

17 Agrarian Service Committees of Hambantota District - 2024

1. Audit Opinion

1.1 The audit of the financial statements of the 17 Agrarian Service Committees in Hambantota District for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance and the cash flow statement for the year then ended, 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 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 Audit reports in relation to the 17 Agrarian Service Committees in Hambantota District had been issued and the material deficiencies that had been caused to the expressed a disclaimer of opinion for 02 Committees and a qualified opinion for 15 Committees in those reports are as follows.

1.3 Financial Statements

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

Audit Observation	Comments of the Management	Recommendation
(a) Even though the financial statements of the Lunama and Yodhakandiya Agrarian Service Committees should have been prepared and presented in accordance with Public Sector Accounting Standards, financial statements had been prepared using Sri Lanka Accounting Standards without taking action accordingly.	Action will be taken to prepare accounting reports for the year 2025 accurately.	Financial statements should be prepared and presented in accordance with Public Sector Accounting Standards, and adjustments should be made in the accounts as appropriate.

1.3.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Expenditure on various subjects related to the year under review of 10 Agrarian Service Committees was understated by Rs.894,067 and expenditure on various subjects of the Lunama Agrarian Service Committee was overstated by Rs.239,938, income related to various subjects of 4 Committees was understated by	Action will be taken to accurately indicate them in the accounting reports for the year 2025.	In preparing the financial statements, action should be taken to accurately present the income, expenditure, assets, liabilities and equity values related to the accounting year, and

Rs.1,220,576, income related to various subjects of 3 Committees was overstated by Rs.1,228,914, the current assets of 04 Committees were understated by and Rs. 705,139, the current assets of 02 Committees were overstated by Rs.27,103,470, current liabilities of 03 Committees were understated by. Rs. 612,359 and 02 Committees were overstated by Rs. 27,225,700 and the cumulated fund of 04 Committees was understated by Rs. 725,470 less and the cumulated fund of 06 committees was overstated by Rs. 4,874,220, and the revaluation reserve of 04 committees was understated by Rs. 10,553,160.

adjustments should be made in the accounts as appropriate.

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| (b) | The cost of fixed assets was understated by Rs.10, 707,809 in the accounts in 12 Committees and overstated by Rs.1, 248,975 in the account in 03 Committees, and the value of the lands located in 12 Committees, the lawn mower of the Mayurapura Committee, the motorcycle of the Lunama Committee, the Computer and organic fertilizer production machine of the Walasmulla Committee and the tractor of the Beralihela Committee had not been valued and accounted. | Actions are being taken to acquire the lands of the centers and action will be taken to correctly indicate other errors in the accounting reports for the year 2025. | Action should be taken to present the value of fixed assets correctly in the financial statements, and the value of the land where the Committee is located and other fixed assets should be valued and accounted. |
| (c) | In the statement of financial position of the Angunukolapelessa Agrarian Service Committee, the non-current assets were overstated due to the inclusion of costs related to consumables in the furniture balance of Rs. 622,662 and the electrical equipment balance of Rs. 1,560,209, which are indicated under non-current assets, and the surplus for the year under review was understated due to the calculation of the depreciation related thereto. | Action will be taken to accurately indicate them in the accounting report for the year 2025. | Fixed assets should be correctly identified, classified and accounted, and the relevant rectifications should be adjusted in the accounts. |
| (d) | Even though it is stated under the accounting policies that the income and expenditure of the Udayala Agrarian Service Committee have accounted on an accrual basis, in accounting of acreage tax | Action will be taken to accurately indicate them in the accounting reports for the year 2025. | The financial statements should be prepared in accordance with the accounting policies disclosed in the financial |

