

26 Agrarian Services Committees in Gampaha District - 2023

1. Audit Opinion

1.1 The audit of the financial statements of 26 Agrarian Services Committees in Gampaha District for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statements of financial performance for the year then ended and the cash flow statements 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 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 26 audit reports issued in relation to 26 Agricultural Service Committees in Gampaha district, opinion of the one committee has disclaimed and a qualified opinion was expressed for 25 committees. The following are the material deficiencies due to for that.

1.3 Financial Statements

1.3.1 Non-compliance to Accounting Policies including Sri Lanka Public Sector Accounting Standard

	Audit Observations	Comments of the Management	Recommendation
(a)	The accounting policies used in preparing the financial statements of 07 Agricultural Service Committees were not noted in the respective financial statements.	Accept	Accounting policies should be disclosed in accordance with Public Sector Accounting Standards.
(b)	According to Section 9 of Sri Lanka Public Sector Accounting Standard No. 2 of 03 Agricultural Service Committees, 4 fixed deposits with a one year maturity of Rs.2,059,663 were shown as financial activities instead of being shown as investment activities. Although cash flow statements should be prepared and included in the set of financial statements in accordance with Accounting Standard No. 9, the cash flow statements of the agricultural banking sector were prepared and presented with the financial statements without identifying and classifying the main cash flows.	Accept	Cash flow should be prepared and presented in accordance with Sri Lanka Public Sector Accounting Standard No. 02.

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| (c) | Although all income used in preparing the financial statements should be accounted on an accrual basis, the acre tax income was accounted on a cash basis. | Accept | All income and expenditure should be accounted for accrual basis. |
| (d) | According to Sections No. 26 to 86 of Sri Lanka Public Sector Accounting Standard No. 7, the value of land and buildings established by the 26 Committees had not been assessed and accounted and 3 Committees had depreciated the depreciable value of an asset using the declining balance method rather than apportioning it over its useful life and Another 3 committees had not made the necessary disclosures regarding the fixed asset. Further, although the useful life of an asset should be reviewed every accounting year, depreciated assets were shown in the fixed asset register at a value of nil without reviewing the useful life. | Accept. The assessment of land and buildings established by the Agricultural Services Committee is done by the Commissioner General of Agricultural Services Development. I intend to use the correct depreciation rates in the coming year. | Financial statements should be prepared and presented in accordance with Sri Lanka Public Sector Accounting Standard No. 07. |
| (e) | Since the Agricultural Bank is a unit of the Agricultural Services Committee, consolidated financial statements should be prepared, but all the 26 committees have not prepared consolidated financial statements. | Accept. The account report is prepared as per the format provided by the Department of Agricultural Services. | Arrangements should be made to prepare consolidated financial statements. |
| (f) | The financial statements did not disclose specific and sufficient information regarding the stock and cash irregularities committed by the Galahitiyawa Agrarian Service Committee during the year under review. | No answers were given. | Adequate information about irregularities should be disclosed in the financial statements. |

1.3.2 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
(a) In the reviewed year, the purchase of computers and devices worth Rs.423,863 in 03 Agricultural Service Committees was included in the financial performance statement as expenses of the reviewed year, instead of being recorded under property and equipment.	Accept. I took notes to correct from the 2024 Annual Accounts Report.	Efforts should be made to correctly identify and account the capital expenditure of the year and make provision for depreciation accordingly.

