

## 09 Agrarian Service Committees of Colombo District - 2023

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### 1. Audit Opinion

1.1 The audit of the financial statements of the 09 Agrarian Service Committees of Colombo 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 Flows 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 the provisions of the National Audit Act, No.19 of 2018 and the section 58(I) of 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 09 audit reports issued in relation to 09 Agrarian Service Committees in Colombo 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

Audit Observation	Comments of the Management	Recommendation
(a) According to Sri Lanka Public Sector Accounting Standard No. 01, paragraph 21 (c), 05 Agrarian Service Committees had not been submitted a statement of changes in net assets/equity with the financial statements.	The Kahathuduwa Agrarian Service Committee has informed that it is not included in the financial statement forms introduced by the head office, and that other committees will present it with the financial statements in the future.	Sri Lanka Public Sector Accounting Standards should be followed.
(b) All the accounting policies adopted by 02 Agricultural Service Commissions in preparing the financial statements were not disclosed in the financial statements and only a few related accounting concepts had been revealed.	The Padukka Agrarian Service Committee has informed that all accounting policies will be disclosed in the preparation of financial statements in the future and the Homagama Agrarian Service Committee had not submitted any answers.	- do -

### 1.3.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) According to the stock verification report on December 31, 2023 related to Homagama and Maharagama Agrarian Service Committees, although the total value of various stocks is Rs.1,765,893, in the statement of financial Position, the total related to those stocks was stated as Rs.2,601,013, so year-end value had been overstated of Rs.835,120.	Regarding the difference of Rs.813,820 between the stocks related to the Homagama Agrarian Service Committee, even though it was not possible to open the warehouse door and verify the stock due to the collapse of the warehouse roof, that the plants died due to the presence of expired stocks and being caught in dry weather conditions and the demolition of plant enclosures during road development and that the stock has been wrongly recorded by the Maharagama Agrarian Service Committee.	Inventory values should be accurately stated in the financial statements.
(b) In relation to the Homagama Agrarian Service Committee, the expired collection of Rs.417,696 from before the year 2015 has been destroyed beyond recognition, but it was included in the stock as on 31 December 2023 without being removed from the inventory books.	That the approval has been requested to remove it from the books and it will be removed after receiving the approval.	Adjustments should be made under formal approval and the stock values should be correctly reflected in the financial statements.
(c) The amount of Rs.194,250 paid to the Assistant Commissioner of Agricultural Development in the year under review for the accounting software was not accounted as a fixed asset but it was adjusted by Kesbewa Agrarian Bank as an expense for the year in the financial performance statement and	That it will be correctly presented in the 2024 accounts reports.	Correct accounting methods should be followed.

Padukka and Kosgama Agrarian Banks had been adjusted the amount to the accumulated fund balance.

### 1.3.3 Unreconciled Control Accounts or Reports

Audit Observation	Comments of the Management	Recommendation
There was incomparable total of Rs.943,609 in the balance between the financial statements and corresponding reports related to 18 accounting subjects of 03 Agrarian Service Committees.	That the facts will be investigated and corrected in the future.	Reasons for incomparable should be investigated and corrected.

### 1.3.4 Suspense Accounts

Audit Observation	Comments of the Management	Recommendation
In one Agrarian Service Committee, the debit balance of suspense account of Rs.222,621 brought forward from 10 years ago and a credit balance of suspense account of Rs.260,839 and in another Agrarian Service Committee suspense account debit balance of Rs.254,065 brought forward from 02 years ago had not been settled.	That the facts will be investigated and settled in the future.	Since these suspense account balances have existed for many years, the reasons for these suspense account balances should be searched quickly and the accounts should be rectified.

