

## 22 Agrarian Service Committees of Matara District - 2023

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### 1. Audit Opinion

**1.1** The audit of the financial statements of the 22 Agrarian Service Committees in Matara District for the year ended 31 December 2023 comprising the statements of financial position as at 31 December 2023 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** In the 22 audit reports issued in relation to 22 Agricultural Service Committees in Matara district, a qualified opinion has been expressed, and the material deficiencies that had been caused to the qualified opinion are shown below.

### 1.3 Financial Statements

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

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
According to Sri Lanka Public Sector Accounting Standard No. 01, the statement of net assets / equity changes among the components to be included in the financial statements had not been prepared and submitted with the financial statement by the 22 Agricultural Service Committees.	Agreed. I will correct in the future.	Financial reports should be prepared and presented in accordance with Sri Lanka Public Sector Accounting Standards.

### 1.3.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Fixed assets value belonging to 21 Agrarian Services Committees in Matara district namely 09 plots of land of 348.8 hectares, 11 office buildings of 35,551 square feet, 09 office buildings whose square footage is not specified, 02 fertilizer warehouses of 1,559 square feet, 09 fertilizer warehouses which is not specified size, a plant nursery of 69 square feet, 03 plant nurseries of unspecified square footage, a house 630 square feet, lands plots located the offices had not been assessed and disclosed in the financial statements.	Agreed. I will correct in the future.	Fixed assets belonging to committees should be accounted.
(b) Although Hakmana Agricultural Service Committee paid Rs.248,205 to the Deputy Commissioner of Agricultural Development for the purchase of accounting computer software, the amount was accounted under fixed assets, By December 31, 2023, the software had not been received to the Agricultural Service Commission.	Agreed. I will correct in the future.	- do -
(c) Due to accounting of Rs.4,875,064 as revenue of the year under review from the sale of subsidized fertilizers to be sent from the Medaviangoda Agricultural Service Committee to the District Agricultural Development Assistant Commissioner, the surplus was overstated by that amount.	Agreed. I will correct in the future.	- do -

(d)	In the preparation of the trade account as of 31 December of the reviewed year of Akurassa Agricultural Service Committee, had been stated the purchase of Rs.330,500 as transportation expenses and sales of Rs.339,500 as opening stock.	Agreed. I will correct in the future.	- do -
(e)	The fixed deposit interest income of Rs.122,328 for the reviewed year and the previous year of the Weligama Agricultural Service Committee was not accounted for.	Agreed. I will correct in the future.	Revenues belonging to the year under review should be recognized and accounted for in the same year.
(f)	Current asset items of Rs.752,070 of Ransagoda Agricultural Service Committee were accounted as fixed assets and at the end of the year under review, 08 assets subjects amounting to Rs.171,558 were listed as fixed assets.	Agreed. I will correct in the future.	While the nature of assets should be classified and accounted for in accordance with accounting principles and. Assets that are in the books but not physically present should be checked and done as appropriate.
(g)	The balance of Rs.503,833 in the bank current account of the Madiha Godagama Agricultural Service Committee at the end of the year under review was not accounted for under current assets in the financial statements and bank reconciliations were not prepared after 31 July 2020.	Agreed. I will correct in the future.	Bank current account balances belonging to the committee should be accounted for and bank reconciliations should be prepared monthly. Appropriate action should be taken for non-compliance.

### 1.3.3 Unreconciled Control Accounts or Reports

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
In relation to 10 accounting subjects of 05 Agrarian Service Committees in Matara district, there had been discrepancies in the balance totaling Rs.812,611 between the financial statements and the corresponding reports.	Agreed. I will correct in the future.	Reasons for discrepancies between account balances and corresponding reports should be identified and corrected.

### 1.3.4 Suspense Accounts

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
02 Agricultural Service Committees had 02 uncertain account debit balances totaling Rs.113,195 and 02 other committees had 02 uncertain account credit balances totaling Rs.51,332 for a period of 10 to 13 years continued to be maintained in the accounts without settlement.	Agreed. I will correct in the future.	Suspense accounts should be settled and actions should be taken to correct the financial statements.

