian service committees had expired up to 31 December 2024 and no step had been taken to properly utilize this fertilizer stock before expiry. | The action will be taken to remove the stock as per the instructions of Deputy Commissioner. | The measures should be taken to use the fertilizer stock for cultivation activities before expiry or return the excess stock and step should be taken against the parties who had not taken action in that manner. |
| (f) | The fertilizer in the warehouse belonging to Siwalakulama Agrarian Service Committee had been stored unsystematically and 352 kg of TSP fertilizer had destroyed in an unusable condition due to the flood. . | The store will be systematically maintained in the future. | The fertilizer should be systematically stored and the action should be taken against the parties who had not acted in formal manner. |
| (g) | The rice mill provided to Thabuththegama Agrarian Service Committee on 20 August | Due to the limited space, it can't be utilized. | The action should be taken to establish in a suitable |

2002 under Japanese “Yen” aids had been idle without utilization even up to 20 March 2025 owing to the space limitation at its location, arisen the environmental issues after implementation and failures in milling paddy and the benefits which could have been obtained after establishment in a suitable area with adequate space had lost.

area with adequate space.

(h) Since 03 seed warehouses with total value of Rs.27,552,497 in 818,2567 and 2567 square feet provided to Rajanganaya, Maradankadawala and Padavi Parakramapura Agrarian Service Centers respectively constructed by Agrarian Service District Office in 2021 under World Bank aids on Covid 19 emergency situation and the seed warehouse with 2520 square feet but without the value provided to Saliyapura Agrarian Service Centre constructed by Anuradhapura District Secretariat under said project do not cultivate other crops to store in the limit of this agrarian service area, those had been idle without utilization up to 14 July 2025. Furthermore, an amount of Rs.2,954,945 had been paid as the first installment for the construction of the seed warehouse of Madawachchiya Agrarian Service Centre by Agrarian Service District Office under above project and no action had been taken to complete the construction activities up to 14 July 2025.

The other crops are not cultivated to store even in the limit of this agrarian service area.

The step should be taken to fulfill the expected objectives from the seed warehouses.

(i) The necessary measures had not been taken even in the year under review to identify the responsible officers for the stock shortage existed in the financial statements since many years in relation to 15 stock items with total value of Rs.281,945 of Nochchiyagama Agrarian Service Committee and recover those values.

An inquiry is being conducted by Department.

The action should be taken to immediately carry out the inquiry and identify the responsible persons and settle it.

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| (j) | An amount of Rs.2, 563,602 had to be further recovered from 07 officers as at 31 December 2024 from the fertilizer provided to Agriculture Research and Production Assistant by Palagala Agrarian Service Committee on the payment after selling basis. | The internal audit examination will be conducted for this and the future action will be taken after completion the inquiry. | The action should be taken to recover the money receivable immediately from the relevant officers after taking formal measures. |
| (k) | An amount of Rs.2, 356,380 is recoverable as at 26 March in the year under review for 14 tractors with 02 wheels provided under the payment method to 14 farmers at amount of Rs.250, 000 in 2010 under Japanese aids by agrarian service center and no measures had been taken to recover such money or take over such tractors to the agrarian service center or necessary steps. | The legal action is being taken to acquire said tractors. | The step should be taken to recover outstanding amount after taking action formally or take over such tractors to agrarian service center or get necessary action. |
| (l) | The finger scanners had been purchased at a cost of Rs.2, 130,000 by 40 agrarian service centers in Anuradhapura District and 26 out of said finger scanners had been non-operational even up to 31 December 2024. Even though it had been informed to use the finger scanners by the all officers who served in agrarian service centers and send the arrival and departure records to Agrarian Development Commissioner General before 15 of every month in accordance with the letter No. 7/5/7-01 dated 02 October 2020 of Agrarian Development Commissioner (Services) and send the arrival and departure records to Agrarian Development Deputy Commissioner before 05 of every month as per the letter No. 19/03/05/04/05 (v) dated 01 March 2021 of Anuradhapura District Agrarian Development Deputy Commissioner, the arrival and departure records had not been sent to Deputy Commissioner by center. Therefore, the objective of installation of the finger scanners had not been achieved. | The Agrarian Development Deputy Commissioner had been made aware in this regard and since the purchasing institute does not exist presently, the necessary action will be taken to repair it through the district office or purchase new machines. The action will be taken to provide the required software to obtain the copies. | Having performed a formal investigation, the steps should be taken against the officers who do not use the finger scanners. |