### 1.3.5 Lack of Written Evidence for Audit

Audit Observation	Comments of the Management	Recommendation
Although there are fixed assets of Rs.29,025,219 in 9 Agrarian Service Committees fixed asset documents to prove the balance, although there is a creditor balance of Rs.3,355,408 in 05 Agrarian Service Committees and a debtor balance of Rs.1,703,293 in 03 Committees, balance confirmations and time analysis to confirm those balances, due to non-availability of relevant documents related to fixed	That the relevant detailed documents will be submitted in the preparation of future accounting reports.	Arrangements should be made to submit relevant evidence to verify the balance of assets and liabilities.

deposits, room rents, security deposits and sales on credit for a total value of Rs.1,105,978 in one Agrarian Service Committee, those subjects could not be satisfactorily verified / vouched during the audit.

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

Reference to Laws, Rules and regulations	Non-compliance	Comment of the Management	Recommendation
(a) Sub section 38 (1) (e) of National Audit Act No. 19 of 2018	Although answers should be made to all audit queries within a specific period as required by the Auditor General, Homagama and Malabe Agrarian Service Committee from 2018 to 2022, had not been answered to the queries regarding the financial statements.	Answers not submitted.	Answers should be made according to the audit act.
(b) Agrarian Development Act No. 46 of 2000			
(i) Section 14	Due to the information could not be found, the amount of Rs.11,462, Rs.291,939 and Rs.9,642 which had been received to the Kosgama, Kahathuduwa and Maharagama Agrarian Service Committees respectively in the past years as inheritance due to the land owner by the tenant farmer had not been settled according to the provisions of the Act.	That the Kosgama Agrarian Service Committee has requested the advice of the Agricultural Development Commissioner, Kahathuduwa Agrarian Service Committee has informed that it cannot be settled until the court cases are completed, the decision of the Maharagama Agrarian Service Committee has been received by the Center so far and the settlement	It should be done as per the Agricultural Development Act.

will be made in the future.

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| (ii)                                                                       | Section 53(4)(a) | The land records of 09 Agrarian Service Committees had not been checked and certified by the Commissioner General once in 03 years.                                                                                                                                                            | All the Agrarian Service Committees have agreed and will continue to do so in the future.                                                              | It should be done as per the Agricultural Development Act. |
| (c) Financial Regulation of the Democratic Socialist Republic of Sri Lanka |                  |                                                                                                                                                                                                                                                                                                |                                                                                                                                                        |                                                            |
| (i)                                                                        | F.R. 134 (3)     | The audit reports of the internal audit investigations conducted in relation to the 07 Agrarian Service Committees of the Colombo District had not been submitted to the Auditor General.                                                                                                      | That internal audit inspection reports will be submitted to the Auditor General.                                                                       | Financial Regulation should be followed.                   |
| (ii)                                                                       | F.R. 757 (2) (a) | Although stated as "After receiving the report of the Board of Survey, a copy of it should be submitted to the Auditor General immediately", but the board of survey reports of 08 Agrarian Service Committees related to the year under review had not been submitted to the Auditor General. | That the survey of the goods will be done by the district office and that a copy will be submitted to the Auditor General after receiving the reports. | - do -                                                     |
| (iii)                                                                      | F.R. 880 and 881 | The officers who are in charge of the goods and money of the 02 Agrarian Service Committees, and who sign the cheques, have to deposit bail according to the Financial Regulations, but the officers had not been act accordingly.                                                             | That the bail will be deposited in the future.                                                                                                         | - do -                                                     |

## 2. Financial Review

### 2.1 Financial Results

According to the presented financial statements, the total of 07 Agrarian Service Committees in the year 2023 is a surplus of Rs.5,809,294, the sum of 02 Agrarian Service Committees has a deficit of Rs.784,396 and a total surplus of Rs.5,024,898 and the total of 09 agrarian banks was a surplus of Rs.4,352,487. In the year 2022, the total of 09 Agrarian Service

Committees had a surplus of Rs.7,095,770 and the total of 09 Agrarian Banks was a surplus of Rs.2,614,123.