	revenue, Rs. 552,454 received in cash during the year was accounted on a cash basis as income for the year.		statements
(e)	In the fixed assets register of the Lunama Agrarian Service Committee, 03 items with a total value of Rs. 570,571, which should have been indicated under Land and Buildings, had been accounted under Furniture and Office Equipment. Although according to accounting policies, these 03 items should have been depreciated annually at 05 percent on the cost of the year under review, Rs. 376,553 had been accounted under the diminishing balance method of 10 percent.	Action will be taken to accurately indicate them in the accounting reports for the year 2025.	Fixed assets should be identified, accounted according to correct classification and depreciated at the disclosed depreciation rates, and relevant rectifications should be made.
(f)	Even though the journal entries Nos. 20 and 35 of the Lunama Agrarian Service Committee indicated that Rs. 101,043 and Rs. 122,070 were debited and credited to the account of the Assistant Commissioner of Agrarian Development respectively, the value had not been accounted in that account. Further, in accounting the closing balances of the previous year as the opening balances of the year under review and when carrying forward the monthly balances of the year under review, the balances of 03 current accounts were understated by Rs. 2,589,242 in the accounts.	Action will be taken to accurately indicate them in the accounting reports for the year 2025.	The adjustments made through journal entries should be recorded in the relevant accounts, and the carrying forward of the previous month's balances should be recorded correctly, and relevant rectifications should be made.
(g)	The accounting error of presenting the increased value of the Committee lands and buildings under 02 items as a result of the revaluation of the carrying value of the Committee lands and buildings, which was pointed out in the audit report of the preceding year of the Meegasara Agrarian Service Committee, was not rectified in the year under review, and the lands and buildings of Rs. 1,809,380 and the revaluation of lands and buildings of Rs. 1,405,544 were also accounted under non-current assets.	Action will be taken to accurately indicate them in the accounting reports for the year 2025.	The accounting deficiencies pointed out in the audit report of the preceding year should be rectified.

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| (h) | The value of the 288.1 kg of fertilizer stock physically held by the Udayala Agrarian Service Committee had not been identified and accounted, and 420 kg of urea, which did not physically exist in the Walasmulla Committee, had been indicated in the stock account. | There was no evidence to determine the stock value of the Udayala Committee, and it will be rectified in recording the opening balance of 2025. | Action should be taken to accurately record stock movements and maintain up-to-date. |
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1.3.3 Unreconciled Control Accounts or Reports

Audit Observation	Comments of the Management	Recommendation
(a) A total of Rs. 5,425,166 between the financial statements and the corresponding report values related to 16 accounting subjects of 06 Committees was not reconciled.	Action will be taken to accurately indicate them in the accounting reports for the year 2025.	Values of the financial statement should be equal to the values in the corresponding reports. Reconciliation should be made promptly regarding differences.
(b) The closing stock balance of the Katuwana Agrarian Service Committee's high-priced fertilizer, Rs. 1,330,925, was indicated in different values in the trade account, material stock account and ledger account.	Action will be taken to accurately indicate them in the accounting reports for the year 2025.	- Do -

1.3.4 Documentary Evidence not made available for Audit

Audit Observation	Comments of the Management	Recommendation
(a) The necessary documentary evidence to verify and vouch the assets of 15 Committees amounting to Rs. 125,535,326, liabilities of 05 Committees amounting to Rs. 99,399,274, income balance of Rs. 1,273,816 of the Lunama Agrarian Service Committee, expenditure balance of Rs. 198,262 of the Meegasara Agrarian Service Committee, stock loss of Rs. 336,161 of the Beralihela Agrarian Service Committee, 7 journal entries amounting to Rs. 132,151,541 of 02 committees and 2 receipts amounting to	Action will be taken to include the necessary notes, reports and documents required to present information accurately in the accounting reports in the year 2025.	Detailed information indicating the manner in which the balances have been comprised should be submitted to the audit.

Rs. 132,461 of the Lunama Agrarian Service Committee was not submitted to the audit.

