

## **Head 281 – Department of Agrarian Development**

---

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

Head 281 - The audit of the financial statements of the Department of Agrarian Development 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 cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) 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. The summary report containing my comments and observations on the financial statements of the Department of Agrarian Development was issued to the Accounting Officer on 30 May 2025 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 15 July 2025 in terms of Section 11(2) of the Audit Act. This report will be presented to the Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements of the Department of Agrarian Development for the year ended 31 December 2024 give a true and fair view of the financial position, financial performance and cash flows, all materiality consistent with the basis for preparing financial statements mentioned in note 1 related to the financial statements.

#### **1.2 Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Emphasis of the Matter - Basis of preparing Financial Statements**

The attention is drawn to the Note 1 related to the Financial Statements which describes the basis of preparing these financial statements. The financial statements have been prepared as per the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 for the requirement of the Department of Agrarian Development General Treasury and the Parliament. Consequently, these financial statements may not be suitable for other objectives. My report is only for the use of the Department of Agrarian Development, General Treasury and the Parliament. My opinion on this matter is not modified.

#### **1.4 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements**

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view on all the materiality in accordance with the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 and for

the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

## **1.5 Auditor's Responsibilities for the Audit of the Financial Statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I informed the Accounting Officer on the significant audit findings, main deficiencies in internal control and other matters that I identified during my audit

## **1.6 Comments on the Financial Statements**

### **1.6.1 Accounting Deficiencies**

#### **(a) Reconciliation on Advance Account to Public Officers**

<b>Audit Issue</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Even though the balance of department control account of Advance B Account of public officers is Rs.442,512,841, such balance is Rs.439,016,164 in individual balance classification summary and a difference of Rs.3,496,677 was observed.	This difference is a debit balance which had existed since long time and can't be identified and the balances settled out of that in 2024 had been identified and written off from books. Since it had been credited to the control account in the respective years, it couldn't be adjusted to the control account again. It had been scheduled to be settled as per the instructions received from Ministry of Agriculture and Ministry of Finance pertaining to this matter.	The difference of balance classification summary should be identified and settled.

#### **(b) Property, Plant and Equipment**

<b>Audit Issue</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
When carrying forward the closing balance of statement of non-financial assets 2023 as the opening balance in 2024, an amount of Rs.10,864,561,544 had been overstated in the accounts.	Presently, the opening balance had been accurately reconciled in accordance the asset files and the treasury reports. The action will be taken to include in relevant consolidated assets register after examining prior to reporting the monthly asset files related to 26 sub offices to Treasury in a manner not occurring technical faults in the future.	The balance of non-financial assets should be accurately accounted.

#### **(c) Imprest Balance**

<b>Audit Issue</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Even though a net income of Rs.624,073,225 collected by the reporting institute for other revenue heads should be indicated under the statement of imprest reconciliation, it had been indicated under other major ledger accounts receipts and other major ledger accounts expenditure in the statement of financial performance. Consequently, the balance of statement of imprest reconciliation as at 31 December 2024.	Since the opportunities had been given to indicate as other main ledger account receipt and other main ledger account payment item in the financial statement, such value had been indicated in the financial performance. In the preparation of the financial statements in 2025, the action will be taken to show in the imprest reconciliation statement not showing in the statement of financial performance.	The income and expenditure should be accurately indicated in the financial statements.

## 2 Report on Other Legal Requirements

The express the following matters in terms of section 6(1)(d) of the National Audit Act No.19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The following recommendations made by me on the financial statements of the preceding year had not been implemented.

Reference to the paragraph relating to the report of the preceding year	Recommendation not implemented	Reference to the paragraph of this report
1.6.2.2	The closing balance of the statement of non-financial assets should be accounted as the opening balance of the year.	1.6.1 (b)
1.6.1.3.(b)	The difference between the department control account balance and individual balance classification summary balance should be rectified.	1.6.1 (a)

## 3 Financial Review

### 3.1 Income Management

Audit Issue	Comments of the Accounting Officer	Recommendation
The revenue receivable to the Government had lost due to providing the opportunities to employee welfare societies and Agrarian Services Centers to obtain the revenue without obtaining the revenue receivable to the Government after formally entering into contracts with stores, canteens and circuit bungalows belonging to department.	No provision is allocated for maintenance and renovations of the stores, canteens and circuit bungalows belonging to department as well as engagement of workers and administration activities. The all maintenance and renovations are carried by the committee funds .Therefore, The action had been taken to credit such circuit bungalow revenue committee fund for reimbursement of relevant maintenance expenses. But the action will be taken to formulate a methodology for that and credit such revenue to Government revenue in the future.	After formally entering into agreements for Government land and buildings, those should be transferred to the external parties and the revenue received from that should be credited to Government revenue.