### 2.1.1 Analytical Review

- (a) In the year under review, the total of 07 Agrarian Service Committees had a surplus of Rs.5,809,294, and the total of 02 Agrarian Service Committees had a deficit of Rs.784,396, with a total surplus of Rs.5,024,898 and compared to that, the surplus of 09 Agrarian Service Committees was Rs.7,095,770 in the last year. Accordingly, there was a decrease of Rs.2,070,877 in the surplus. This decrease was mainly due to the decrease in the surplus of Maharagama, Homagama and Jayawardanapura Kotte Agrarian Service Committees compared to last year and the deficiency of Kolonnawa and Kahathuduwa Agrarian Service Committees.
- (b) The primary role of the Agricultural Service Committees is to sell agro-industrial goods including fertilizers, agro-chemicals, seeds and plants, and agricultural equipment and in relation to the year under review, all the 09 Agrarian Service Committees had obtained a total of Rs.29,300,673 in total sales and a total of Rs.2,282,878 in total gross profit and compared to that, in the last year, the total sales of 09 Agrarian Service Committee was Rs.35,678,090 and the total gross profit was Rs.3,059,825, compared to last year, the total sales decreased by Rs.6,377,417 and the gross profit decreased by Rs.776,947.
- (c) According to the presented financial statements, the financial position of 09 Agrarian Service Commissions as on 31 December of the year under review is given below.

<u>Financial Assets</u>	Rs.
Current Assets	55,541,829
Non-current Assets	48,239,373
<u>Total Liabilities</u>	
Current Liabilities	41,029,732
Long Term Loan Value	9,515,828
Accumulated Fund Value (Net Assets)	53,235,642

## 3. Operating Review

### 3.1 Operating the Deposit Accounts

Audit Observation	Comments of the Management	Recommendation
(a) 04 current bank accounts of 03 Agrarian Service Committees were inactive and the balance of those accounts was Rs.541,682 as on 31 December 2023.	Padukka Agrarian Service Committee said that the said balance will be credited to the savings account in the future and the other Agrarian	If there is no need to continue to maintain inactive bank accounts, arrange to terminate those accounts on formal approval.

Committees have not given answers.

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| (b) There was a balance of Rs.14,258,343 in the current accounts that did not receive any interest income in the 9 Committees.                 | Answers not submitted. | Funds should be invested into more productive investment avenues upon formal approval. |
| (c) It was observed that the total amount related to the 9 Committees was Rs.29,725,656 invested in savings deposits with low interest income. | Answers not submitted. | - do -                                                                                 |

### 3.2 Identified Losses

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Although the said amount should be recovered from the said officer related to the financial frauds of Rs.483,664 were done by the agricultural research production assistant of the Kosgama Agrarian Bank as revealed by an internal audit, even though more than 08 years have passed since this financial fraud was discovered, the proceedings had not been carried out against the officer according to provisions of paragraph 29.4 of Chapter XLVIII of Group 11 of the Establishment Code of Democratic Socialist Republic of Sri Lanka.	That an initial investigation has been done and that the accounts will be corrected after receiving the money.	Regarding the financial frauds identified by the internal audit reports, action should be taken against the responsible parties according to the Establishment Code.
(b) Rs.81,623 from the stock shortage of Rs.764,838 was revealed through an internal audit related to Kotte Agrarian Service Committee had recovered from the responsible officers, but the remaining stock shortage of Rs.683,215 had not been recovered. Furthermore, regarding the financial fraud of Rs.564,741 that had occurred in the Agrarian Bank, the money was not	As the responsible officers have not been revealed by a formal investigation regarding the shortage of stock, necessary instructions are requested for further action.	Regarding the financial frauds identified by the internal audit reports, action should be taken against the responsible parties according to the Establishment Code.

recovered from the responsible officers in accordance with the 104 of the Financial Regulations, and only the value of the financial fraud was stated as Rs.444,741 in the accounts.