1.4 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			
	Sections 56(3) and (4)	The responsible officers of 09 Agrarian Service Committees had not recovered the arrears of acreage tax amounting to Rs. 1,137,023 at the end of the year under review.	The relevant officers were made aware to recover the arrears of acreage tax.	Action should be taken to recover the arrears of acreage tax, and action should be taken against the officers who did not recover the arrears on time.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
	i. Financial Regulations 103 and 104	The deficiencies of goods identified in the 2023 Board of Survey report of the Beralihela Agrarian Service Committee were not included in a record of losses, and action had not been taken in accordance with the provisions of the Regulations referred to.	Action will be taken to prepare a record of losses on deficiencies of goods in the future.	Details of the losses should be recorded and action should be taken regarding the deficiencies, and steps should be taken against the parties who did not take action accordingly.
	ii. Financial Regulation 110	A record of losses had not been maintained by 03 Agrarian Service Committees.	Action will be taken to maintain a record of losses in the future.	The records should be prepared and kept up to date, and measures should be taken against the parties who have not taken action accordingly.

iii. Financial
Regulation
156(1)(a)

Even though an officer shall be held personally responsible for any loss caused to the Government by his own delay, negligence, fault or fraud, and the loss incurred should be settled, the Weerawila Committee had not taken action accordingly in the following cases.

- The Clerk of the Centre had not deposited Rs. 180,000 in the bank related to urea fertilizer sold on 05 July 2024, and the said money had not been recovered by 22 April 2025, the date of audit. The remaining amount should be paid by a female Development Officer. Action should be taken to recover the loss caused to the Government from the relevant parties promptly, and legal action should be taken against them.
- As per the orders issued by the Commissioner General of Agrarian Development by his letter No. 7/2/10/1855 dated 13 September 2022, no action had been taken to recover the loss of Rs. 546,468 due to the misplacement of a stock of fertilizer by two officers. The loss should be paid by a female Agrarian Development Officer and a male Agriculture Research and Production Assistant. Action should be taken to recover the loss caused to the Government from the relevant parties promptly.
- The Auditor General's report of the preceding year No. SPCG/HM/B/WEAS/23/14 dated 28 May 2024 had also pointed out that the shortage of 2977.46 kilograms of urea and 717.5 kilograms of MOP had not been recovered from the responsible parties by 22 April 2025, the date of the audit. An investigation is being conducted by the Commissioner General of Agrarian Development. Action should be taken to conclude the relevant investigation promptly, and recover expeditiously the loss caused to the Government from the relevant parties accordingly.

iv. Financial Regulation 177	Even though the total daily income should be remitted daily or as soon as possible, there were instances where the total income of the Weerawila and Meegasara centers was not banked daily.	The correct action will be taken in the year 2025.	Internal control should be strengthened so that the total daily income is remitted daily or as soon as possible.
v. Financial Regulation 257	The Beliatta Committee had not certified the payment of Rs. 50,000 to settle the fertilizer loan bill through voucher number 114 in the year under review.	The correct action will be taken in the year 2025.	Payments should be made after certifying the payment voucher, and action should be taken against the parties who have not done so accordingly.
vi. Financial Regulation 316	Even though all Government money should be deposited in safes and strong boxes, no safes were used for the farmers' banks of the 06 committees.	The District Office has been informed with regard to the inoperative safes.	All Government money should be deposited in safes and strong boxes, and immediate steps should be taken in that regard.
vii. Financial Regulation 371	Even though the sub-imprest received for the ad hoc should be settled immediately after the completion of the relevant work or within 14 days from the date of receipt, the advance of Rs. 200,000 received for the Aluth Sahal Mangallya held by the Lunama Committee on 01 April 2024 had not been settled by 12 June 2025, the date of the audit.	The correct action will be taken in the year 2025.	The advance should be settled within 14 days, and action should be taken against the parties who have not done so accordingly.
viii. Financial Regulation 454 (1)	The fixed assets register of the 07 Agrarian Service Committees had not been updated.	Action will be taken to update the fixed assets registers.	The fixed assets register should be kept up to date, and action should be taken against the parties who have not done so accordingly.