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| (b) | The audit fees of 13 Agricultural Service Committees for the period from 1990 to 2021 amounting to Rs.864,251 had not been settled at the end of the year under review and It was not accounted as a payable balance in the account statements. | I would like to inform you that payment will be made in the future. | Accrued expenses should be properly accounted and outstanding audit fees should be settled. |
| (c) | The loss incurred by 07 Agricultural Service Committees due to the reduction in the price of fertilizers by the government from time to time and the provision of them for free, as Rs.2,131,162 was shown as an amount due from the fertilizer companies, had created false assets in the statement of financial position. | Although letters were submitted to recover losses, they were not received and formal permission was obtained and written off from the accounts. | Arrangements should be made to account the losses correctly. |
| (d) | In the statement of financial position of 03 Committees as of December 31, 2023, the fixed deposit value was understated by Rs.5,387,696, and the non-current assets were understated by that amount. | Accept. | Year-end balance confirmations of fixed deposits should be obtained and the correct value accounted. |
| (e) | Although it was observed that the sum of 11 accounts payable balances of the Galahitiyawa Agricultural Service Committee from 03 to 13 years was Rs.315,344, There is no written evidence regarding those balances and although the relevant parties have not come forward to receive payments even though many years have passed, no formal approval has been obtained regarding those balances and no adjustments have been made to the income or financial statements. | No answers were given. | Balance confirmations should be called and settlements should be done under formal approval. |
| (f) | The stocks recommended to be written off amounting to Rs.132,458, which were stated in the last year's account statements of the Galahitiyawa Agricultural Service Committee, it had not been written off at the end of the year under review, | No answers were given. | Formal approval should be obtained and cut off should be done. |

1.3.3 Unreconciled Loan Control Accounts or Reports

Audit Observations	Comments of the Management	Recommendation
(a) According to the cash flow statement of Galahitiyawa Agricultural Service Committee, the receipt of subsidized fertilizer (MOP) was Rs.3,049,671 and the same value was shown as Rs.2,439,651 in the financial statements, so there was a difference of Rs.610,020.	No answers were given.	Account balances should be compared and the correct balance entered to the financial statements.
(b) There was a difference of Rs.500,943 between the opening debit and credit balance on January 01, 2023 in the trial balance of the Galahitiyawa Agricultural Service Committee.	No answers were given.	- do -

1.3.4 Unauthorized Transactions

Audit Observations	Comments of the Management	Recommendation
(a) Payments of Rs.1,496,300 were made through 60 payment vouchers of 04 Agricultural Service Committees without the approval of the Executive Secretary.	Accept. I will make sure that such situations do not occur in the future.	Payments should be made with the approval of the Executive Secretary.
(b) Although the approval of the Assistant Commissioner of Agricultural Services should be obtained for payments of more than Rs.100,000, during the year under review, payments totaling Rs.4,283,419 were made through 16 payment vouchers of 06 Agricultural Service Committees without approval.	Accept. I will make sure that such situations do not occur in the future.	Payments should be made with the approval of the Assistant Commissioner of Agricultural Services.

1.3.5 Lack of Written Evidence for Audit

Audit Observations	Comments of the Management	Recommendation
(a) The written evidence such as files, savings pass books, balance confirmation letters, rent agreements, related to the current assets totalling Rs.120,626 and current liabilities totaling Rs.234,681 belonging to 03 Agrarian Service Committees were not submitted to the audit and therefore those account balances were unable to satisfactory vouched in audit.	Accept	Written evidence should be submitted to the audit.
(b) Due to the absence of written evidence such as fixed deposit documents and maturity notices related to the fixed deposits of 04 Agricultural Service Committees with a total value of Rs.1,897,242, it was not possible to satisfactorily monitor the account balances during the audit.	Accept. I will submit written evidence in the coming year.	Written evidence should be submitted to the audit.
(c) The committee did not have a public ledger or a public journal in which the transactions of the Galahitiyawa Agricultural Service Committee were fully and formally recorded and an incomplete public ledger was submitted for audit.	No answers were given.	A general ledger and a general journal should be prepared in which the transactions are fully and formally recorded.
(d) The audit did not confirm the debit transactions of Rs.11,351,779 and the credit transactions of Rs.1,272,416 and the subsidized fertilizer MOP of Rs.2,439,651 for the subsidized fertilizers during the year under review mentioned in the financial statements due to the non-submission of inventory registers, daily receipts registers, cash receipts, daily sales registers, bank statements, bank reconciliation report, subsidized fertilizers invoices files, bank deposit receipts,	No answers were given.	Relevant written evidence should be submitted along with the financial statements.

related to the subsidized fertilizer receiving and distributing of the Galahitiyawa Agricultural Service Committee for the audit in the year under review.