3.4 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though a total amount of Rs.27,125,879 had been incurred up to 31 December 2024 in relation to Geo Goviya Program in 2023 and 2024 by Agrarian Service Centre, the expected objectives couldn't be fulfilled from the expenses incurred so far due to inability usage Geo-Goviya Data System for the fertilizer distribution Program in relation to 2024/2025 Maha Season owing to non-completion of entering data into the relevant system.	The further activities will be carried out through agrarian.lk until completion the technical functions and the action will be taken to achieve the expected targets subsequent to receipt the required training and guidance.	After formal Program had been used, the required information should be immediately entered into the data system and the action should be taken to utilize it for the fertilizer distribution activities.
(b) Under Geo Goviya Program, 159,041 plots of paddy field land out of 179,663 of 24 agrarian service limits had been surveyed and mapped and entered into the system and no measures had been taken to survey, map and enter 19,262 plots into the program.	Since the issues prevail in the system, there are some inconveniences available for the completion and the step will be taken to promptly map after rectifying the technical faults.	Having rectified the faults prevailing in the system, the plots of land which had not been mapped should be immediately mapped and Geo Goviya Program should be implemented.
(c) The total receipts of Rs. 308,500 collected from 14 general cash receipts had not been noted in the daily cash receipt document of Kallanchiya Agrarian Service Committee.	The answers had not been received.	If a misuse of money had occurred after a formal examination, the steps should be taken against the relevant parties and the internal control should be strengthened.

3.5 Transactions in contentious nature

Audit Observation	Comments of the Management	Recommendation
(a) An amount of Rs.688.263 had been erroneously paid for uncultivated land in extent of 47.5 hectares of 59 plots of land of	As per the internal audit query, the necessary action is being taken to	The step should be taken to determine the responsible officers

49 farmers resided in the division in providing the fertilizer money in relation to 2023/2024 Maha, 2024 Yala and 2024/2025 Maha seasons by entering the total paddy land extent included in the document maintained by Agriculture Research and Production Assistant worked in Prabodhagama Division belonging to Punewa Agrarian Service Centre in the farmers name register as cultivated land.

recover that amount and the instructions had been requested from Agrarian Development Deputy Commissioner with regard to the money recovered from him due to the death of relevant officer.

having carried out a formal inquiry and make relevant recoveries.

- (b) The fertilizer subsidy amount of Rs.879,618 for 59 hectares of paddy land had been credited to the fault account numbers erroneously by including the names, identity numbers and account numbers of the persons who had not resided within the division in relation to 2023/2024 Maha, 2024 Yala and 2024/25 Maha season of Punewa Agrarian Service Centre.

The answers had not been received.

Having carried out a formal examination, the action should be taken against the responsible persons and recover the relevant money.

3.6 Assets Management

Audit Observation	Comments of the Management	Recommendation
(a) The total value of Rs. 670,480 including 02 water mortars, harvesting machine, laptop computer, scanner, organic fertilizer grinding machine and photo copy machine belonging to 04 agrarian service centers had been idle since many years.	It had been proposed to auction certain assets, renovate certain assets and implement a program for providing organic fertilizer crushing machine on rent basis to the farmers.	The measures should be taken to renovate the idle assets or dispose in formal manner and the action should be taken to utilize the organic fertilizer crushing machine.
(b) 03 compost sieving machines received to 03 agrarian service committees in 2021 had been idle even up to the end of year under review.	Since it is not utilized for the production, the necessary action will be taken to refer to another institute.	The action should be taken to fully utilize the assets or formally hand over to other institutions.
(c) 09 seed planting machines, 01 disk harvesting machine, 01 sis ploughs, 01 soil ridges laying machine, 02 weeding machine, 200 parachute disks, 01 water machine, 01 tractor trailer, 03 grass	Certain assets will be renovated and the instructions will be obtained to install the water gauges from Head	The action should be taken to repair and use the assets which can be repaired and install the water gauges and the

	cutting machines, 01 tractor with four wheels, 01 tractor with two wheels, 67 water gauges and bags sawing machine belonging to 14 agrarian service centers had been idle since long time.	Office.	steps should be taken to formally dispose the assets which can't be utilized.
(d)	07 computers, 01 mobile boiler, 06 printer, 02 fax machines, 04 photo copy machines, refrigerator and safety vault belonging to 07 agrarian service centers had been idle since long time.	The repairable assets will be repaired and the other assets will be auctioned.	The measures should be taken to repair and utilize the idle assets and formally dispose.
(e)	Due to not taking action to renovate and utilize 02 official residencies belonging to 02 agrarian service centers, official residence rent income had lost and since no action had been taken to clear the land around the official residence, the land had become weedy.	The step will be taken to make aware Agrarian Development Deputy Commissioner and obtain provision and repair.	After repairing the official residence, the action should be taken to provide it on rent basis and the premises should be kept in formal manner.
(f)	The sales outlets of 03 agrarian service centers had not been utilized for any sales activity since more than 05 years.	Since it had been established in the rural areas, it can't be competed with other sales outlets.	The action should be taken to provide the sales outlets on rent basis having acted in formal manner or utilize for the benefit of the center.
(g)	Govi Sevana building provided to Yakalla Agrarian Service Centre under Eka Mitata Govi Bimata Program had been idle since 2020.	It had been forwarded to the Divisional Secretary to provide to a farmer.	The action should be taken to achieve the expected objectives from the buildings provided to the center.