ix. Financial Regulation 880	Even though all employees authorized to act in relation to money or stocks of the 13 Agrarian Service Committees should give security, Agriculture Research and Production Assistants have not given security.	The Commissioner General of Agrarian Development has informed that there is no need to give security.	Security deposits should be obtained from the Agriculture Research and Production Assistants.
(c) Circular No.107 dated 16 October 1981 of the Commissioner of Agrarian Services			
i. Section 03 (e)	Even though all transactions should be entered in the prescribed books of account in a proper and timely manner, such action had not been taken in 03 Committees.	The correct action will be taken in the year 2025.	According to the Circular, all transactions should be entered in the prescribed books of account in a proper and timely manner, and action should be taken against the parties who have not done so accordingly.
ii. Paragraph 21(2)	Even though the Agrarian Development Officer should check and sign the stock books at least once a fortnight to be satisfied that they are correct, the 10 Agrarian Service Committees had not been followed the instructions, and the stock books had not been checked in the year under review.	The correct action will be taken in the year 2025.	According to the Circular, the stock books should be checked and signed at least once a fortnight, and action should be taken against the parties who have not done accordingly.

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| (d) | Proposal No.07 of the Circular No. 7/5/3-1/40 dated 08 March 2013 of the Commissioner General of Agrarian Development | Even though attention should be paid to investing the surplus money in a low-risk fixed deposit and earning an interest income, 05 Committees had not taken action accordingly and had retained Rs. 28,227,526 in the savings and current accounts of the Committee. | The Weerawila Committee has invested a balance of Rs. 1,000,000 in the year 2025. | Attention should be paid to investing the remaining Rs. 27 million in a low-risk fixed deposit and earning an interest income upon formal approval. |
| (e) | Section 02 (107 amendment III) of the Circular No. 07/2014 dated 22 August 2014 of the Commissioner General of Agrarian Development | Cash in hand that can be retained at the instances where there are no banking facilities in the building of the center should not exceed Rs. 10,000, although it is stated that the Executive Secretary of the Center should be satisfied that the custodian has not held more than the maximum limit as per Section 16, 13 committees had retained cash in hands on a daily basis without complying with the said provisions. | The correct action will be taken in the year 2025. | Action should be taken as per the Circular, and action should be taken against the parties who have not done accordingly. |
| (f) | Section 05 of ඕ.ව.ව. පොදු letter No. 7/5/12 dated 02 November 2020 of the Commissioner General of Agrarian Development | Even though the Assistant Commissioner of Agrarian Development should have paid attention to the preparation of accurate accounting reports, checked the accounting reports correctly, corrected the deficiencies and submitted the financial statements, the Meegasara Agrarian Service Committee had not taken such action. | The correct action will be taken in the year 2025. | The Meegasara Agrarian Service Committee should ensure that the accounting reports are prepared accurately. |
| (h) | Circular No. 04/2012 (amendment vii) dated 13 December 2022 of the Commissioner of Agrarian Services | Even though the maximum limit of cash in hand maintained in an Agrarian Bank (Pilot) project is Rs. 50,000, there were instances where the 06 committees had retained cash in hand daily exceeding the said limit. | Action will be taken in accordance with the Circular in the future. | Action should be taken in accordance with the Circular, and measures should be taken against the parties who have not taken action accordingly. |

(i) Circular No. 01/2023
dated 24 April 2023
of the Commissioner
General of Agrarian
Development