1.4 Non-compliance with 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	(i) 15 Heritage amount of Rs.346,697 owed to the landowners of the Badalgama and Pallewela Agricultural Service Committees had not been settled.	No answers were given.	The provisions of the Agricultural Development Act should be followed.
(ii) 52(i)	Agricultural programs should be prepared for the Agricultural Service Committees before every season, but 04 Agricultural Service Committees had not done so.	No answers were given.	The provisions of the Agricultural Development Act should be followed.
(b) Financial Regulations of Democratic Socialist Republican of Sri Lanka	(i) Financial Regulation 110 No document was maintained regarding damages and losses related to 07 Committees.	I will be arranged to maintain a register of losses and damages.	Financial regulations should be followed.
(ii) Financial Regulations 133,134	Internal audits of 19 Agricultural Service Committees were conducted and copies of those reports were not submitted to the Auditor General.	Accept	- do -

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| (iii) Financial
Regulation 185 | All money received by a cash receiving officer of the Galahitiyawa Agrarian Service Committees should be properly recorded in the cash book and other books prescribed for that purpose, but the credit notes related to the receipts of the committee were not kept. | No answers were given. | - do - |
| (iv) Financial
Regulation 395 | Bank reconciliation statements were not prepared from July to December 2023 for two current accounts of Galahitiyawa Agrarian Services Committee. | No answers were given. | Financial regulations should be followed. |
| (v) Financial
Regulation
880,891(1) | A bail document containing the information of the officers and employees to be bailed for 15 Agricultural Service Committees had not been prepared. | Accept | - do - |
| (c) Circulars of the
Commissioner
General of Agrarian
development | | | |
| (i) Circular No.
8/2020 dated 25
June 2020 of the
Agrarian
Development
Commissioner
General | Bail deposits of Rs.15,000, Rs.5,000 and Rs.2,500 respectively were not taken from the Agricultural Development Officer, the Center Clerk and the Agriculture Research and Production Assistant (Bank) officers in 26 Agricultural Service Committees, | The agreement has been sent in writing to the Assistant Commissioner - Gampaha for posting the bail. | Action should be taken according to the circular. |
| (ii) Circular No.
03/2016 dated 09
February 2016 | Although investigations should be conducted based on the research model presented by the Agricultural Research and Production Assistant Officers at least 4 times a year and at least once a year by the Executive Officers on the functioning of the | Accept. From January 2024, I will arrange to conduct tests through models. | - do - |

registered farmer organizations in the jurisdiction, there was no investigation on the functioning of 582 farmer organizations in the jurisdictions of 19 Committees on the basis of the presented model.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, In the year 2023, the total of 21 Agricultural Service Committees was a surplus of Rs.13,541,017 and the total of 05 Committees was a deficit of Rs.2,826,714 and correspondingly that, previous year's surplus and deficit were Rs.11,487,637 and Rs.487,984 respectively. According to the financial results of the reviewed year, the total surplus of 26 agricultural banks was Rs.7,100,272, and correspondingly, the surplus of the previous year was Rs.7,148,416.

2.2 Analysis of Financial Results

- (a) The total value of the operating results of the reviewed year of 09 Committees was a surplus of Rs.7,851,885, and correspondingly, the total value of the last year's surplus of those 09 Committees was Rs.3,589,344. Accordingly, an increase of Rs. 4,262,541 was observed in the financial results of those 09 committees. These developments were mainly due to increase in acreage tax income, increase in fixed deposit interest income, increase in sales income.
- (b) Also, although the total value of the operating results of the reviewed year of 04 Committees was a surplus of Rs.2,917,916, conversely that, the total value of those 04 Committees of the previous year was a deficits of Rs.487,984. Accordingly, an increase of Rs. 3,405,900 was observed in the financial results of those 04 committees. These developments were mainly due to the increase in acreage tax revenue, increase in fertilizer revenue, decrease in repair costs and increase in toll revenue.
- (c) The total value of the operational results of the reviewed year of 05 Committees showed a deficiency of Rs.2,826,714, and correspondingly, the total value of surpluses of the last year of the 05 Committees was Rs.2,295,130. Accordingly, a deterioration of Rs. 5,121,844 was observed in the financial results of those 05 committees. This decline was mainly due to decrease in sales revenue, increase in security fence construction costs, increase in stationery costs.
- (d) The operating results of the reviewed year of 08 Committees showed a surplus of Rs.2,771,216, and correspondingly, the total value of the previous year's profits of the 08 Committees was Rs.5,603,163. Accordingly, a deterioration of Rs. 2,831,947 was

observed in the financial results of those 08 committees. This decline was due to the decrease in sales revenue and the increase in expenses including the purchase of computer software.