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| (c) | Rs.274,888 related to seeds, agrochemicals, fertilizers and plants of 03 Agrarian Service Committees, 2993 liters of organic liquid fertilizer and 457 liters of bio-liquid fertilizer received for distribution to the farmers of 04 Agrarian Service Committees had expired and could not be used. | That the approval has been requested to the write-off. | Arrangements should be made to sell the marketing materials and fertilizers owned by the committee under a formal program. |
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### 3.3 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The building and land located in the Kotte Agrarian Service Center which was established in 1977, had not been taken over to the Department of Agrarian Development yet. Also, the land belonging to the Kahathuduwa Agrarian Service Center was temporarily assigned for the police station, and although letters were exchanged between the relevant parties on various instances, that land had not been returned to the Kahathuduwa Agrarian Service Center and the proof of 30 perches of the land used as the playground of Kahathuduwa Junior College had been handed over to the Executive Secretary of the Kahathuduwa Agrarian Service Committee for the construction of the Kahathuduwa Agrarian Center, but that land had not been taken over until the end of the year under review. Furthermore, action had not been taken to take over the lands established by Homagama, Kosgama, Maharagama,	That the requests submitted but not assigned	The land belonging to the center should be taken over.



Kolonnawa and Padukka Agrarian Service Committees till the end of the year under review.

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| (b) | Even at the end of the year under review, the "Dambora" land of 82 perches, which was assigned to the Padukka Agrarian Services Committee for the Govi Sevana, had not been put to use in an effective economic activity.                                                                                                                                                                                                                                                                                                                               | Answers not submitted.                                                                                                                                                                                                                                                                                                                                                                                                                  | Arrangements should be made to engage in a productive economic activity in a formal manner.                                          |
| (c) | The lease agreements entered into with the lessees in relation to the 11 outlets belonging to the Kasbewa Agrarian Service Committee had expired in the years 2020 and 2021 and as per the instructions of the Assistant Commissioner of Agricultural Development, competitive prices had not been called and arrangements had not been made to lease the shops. Furthermore, the old lessees were allowed to run the shops even on 03 June 2024 without entering into agreements under the new rental amount approved by the council in the year 2021. | Several farmer organizations have already worked to reach new agreements and working to contract with all farmer organizations. An appeal has been submitted to the Assistant Commissioner of Agricultural Development regarding the high tax rent, and until a solution is given, the rent related to the year 2024 has been agreed to be paid from January and currently the rent related to the year 2024 is being paid on schedule. | They should work to increase the income of the committee by conducting the activities according to the open competitive procurement. |
| (d) | The 1 acre land owned by the Kosgama Agrarian Service Center was given to the farmer organization from August 20, 2009 to the year under review under a monthly tax fee through a deed called "Boralugoda Hall Estate" without determining the tax rates based on a formal assessment non-calling of tenders and informal extension of tax period.                                                                                                                                                                                                      | According to the decision of the committee, the said land has been given on lease basis and the committee will be notified and the tender will be called in the future.                                                                                                                                                                                                                                                                 | Actions should be made to increase the income and earnings of the committee through formal assessment and tenders and leases.        |
| (e) | Although Rs.97,243, Rs.343,600 and Rs.114,163 had been spent for the development of the garden of 02                                                                                                                                                                                                                                                                                                                                                                                                                                                    | That the garden was developed under the garden beautification                                                                                                                                                                                                                                                                                                                                                                           | Expenses should be incurred on regular plans so as to get                                                                            |

Agrarian Service Committees in the years 2021, 2022 and 2023 respectively, the homestead income was only Rs.12,953, Rs.26,725 and Rs.24,250 respectively. Although the Homagama Agrarian Service Committee had spent Rs.8,160, Rs.21,150 and Rs.7,370 for the development of the garden for the years 2021, 2022 and 2023, as no garden income was collected, garden income was minimal compared to the expenditure incurred on garden development.

program by the Malabe Agrarian Service Committee. That the Kasbewa Agrarian Service Committee has spent the money to build a model garden, so it has not been able to get an income commensurate with the cost. That since Homagama Agrarian Service Committee is currently constructing a warehouse building on the center land and there are more changes to be made in the center, it is not possible to do any other development work or profitable cultivation in the garden.

benefits commensurate with the expenditure.