### 1.3.5 Lack of Written Evidence for Audit

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Due to non-submission of necessary evidence related to the verification of 147 accounting subjects belonging to 22 Agricultural Service Committees with a value of Rs.44,731,840, those balances could not be satisfactorily examined during the audit.	Agreed. I will correct in the future.	Relevant evidence should be submitted to prove the balance of assets and liabilities.

### 1.4 Non-compliances with Laws, Rules, Regulations and Management Decisions etc...

<b>Reference to Laws, Rules and regulations</b>	<b>Non-compliance</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) <b>Agricultural Development Act No. 46 of 2000</b>			
(i) Section 30(1) (2) (3) (4) and (5)	All cultivable paddy land in terms of the referred section shall be used for paddy cultivation and in case of non-cultivation of paddy non-perennial crops or Semi-annual crops or long-term crops	Agreed. I will identify the fallow fields correctly and prepare an analysis report.	Should be done according to the provisions of the act.

may be cultivated after obtaining the permission of the Commissioner General. A program had not been prepared for the cultivation of 10,207 acres of fallow paddy fields in 21 jurisdictions of the Agrarian Service Committee.

(ii) 56 (3) (4)

In case of acreage tax default, the lessee should be notified in writing and if the payment continues to be defaulted, it should be referred to the court for recovery.

Acreage tax has been collected in Talalla, Mirissa and Kirinda Committees. I will work to collect the acreage tax arrears from other committees in the future.

Should be done according to the provisions of the act.

15 Committees had not dealt with the non-payment of acreage tax default of Rs.2,659,885 to be recovered at the end of the year under review as per the referred clause.

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

(i) Financial Regulation 142 (2)

Due to non-compliance with the financial regulation, Rs.6,737,897 received from the sale of fertilizers given to 8 agricultural service

Accepted. The money has not been sent because it has not been requested by the Commissioner General of Agricultural Services. I will arrange

The collected money should be sent to the receiving officer promptly and money should not be kept idle.

centers to be sold to farmers at a subsidized price for paddy cultivation in the 2022/2023 Maha Season was not sent to the Commissioner General of Agricultural Services, and it was held in the current account of the committee by the time of the audit in April 2024.

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|---|---|---|--|
| (ii) Financial Regulation 757(2) (a) (b) and (4)  | The annual board of survey report in the year under review had not been submitted to the Auditor General.   | Agreed. I will send it to the audit in the future.  | Should be done according to the Financial Regulations.               |
| (iii) Financial Regulation 880, Circular of the Secretary to the Ministry of Internal, Home Affairs, Local Councils and Local Government No. 07/2019 dated 23 March 2019 and circular No.08/2020 dated 25 June 2020 of the Commissioner General of Agrarian Development | As per the referenced regulations, the bail had not been posted by the 445 officers of 22 Agrarian Service Committees who were supposed to post bail. | As the agricultural research production assistants have been released by the letter No. 7/2/15/3/3(VII) dated 23 January 2023 of the Commissioner General of Agricultural Development, I will proceed accordingly and recover the bail of other officers. | Should be done according to the Financial Regulations and circulars. |

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

- (i) Circular No.7/2016 dated 08 September 2016 Although every agricultural service center should start and maintain an associated outlet but 04 Agricultural Service Committees had not started an agricultural outlet accordingly and did not focus on increasing the income of the committee and providing marketing services to the farmers. I kindly inform you that there are no separate shops in those centers, but agricultural materials are being sold. Should be done according to the circular.
- (ii) Circular No. 07/2014 Amendment dated 22 August 2014 No. (107 iii) As per the referred circular, although the daily cash in hand limit of an Agricultural Service Committee is Rs.10,000, during the year under review, 03 Committees had withheld the daily cash balance between Rs.10,471 and Rs.228,227 on a number of days between 33 and 51 days. Agreed. Due to practical difficulties, there was a situation where it was impossible to go to the banks, so the deposit of money was delayed. I will try not to do that in the future. Should be done according to the circular.