3.7 Procurement Management

Audit Observation	Comments of the Management	Recommendation
(a) Even though a bid evaluation report should be prepared by the Technical Evaluation Committee once the bid evaluation is completed as per the section 7.11.1 of the Procurement Guidelines in	The relevant purchasing institute will be approved by Agrarian Development Deputy Commissioner and the future purchases will be	The step should be taken to purchase as per the Procurement Guidelines and the action should be taken

purchase of 03 computers with a value of Rs.968,000 for 03 agrarian service committees and said report should be submitted to the procurement committee with the all verifying documents, the bid evaluation report had not been presented to the audit and it had not been certified that the goods received are in compliance with the specifications and other agreed conditions and warranty certificates and manuals had been provided as agreed as per the section 8.12.3 of the Procurement Guidelines.

carried out as per the instructions. against the responsible parties.

3.8 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
(a) 29 vacancies had existed including 27 Agriculture Research Production Assistants, 01 post of Agrarian Development Regional Officer and post of Management Assistant in relation to 27 divisions out of 53 Agriculture Research and Production Assistant in areas of authority of 04 agrarian service committees.	The action will be taken to fill these vacancies in the recruitment of Agriculture Research and Production Assistant officers by the Government and the Head Office had been made aware through Agrarian Development Deputy Commissioner.	The necessary measures should be taken for the essential vacancies having performed an analysis of staff.
(b) 15 officers out of the officers who perform the duties in 02 agrarian service centers are serving in a same center for a continuous period from 06 years to 25 years and the transfer policy had not been implemented related to these officers.	The shortage of officers had affected for this.	In accordance with the transfer policy, the action should be taken to transfer those officers.

4. Accountability and Good Governance

4.1 Presentation of the Financial Statements

Audit Observation	Comments of the Management	Recommendation
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| (a) | Even though the Annual Accounts should be submitted to the Auditor General before lapse of 03 months from the end of the financial year as per the paragraph 30.3 of the Circular No.107 dated 16 October 1981 of the Commissioner General of Agrarian Services, the annual accounts of the year under review had been submitted on 13 June 2025 after a time delay of 73 days by Siwalakulama Agrarian Service Committee. | The accounts will be presented on due date in the next year. | The action should be taken to present the annual accounts on due date. |
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5. Agrarian Banks

Audit Observation	Comment of the Management	Recommendation
(a) Even though the establishment of small groups within the division and get contributed them with agrarian banks actively are the responsibility of the officers of Agriculture Research and Production Assistant in charge of the division, the minimum quantity of 3368 small groups jointly work with the agrarian bank from 97198 farmer families in 21 areas of authority of agrarian service committees. who jointly work	The step should be taken to improve the number of small groups.	The Agriculture Research and Production Assistant officers should take action to establish small groups within the division and get them contributed with the agrarian bank actively.
(b) 66025 accounts from total account of 98294 in relation to 08 types of deposits of 30 agrarian banks had existed as inactive accounts and no action had been taken to covert those into active level.	The action will be taken to covert inactive accounts into active level.	The steps should be taken to covert agrarian bank accounts into active level by using a formal program.
(c) Even though it had been referred to the Agrarian Tribunal and the court to recover a loan amount of Rs.55, 459,187 from 2238 farmers and interest amount of Rs.8, 679,128 from 1318 farmers in relation to issuance of agriculture loans, maize loans, project loans, harvesting loans, Sara Lanka Project loans and Sithamu Kantha Entrepreneurship loans of 31 agrarian banks, it had been further recovered at the end of year under review.	The persons who had taken loans had been referred to the Agrarian Tribunal and the court.	The action should be taken to conduct a formal investigation with regard to providing loans and non-recovery of loans timely and if the officers had performed an irregularity, the revenant action should be taken and immediately recover

the outstanding loans.