(f) 130 receivable balances of Rs.4,540,841 had not been recovered and 73 payable balances of Rs.5,624,730 had not been settled in 08 Agrarian Service Committees which have been brought forward for many years.

That approval has been sought to remove the relevant balances from the books.

Accounts receivable balances and accounts payable balances should be settled or adjusted to the accumulated fund with formal approval.

(g) The compensation amount of Rs.3,917,967 received on March 06, 2020 for the buildings and land of Homagama Agrarian Service Center had been kept in the current account of the committee. By June 2024, 04 years have passed since the compensation amount was received, but the actions had not been taken to use compensation amount for the matter for which it was given or use the said amount in a fixed deposit.

That it has been accounted as a liability as verbal instructions have been received to keep it in the committee account until further instructions and as estimates have been prepared for the construction of a fertilizer warehouse, that the fund will be provided for that purpose.

Arrangements should be made to use the compensation for the performance of the given work and if there is a delay, it should be invested in a suitable source of investment under formal approval.

### 3.4 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) In relation to the 09 Agrarian Service Committees, in the year 2023, the amount of paddy land that can be cultivated in the Maha season is 12,173 acres, but the amount of cultivated paddy land was 9,057 acres. The amount of paddy land that can be cultivated from fallow paddy land is 2,128 acres, of which the amount of paddy land cultivated with rice was 192 acres. Accordingly as a whole, 5,052 acres from paddy land that can be cultivated had not been cultivated.</p>	<p>Answers not submitted.</p>	<p>Plans should be prepared and implemented to use the same amount of rice paddy land for rice cultivation.</p>
<p>(b) Under the Program for Replanting of Fallen Paddy Fields - 2023, in the jurisdiction of 03 Agrarian Service Committees, Rs.2,348,316 was allocated for the replanting of 57.86 acres of fallow paddy fields, but only Rs.1,730,743 had been used for 39.5 acres. .</p>	<p>That it was not possible to implement the fallow paddy program due to heavy rains.</p>	<p>The allocations given for the fallow paddy replanting program should be utilized and the objectives of the project should be realized.</p>

### 3.5 Transactions of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
<p>The Malabe Agrarian Service Committee had filed a case against a person in relation to unauthorized reclamation of paddy land in accordance with Section 33 and Section 32 of the Agricultural Development Act No. 46 of 2000, after that, to settle the case, Rs.1,600,000 for 80 perches were taken as Rs.20,000 per perch and it had been accounted as income of the committee. Also, for a paddy land that has been constructed without the approval by the</p>	<p>That the Commissioner General of Agricultural Development has considered the request made to the honorable court by the respondent to settle the case by the Malabe Agrarian Service Committee. Due to the fact that construction had been done on the relevant</p>	<p>Necessary arrangements should be made to avoid setting a wrong precedent taking on proceedings initiated on non-compliance with the Agricultural Development Act, and then receiving compensation without</p>

Kasbewa Agrarian Service Committee, Rs.543,000 were taken for Rs.30,000 per perch for 18.1 perches to give a certificate that it is not a paddy land and accounted as committee income. In cases where an offense has been committed in accordance with the Act, it was observed that instead of taking legal action against it, actions were taken to settle the case.

land before permission was granted by the Kasbewa Agrarian Services Committee, the applicant was summoned and told to pay any payment to the committee and to decide an appropriate amount for the committee, but no instructions were given for a method to determine the fees and considering the value of the land in the area, the committee decided to charge an amount of Rs.50,000 each for 01 perches, but that followed the instructions received later.

being taken forward by the Colombo District Assistant Commissioner for Agricultural Development.