**2. Financial Review**

**2.1 Financial Results**

In the year under review, the total operating results of 16 Committees were a surplus of Rs.10,100,340, and a deficit of Rs.851,542 in 6 Committees. Accordingly, the total financial result of the 22 Committees was a surplus of Rs.9,248,798, and correspondingly, the total financial result of the 22 Committees of previous year was a surplus of Rs.3,396,479.

**3. Operating Review**  
**3.1 Money Management**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
The total value of Rs.5,942,134 had been retained in current accounts without investing the surplus money effectively and getting more benefits of 03 Agricultural Service Committees.	Agreed. I will invest in the future.	The money should not be kept in idle and should be used to get benefits under formal approval.

**3.2 Unidentified losses**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Vegetable seeds, agrochemicals, plants and fertilizers worth Rs.187,260 purchased for sale by 05 Agricultural Service Committees had expired due to insufficient effort to sell them to the farmers and due to this the committees had incurred losses of the above value.	Agreed. I will correct in the future.	The committee should be charged from the responsible parties for the losses incurred.

**3.3 Visual Loss**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
On 25 April 2024, Kekanadura Agrarian Service Committee inspected the stock in the warehouse, and comparing the balance in the stock books with the physical balance on that day, it was observed there was a deficiency of 1,437.5kg of ERP fertilizer worth Rs.70,105 and 301kg of urea fertilizer (subsidy).	Agreed. I will correct in the future.	Actions should be taken to identify the parties responsible for stock shortages.

**3.4 Management Inefficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) In the year under review, 93	Agreed. I will re-appoint	Should be done according



members of 21 Committees members in the future.  
were observed to have not  
attended more than three  
consecutive Committee  
Meetings. In this regard,  
according to section 51(6)(d) (i)  
and (ii) of the Agricultural  
Development Act, actions  
should not be taken to terminate  
their appointments and appoint  
other persons for their place.

to the provisions of the act.

- (b) 184 accounts receivable balances amounting to Rs.10,954,302 outstanding over a period of 2 to 30 years and 140 accounts payable balances amounting to Rs.11,901,592 outstanding over a period of 2 to 33 years were not settled by the end of the year under review in 19 Agricultural Service Committees of Matara District due to the Non-compliance with Commissioner General of Agricultural Development's letter No. 7/5/12/11 and dated 01 June 2022.
- Agreed. I will correct in the future.
- Arrangements should be made to settle the outstanding balances due and payable for a long time.
- (c) Agricultural Research and Production Assistant Officers should submit monthly upcoming programs and completed programs regarding their duties, but it was observed that upcoming programs of 13 officers and completed programme of 17 officers work in 02 Agricultural Development Committees did not present in the reviewed year.
- Agreed. I will correct in the future.
- Appropriate action should be taken against the officers who have not submitted the monthly upcoming programs and completed programs.

### 3.5 Transactions of Contentious Nature

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
On the basis of sale and payment from the Ransagoda Agricultural Service Committee, cinnamon fertilizer worth Rs.403,300 in October and Rs.272,500 in December was given to an agricultural research assistant without any legal agreement and out of which Rs.562,300 remained unsettled even on 2 April 2024.	Agreed. I will correct in the future.	In providing agricultural materials on the basis of sale and payment, arrangements should be made to enter into agreements with conditions to recover the sales dues, and an appropriate method should be adopted to minimize the time delay in recovery.

### 3.6 Idled or Underutilized Property, Plant and Equipment

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
02 plant nurseries and a museum belonging to the Weligama Agricultural Service Committee remained idle without being used for operations.	Agreed. I will correct in the future.	Arrangements should be made to fully utilize the assets.

## 4. Agrarian Banks

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
By the end of the year under review, the loan balance was overdue of Rs.37,790,966 owed to 1,567 farmers from project loans and agricultural loans issued to farmers by 22 farmer banks belonging to 22 agricultural service committees. The progress in recovering those loans was slow.	Agreed. I will correct in the future.	Bank loans should be collected within the relevant period, and farmers should be encouraged to utilize the project loans so that they can get the benefits.