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| (d) | A loan amount of Rs. 63,465,865 from 1821 farmers and an interest amount of Rs.11, 946,979 from 1328 farmers had to be recovered in relation to issuance of agriculture loans, maize loans, Sara Lanka loans, project loans, Sithamu Kantha Entrepreneurship loans, harvesting loans, Sara Bhumi loans and harvest protection loans of 20 agrarian banks. | The action will be taken to recover in the future. | - Do - |
| (e) | A loan amount of Rs.25, 140,612 from 1250 farmers and an interest amount of Rs.5, 748,647 from 978 farmers had to be recovered in relation to issuance of agriculture loans, maize loans, project loans, Sithamu Kantha Entrepreneurship loans and Saubhgaya Project loans of 15 agrarian banks. | The final reminders had been sent to 298 farmers and the legal action taken against 952 farmers. | -Do- |
| (f) | The total loan amount of Rs.768, 519 and interest amount of Rs. 318,552 from maize loans and Sithamu Kantha Entrepreneurship loans provided to 75 farmers of Parangiyawadiya agrarian bank in 2015/2016 and 2017/2018 Maha seasons couldn't be recovered due to the deficiencies in the agreements. | The obstacles had arisen to take legal action owing to the deficiencies in the agreements and it had been referred to Deputy Commissioner for further actions. | The step should be taken to enter into the formal agreements and the necessary action should be taken to recover the loans. |
| (g) | It couldn't be taken the legal action to recover a total amount of Rs. 479,805 provided to 17 farmers as cultivation loans and 10 farmers as project loans and interest due to non-availability of the loan agreements and death of debtors belonging to Ippalogama Agrarian Service Center. | The reminders and final notices had been forwarded. | The step should be taken to complete the loan agreements in providing the loans and the action should be taken to recover the outstanding loans. |
| (h) | No any cultivation loan had been issued by 72 divisions out of 268 in relation to 09 agrarian banks within 2024 and no any project loan had been issued by 139 divisions. | The efforts will be taken to grant the loans by covering all the divisions and the people say that the loans provided are not adequate. | The action should be taken to fulfill the objectives of the agrarian bank. |

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| (i) | The total loan amount of Rs.840, 000 had been issued for 07 incomplete loan applications with regard to 2024/2025 season in Kakirawa Agrarian Bank. | It will be rectified in the future. | The granting loans should be formally carried out and the action should be taken against the officers who had acted not in systematic manner. |
| (j) | No action had been taken to improve the share ownership by the members in examination the share ledger of the agrarian bank and 1248 share accounts out of 5464 opened by 04 agrarian banks within about 25 years from 1998 to 31 December 2024 had limited only to the initial deposit. | The necessary action will be taken to activate the accounts in the future after making aware the officers in charge of divisions. | The Agriculture Research and Production Assistant officers should take action to make aware the shareholders and get them actively participated with agrarian banks. |
| (k) | Even though the transactions of all registered farmers' organizations should be performed through a savings account of relevant agrarian bank in accordance with Circular No.09/2020 dated 08 October 2020, no action had been taken by 110 farmers' organizations out of 173 of 04 agrarian service centers to open the accounts. | Having made aware the farmers' organizations, the action will be taken to open the accounts. | The Agriculture Research and Production Assistant officers should take measures to persuade the farmers' organizations to open the savings accounts. |
| (l) | An amount of Rs.2, 178,208 out of Rs.2, 421,653 misused by lady Govi bank officer served in Nagampaha Agrarian Bank had been recovered and a balance of Rs.243, 445 had to be further recovered. No action had been taken to get suitable disciplinary action as per Financial Regulation 104 and the section 31 of Chapter XLVIII of Volume 2 of the Establishments Code of Democratic Socialist Republic of Sri Lanka with regard to this irregularity. | The answers had not been provided. | The suitable disciplinary action should be taken as per the Establishments Code after carrying out an inquiry as per F.R.104 with regard to the officers who had performed irregularity. |
| (m) | The measures had not been taken as per Financial Regulation 104 in relation to an irregularity of Rs.1,600,000 performed by Agriculture Research and Production Assistant served in Palugaswewa Agrarian Bank since 2015 and crediting that amount to agrarian bank again and no action had been taken to get suitable disciplinary action as per section 31 of Chapter XLVIII of Volume 2 of | The answers had not been provided. | - Do- |

the Establishments Code of Democratic Socialist Republic of Sri Lanka against the lady officer who had performed this irregularity.

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| (n) | No action had been taken to recover the interest amount of Rs.1, 975,233 in relation to the loan amount of Rs.1, 275,000 provided to Janatha Lanka Chilies Marketing Farmers Company Ltd. in Mihintale in 2001 even up to 31 of the year under review. | It had b4een referred to the Agrarian Tribunal. | The steps should be taken against the officers who had not recovered the loans timely and immediately recover the outstanding loans. |
| (o) | No step had been taken to settle 06 payable balances of Rs.2, 782,707 existed for a time range from 2009 to 2019 in the financial statements of Nochchiyagama Agrarian Bank within the year under review. | The action will be taken to rectify in the future year. | The step should be taken to immediately settle the payable balances. |