i. Section 6 (10)	Even though the farmer's contribution to the relevant Farmers' Distress Loan Coverage Account should be abated from the approved loan amount at the time of loan issuance and credited to the Farmers' Distress Loan Coverage Account, the Weeraketiya Agrarian Service Committee had not recovered the Farmers' Distress Loan Coverage of Rs. 42,350 for the loan of Rs. 6,435,000 issued in the year 2024.	The correct action will be taken in the year 2025.	At the time of loan issuance, action should be taken to abate the farmer's contribution to the relevant Farmers' Distress Loan Coverage Account from the approved loan amount, and action should be taken against the parties who have not done accordingly.
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ii. Section 7	Even though the money collected in the Distress Loan Coverage Account at the end of each quarter should be deposited in a Distress Fund Fixed Deposit Account, 03 committees had not taken such action.	Action will be taken in the future to deposit it in a Fixed Deposit Account.	The money collected in the Distress Loan Coverage Account should be deposited in a Disaster Fund Fixed Deposit Account.
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(j) Paragraph 1.5 of the letter No.7/5/9 (අ. ඉ) dated 20 February 2024 of the Commissioner General of Agrarian Development	It is the responsibility of the officer in charge of stocks to sell or transfer the sales materials before their expiry date, as approval will not be given in the future for the disposal of expired stock. However, due to failure to do so, expired stocks were held in the stores of the 08 Agrarian Service Committees by the end of the year under review.	It has been submitted to obtain approval to dispose of, and write off stocks.	The loss incurred should be recovered from the officers who did not act according to the letter of instructions after conducting a formal inquiry.
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2. Financial Review

2.1 Financial Results

According to the financial statements of the 14 Agrarian Service Committees for the year 2024 submitted, the total was a surplus of Rs. 13,839,365, the total was a deficit of Rs. 1,113,496 for the 03 Agrarian Service Committees, and the total was a net profit of Rs. 6,517,427 for 17 Agrarian Banks.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) According to Section 21(a) (I) of the Control of Pesticides Act, No. 33 of 1980 as amended by Act, No. 06 of 1994, all pesticide shops operating in the island should sell under the authority of a pesticide sales certificate. However, the Bandagiriya Agrarian Service Committee had not obtained sales licenses for pesticide shops.	Discussions have been held with the Department of Agriculture to obtain the license.	Action should be taken in accordance with the Control of Pesticides Act, and action should be taken against the parties who have not done so.
(b) Even though the instructions given in the Circular No. 10/2015 dated 22 June 2015 of the Commissioner General of Agrarian Development titled "Protection and Utilization of Agricultural Machinery" state that steps should be taken to protect all machinery from the sun and rain, it was observed that tractors were kept in an uncovered open space. Further, it was stated in paragraph (d) of the Circular that machinery repairs should be carried out following the prescribed procurement procedures. However, the Beralihela Agrarian Service Committee had not taken action to repair and put into use a tractor that had been used for income generation during the year under review.	The roof was repaired at the committee's expense, but it has been destroyed by monkeys and toque macaques and the Assistant Commissioner of Agrarian Development has been made aware that the tractor is in such a state that it cannot be used even if it is repaired using spare parts.	Action should be taken to dispose of the tractor that was used to earn income during the year under review, if it cannot be used.
(c) The Mayurapura Agrarian Service Committee had not taken action to recover the money related to 05 types of fertilizers worth Rs. 112,300 that had been issued to the Agriculture Research Officer on the basis of making payment after selling even though it took between 04 to 09 months.	Action will be taken to recover in the future.	Action should be taken to recover the money receivable promptly, and action should be taken against the parties who have not recovered the money on time.