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

Audit Observation	Comments of the Management	Recommendation
(a) 10 tractors in 05 Agrarian Service Committees were lying idled without use.	That the district office has been asked for advice in this regard.	If the assets are in a condition that cannot be used, they should be disposed of or if they can be repaired and used, they should also be repaired and used.
(b) Rs.274,888 relating to seeds, agrochemicals, fertilizers and plants in 03 Agrarian Service Committees, 2993 liters of organic liquid fertilizer which were received for distribution to the farmers and 457 liters of bio-liquid fertilizer of 04 Agrarian Service Committees had expired and could not be used.	That the approval has been requested to write-off.	If the liquid fertilizer cannot be distributed among the farmers before the expiry date, arrangements should be made to immediately send back it to the liquid fertilizer supply company through the Fertilizer Secretariat office.

### 3.7 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
(a) As of 31 December 2023, 453 approved staff and 378 actual staff were related to the district office and 09 agrarian service centers, so there were 86 vacancies and 14 excess. But as no approved staff was observed in relation to each Agrarian Service Centre, so vacancy/surplus staff could not be identified in relation to each centre.	Answers not submitted.	Action should be taken to fill the vacancies and reshuffle the staff.
(b) There are 311 agricultural research and production assistant domains related to 09 Agrarian Service Committees and there were 49 vacancies of Agricultural Research and Production Assistants. There were vacancies for the posts of Farmer Bank Officer and Farmer Bank Assistant in the 09 Agrarian Service Committees.	- do -	- do -
(c) There were 21 domains related to the Kotte Agrarian Service Center, and although there were 21 approved agricultural research and production partners, 4 acres and 2 roods of paddy land which can be cultivate rice were related to only one domain and the amount of land that can be cultivated paddy in Kolonnawa Agrarian Service Area is 125 acres, that there are 17 agricultural research and production assistants domains and 16 agricultural research and production assistants members for its activities, that 108 acres of the rice paddy lands belong to only 04 domains of agricultural research and production assistants, in relation to the Kasbewa Agrarian Service Center,	Answers not submitted.	The number of agricultural research and production assistants required according to the paddy land and other cultivation activities in a domain should be revised or vacancies filled.

there were 06 agricultural research and production assistants domains that did not have one paddy land or any fallow paddy fields and there were 03 agricultural research and production assistants domains that could not be used for cultivation.

That an Agricultural Research and Production Assistant Officer is assigned to perform the duties of each Agricultural Research and Production Assistant domain and accordingly, it was observed that the agricultural research and production assistants appointed for the domains where there is no rice paddy land are not engaged in formal duties.

#### **4. Accountability and Good Governance**

##### **4.1 Presentation of Financial Statements**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>According to the Agrarian Services Commissioner's Circular No. 107 (Amendment 2) dated 04 May 2010, annual financial statements must be submitted to the Auditor General within three months of the end of the financial year, In relation to Homagama Agrarian Bank, the financial statements of Agrarian Bank for the year 2019 were submitted for audit on 28 December 2023 as 45 months late. Agrarian Bank financial statements for the year 2020, 2021 and 2022 were submitted for audit on 06 March 2024, 36 months, 24 months and 12 months late respectively.</p>	<p>Answers not submitted.</p>	<p>Circular provisions should be followed.</p>

## 4.2 Agrarian Banks

Audit Observation	Comments of the Management	Recommendation
(a) Rs.751,089 related to 86 debtors of 02 Agrarian Service Committees are unable to be recovered and in that loan balance, 60 agrarian loan balances with a value of Rs.275,476 are related to the investigation of agrarian bank financial fraud, so due to the non-payment of those loans, Rs.67,132 value of 08 debtors were prosecuted and Rs.21,314 value of 05 debtors had been only referred to the tribunal.	While one Farmers Bank said the cases were pending, the other Farmers Banks had not submitted replies.	All necessary steps should be taken to recover the loan.
(b) A balance of Rs.287,171 in the Revolving Fund Control Account and Rs.689,507 in the Revolving Fund Interest Control Account of an agricultural bank had not been settled and the calculation of interest was stopped after the year 2010 due to non-recovery of the loan.	That the district office has been asked for advice in this regard.	Adequate information and documents should be maintained, and loan disbursement and recovery should be streamlined.