3. Operational Review
3.1 Management Inefficiencies

Audit Observations	Comments of the Management	Recommendation
(a) At the end of the year under review, the 23 acres of land where the 26 agricultural service centers are located in Gampaha district had not been taken over from the relevant institutions to the committee.	Agreed. I will do further work on the instructions of the department.	Land acquisition works should be expedited.
(b) The total amount of paddy land belonging to the 26 committee areas is 58,573 acres, of which the amount of paddy land that can be cultivated was 36,557 acres. In the 2023/24 Maha season, the amount of paddy cultivated land was 24,815 acres. Thus, the amount of uncultivated paddy land in the Maha season was 11,742 acres.	Accept. I am informed that efforts will be made to reduce the amount of fallow fields in the future.	Attention should be referred to cultivating the uncultivated paddy land.
(c) In the year under review, no steps were taken to recover the total amount of Rs. 2,601,559 due balances of 7 Agricultural Service Committees which have existed for many years.	Accept	Actions should be taken to recover the balances.
(d) Although the Agricultural Service Commissioner General's Circular No. 04/2013 dated 08 March 2013 had given instructions regarding the development of the income status of the Agricultural Service Committees, 06 Committees had not paid attention to it.	Accept	Attention should be referred to the development of the income status of the committees.
(e) According to Section 4 of the Public Administration Circular No. 09/2009 dated April 16, 2009, the fingerprinting machines installed in the Agricultural Service Committees were permanently disabled due to the lack of concern about availability before purchasing the machines such as proper functioning, durability, affordability of spare parts and low cost of maintenance etc. Although 10 Agricultural	Accept. The relevant company and the district office have been informed about the deficiencies in the fingerprint machine.	Necessary steps should be taken to keep fingerprint machines functional.

Service Committees have paid Rs.97,000 annually as service fees, the purpose of installing fingerprint machines has not been fulfilled due to the presence of a situation where the fingerprints of the machine will be marked, but due to a software error, records cannot be obtained by August 2024.

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| (f) | At the end of the reviewed year, the total amount of Rs.458,341 of the 4 Agricultural Committees remained uncollected for a long time due to the maximum value of the material given to each officer and the period for which the money should be settled have not been determined precisely in issuing materials to the Agricultural Research and Production Assistant Officers on the basis of sale and payment. | Accept | Appropriate steps should be taken to recover the money. |
| (g) | As per Agricultural Development Department Circular No. 01/2011 dated 01 February 2011, although used subscript books should be returned and re-issuance of subscript books should be done even after taking back the books originally delivered, 05 Agricultural Service Committees had handed over one receipt book to the concerned officers without returning one receipt book. | Accept. I will inform the relevant officers to return the sub-paper books. | Action should be taken according to the circular. |
| (h) | In the year under review, there were 943 farmer organizations in the 26 jurisdictions of the Agricultural Service Committee, of which 119 farmer organizations were inactive. There were 1338 women farmers' organizations, of which 345 were inactive. No steps had been taken to activate these farmer organizations during the year under review. | Accept. | Necessary steps should be taken to activate dormant farmer organizations. |
| (i) | For the year under review, out of 63 farmer complaints received by 02 Committees, 13 had not taken necessary steps to settle them. | Accept. I will take steps to settle. | Farmer complaints should be resolved as soon as possible. |
| (j) | There were half-finished sales center in the Jaela Agrarian Service Committee and no steps were taken to complete the building and put it to use in the year under review. | No answers were given. | The outlet should be constructed and completed as soon as possible. |