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| (d) | Even though the Committee should charge Rs. 20 per square foot for renting rooms to the Government institutions in accordance with the Circular No. 9/2015 dated 22 June 2015 of the Commissioner General of Agrarian Development, the Walasmulla Agrarian Service Committee had charged only Rs. 15 per square foot from 2016 to 2023. Hence, the room rent of Rs. 239,120 from the 03 Government institutions was in arrears. | Action will be taken to recover outstanding amount. | Action should be taken to recover the rent arrears promptly in accordance with the Circular related to renting of shops, and action should be taken against the parties who have not recovered the money on time. |
| (e) | Due to the failure of the Weeraketiya Agrarian Service Committee to sell or transfer fertilizer stocks worth Rs. 51,665 before the expiry, fertilizer stocks worth Rs. 6,625 had expired by 26 January 2025, and the expenditure of Rs. 51,665 incurred over a period of more than 02 years after purchasing fertilizer stocks worth Rs. 45,040 had become an idle expenditure. | The expired stocks have been disposed. | The loss should be recovered from the officers who did not take action to transfer the stocks before the expiry, after conducting a formal inspection. |
| (f) | The vegetable fertilizer stock purchased by the Udayala Agrarian Service Committee from the Ceylon Fertilizer Company Ltd on 15 February 2023 for Rs. 181,815 was still in the warehouse on 14 March 2025, the date of audit, and the expenditure incurred for that fertilizer stock had accordingly become an idle expenditure. | The prices in the open market decreased within a short time after the fertilizer stock was purchased, and the relevant company and the District Office have been made aware to revise the price. | Action should be taken to sell the fertilizer stock. |

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The Bandagiriya Agrarian Service Committee had stored 1463kg of TSP and urea fertilizer, which the government had given to the Agrarian Service Committee for free distribution to farmers for the 2023/2024 Maha season, without taking action to distribute it to farmers.	Instructions have been obtained from the Assistant Commissioner of Agrarian Development regarding the measures to be taken for the remaining 1350kg of urea and 113kg of TSP after the 2023/24 Maha season was released to the farmers free of charge.	Action should be taken to distribute fertilizer stocks to farmers as needed.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
(a) 09 Official residences for Agrarian Development Officers, 02 shops, 19 water level gauges, 04 pesticide sprayers, 02 photocopiers, 08 tractors, 03 trailers, an organic shredder machine, 01 plough, 04 mud wheels, 03 printers, 03 scanners, 03 safes, 01 fingerprint machine, 01 plant nursery hut, 01 fertilizer store, 01 laptop and 01 fertilizer production machine belonging to 09 Committees remained idle.	Action will be taken to repair the official residences and shops, to dispose of the machines and equipment, to give them to other institutions, to auction them and to return them to the institution that gave them.	Action should be taken to utilize usable assets and equipment, and to dispose of other assets and equipment with proper approval.

3.4 Procurement Management

Audit Observation	Comments of the Management	Recommendation
(a) Even though paragraph 1.3.2 of the Government Procurement Guidelines 2006 states that the Procurement Guidelines apply to all procurements irrespective of the source of funding, 11 committees had made purchases outside the procurement process in purchasing seed paddy, and chemical fertilizers totaling Rs. 25,146,867 during the year under review.	05 Committees will follow the procurement process in the future, and the remaining Committees have purchased on the basis of making payment after selling from institutions and individuals approved by the Assistant Commissioner.	The provisions of the Procurement Guidelines should be followed, and action should be taken against the parties who did not comply with thereto.

3.5 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
(a) There were 197 posts of Agriculture Research Production Assistants, 07 posts of Management Assistants of the Center, 1 post of Agrarian Development Officer, 1 post of Agriculture Research Production Assistant of the Center, 1 post of Agriculture Research Production Assistant of Agrarian Banks and 08 posts of Development Officer vacant in 15 Committees, while 04 posts of Development Officer remained surplus in	The Head Office has been made aware in this regard through the district office.	A cadre review should be conducted, and action should be taken regarding surpluses and shortages in the cadre in accordance with Government policies.

the Netolpitiya Agrarian Service Committee.

4. Agrarian Banking Activities

Audit Observation	Comments of the Management	Recommendation
(a) By 31 December of the year under review, a balance of Rs. 9,192,362 was due to be recovered from the loans given to farmers by the 13 Agrarian Banks.	02 Committees have taken action to recover the loan balance of Rs. 1,463,470, and the loan balance of Rs. 6,876,586 is being recovered, and legal actions have been taken to recover the loan balance of Rs. 852,306.	Action should be taken to recover the outstanding loan balances promptly, and action should also be taken against the parties who have not recovered loan balances on time.