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| (k) | 04 tractors owned by 03 Agricultural Committees were rented to farmers organizations at a very low price of Rs. 150, Rs. 200, Rs. 1,500 and Rs. 750 per season respectively, and the income for the year under review was only Rs. 27,700. | Based on the decisions of the committee, I will cancel and revise the old agreements. | Actions should be taken to increase revenue by revise the tariffs. |
| (l) | Although Rs.2,319,114 was remitted to the Department of Agricultural Development from the amount received from the issuance of certificates of non-agricultural land by Pamunugama Agricultural Service Committee, Rs.231,752 due for the previous year had not been remitted. | No answers were given. | Arrangements should be made to remit the relevant amount. |
| (m) | At the end of the year under review, the actions required to dispose of 913 liters of organic liquid fertilizer expired on 01 July 2022, which had been given to the committee by the Aquaculture Development Center for the 2021/22 Maha season of the Bemmulla Agricultural Service Committee, had not been taken. | Approval requested for disposal of expired fertilizer stock. | Expired fertilizers should be disposed. |

3.2 Underutilization of Funds

Audit Observations	Comments of Recommendation the Management	
(a) In relation to 13 committees, an amount of Rs.638,099 out of the total allocation of Rs.1,300,000 that was given for a compost fertilizer production project in the Maha season of 2021/22 was not used for the related work.	Agree. After receiving the instructions, I will send the money back.	Steps should be taken to use the relevant compost for production purposes or to settle it with the Commissioner of Agricultural Development.
(b) The last year current account balances of Rs.2,432,937, Rs.3,196,931, and Rs.2,401,140 in the current accounts of Mabodala, Badalgama and Aadiambalama Agricultural Service Committees were not focused on investing in fixed deposits that give higher interest.	No answers were given.	Surplus money in current account should be invested under formal approval.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observations	Comments of the Management	Recommendation
(a) The sales stalls of Minuwangoda Agricultural Service Committee, Pamunugama Agricultural Service Committee and Maradagahamula Agricultural Service Committee remained idle in without use.	No answers were given.	Steps should be taken to use it for effective work.
(b) The tractor of Marandagahamula Agricultural Service Committee and a paddy cutting machine of Biyagama Agricultural Service Committee remained idle for many years.	No answers were given.	Arrangements should be made to use it for productive work or arrange for the machine to be repaired.

3.4 Human Resource Management

Audit Observations	Comments of the Management	Recommendation
There were 739 agricultural research production assistant domains related to 26 committees, and due to the number of officers assigned to the respective domains being 528, there was an acting situation in 211 domains.	Acting officers have been appointed for the vacant agricultural research and production assistant domains due to non-recruitment of new officers.	Actions should be taken to properly fulfill the service of the farmers living in the domains.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observations	Comments of the Management	Recommendation
Although the annual financial statements should be prepared and submitted to the Auditor General within 03 months of the end of the financial year, the Galahitiyawa Agrarian Service Committee had submitted the financial statements on 01 July 2024 after a delay of 90 days.	No comments were given.	Statements of accounts should be submitted on due date.

5. Agrarian Banks

Audit Observations	Comments of the Management	Recommendation
(a) Even though 23 agricultural banks belonging to 23 agricultural service committees have been referred to tribunals and taken judicial action to recover overdue loans, Out of the loans given by the banks, the overdue amount of Rs.20,129,703 remained unpaid as at 31 December 2023.	I will take steps to recover.	Steps should be taken to recover the arrears.
(b) According to paragraph 04 of the circular letter No. 7/12/5/4 dated 27 April 2022 of the Commissioner for Agricultural Development, although a part of the funds available in the registered farmers' organizations should be deposited in the Agricultural Bank, only 71 farmers' organizations have been deposited in the 06 Agricultural Banks out of the total number of 213 farmer organizations related to 06 Committees. Necessary steps had not been taken to develop the deposits of the farmers' organizations in the Agricultural Service Committees.	I will take steps to grow the deposit in the coming year.	Necessary steps should be taken to develop the deposits of the farmer organizations in the Agricultural Service Committees.
(c) The membership ledger and the deposit ledger of Bemmulla Agricultural Bank had not been updated for many years and although some of the shareholders had died, action had not been taken to identify or assign to heirs.	Currently steps are being taken to update these ledgers.	Steps should be taken to update the membership ledger and the deposit ledger of the Agrarian Bank without delay.
(d) Among the 06 types of deposits in the Agricultural Bank of Walpita Agricultural Service Committee, 1050 accounts were inactive accounts as 500 share subscription accounts, 500 general savings accounts and 50 children's savings accounts.	Money receiving for the activation of some accounts.	The necessary steps should be taken to activate the accounts.