### 3.2 Utilization of the provision allocated by other ministries and departments

<b>Audit Issue</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The smart agricultural villages program had been implemented in Kurunegala District in 2023 and 2024 with an objective of engaging the farmers in the agricultural activities by targeting the export market after converting traditional cultivators into agriculture entrepreneurs and it had been entered into agreements with farmers for construction of greenhouses, purchase of harvest and export and providing of agricultural instructions to the farmers in accordance with the memorandum of understanding entered with Department of Agrarian Development and 02 private institutions on 25 July 2023. Accordingly, though an amount of Rs.10,500,000 as government contribution for the construction of 21 green houses for the 21 farmers in the limit of Nagollagama Agrarian Services area had been deposited in relevant agrarian services committee and the contributions of farmers had been deposited in Agrarian Bank, the money had not been paid to the contract company due to non-completion of the green houses in accordance with prescribed specifications. Similarly, even though the provision of Rs.18,000,000 had been received on 04 June 2024 for the construction of the green houses for 14 farmers in 2024,an amount of Rs.236,977 had been incurred out of that without construction of any green house and balance of Rs.17,763,023 had been returned. Accordingly, the relevant objectives couldn't be achieved by this project.	The discussion in relation to the construction of greenhouses in the limit of Nagollagama Agrarian Services area had been scheduled to be held at 10.00 a.m. on 02.06.2025 in the head office under the patronage of Commissioner General of Agrarian Development. It is due to be provided the instructions that if there is money payable to such construction company, such money should be paid and if there is a balance, it should be credited to Government revenue after the decisions of said discussion. The greenhouse construction activities on which the provision had been allocated in 2024 is due to be completed on 15.06.2025.	In the construction of greenhouses, the action should be taken as per memorandum of understanding.

### 3.3 Certifications to be carried out by the Accounting Officer

<b>Audit issue</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
In terms of the provisions of section 38 of National Audit Act No.19 of 2018,the Chief Accounting Officer and Accounting Officer shall ensure an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as	Though an effective internal control system had been prepared and maintained for the financial control in the department and carried out periodic reviews to monitor the effectiveness of such systems, it had not been	The Accounting officer shall ensure an effective internal control system should be prepared and maintained.

required for such systems to be effectively reported so far to Auditor General in that regard and the carried out and such reviews should be action will be taken to present carried out in writing and even though a those to Auditor General in the copy of that should be submitted to Auditor future. General, the statements for carried out such reviews had not been forwarded to the audit.

### 3.4 Non-compliance with laws, rules and regulations

Instances of non-compliance with the provisions of laws, rules and regulations observed in sample audit tests are descriptively indicated below.

		Observation		Comments of Accounting Officer	Recommendation
Reference to laws, rules and regulations	Value Rs.	Non-Compliance			
(a) Sections 30 (2), (3), 32 (1) and 33 (1) of Agrarian Development Act No.46 of 2000		At the sample test carried out in 12 divisions belonging to the jurisdiction of Munneshwaram Agrarian Services, no written approval had been obtained from Commissioner General for utilization of paddy land in extent of 125.5 acres for other cultivations except paddy cultivation.	If other cultivation except paddy cultivation is done in a paddy land without a written permission of Commissioner General or relevant Agrarian Development Deputy/Assistant Commissioner or relevant Regional Officer of Agrarian Development, necessary legal measures are taken by relevant Deputy/Assistant Commissioners in terms of the provisions of the Agrarian Development Act No.46 of 2000 amended by the Agrarian Development (Amendment) No.46 of 2011.	A formal permission should be obtained in utilization of paddy land for other cultivations except paddy cultivation.	
(b) Establishments Code of Democratic Socialist Republic of Sri Lanka					
As per section 4 in Chapter v of part I and Chapter xiv of	4,025,535	As at 31 December in the year under review, the loan	It had been required from District Offices by the letter Even No.	The outstanding loan balances should be recovered.	

	<p>the Procedural Rules</p> <p>amount of Rs.4.02 million due from 71 officers vacated had not been recovered and the loan balance of Rs.2.25 million recovered from 40 officers vacated the post prior to 05 years within it.</p>	<p>DAD/FIN/SAL/2/1 dated 21.03.2025 to take necessary action for taking legal measures for settlement the balances unsettled and from the Elections Commission for resident information.</p>	
<p>(c) Financial Regulations of Democratic Socialist Republic of Sri Lanka</p>			
<p>F.R. 571</p> <p>25,353,990</p>	<p>Even though the deposits more than 02 years should be settled, no action had been taken accordingly in relation to the deposits of Rs.25.35 million exceeding two years in the General Deposit Account as at 31 December of year under review.</p>	<p>The action will be taken to settle in the future subsequent to receipt of imprest from the Treasury by obtaining the relevant request from third parties in relation to the value exceeding two years in General Deposit Account as at 31.12.2024.</p>	<p>The overdue deposits should be settled.</p>
<p>(d) Public Administration Circular No.26/92 dated 19 August 1997 and Circular No.26/92 (1) dated 03 August 1994 and F.R. 750 (i)</p>	<p>Though state emblem and name of department should be painted in the all pool vehicles and the state emblem and name of department had not been painted in any vehicle of department.</p>	<p>The necessary action will be taken to paint the state emblem and the name of department in the all pool vehicles.</p>	<p>The state emblem and name of department should be painted in the all pool vehicles.</p>
<p>(e) Letter No. CGO/NFAMS/01/03 dated 20 May 2024 of Office of Comptroller General</p>	<p>It had been indicated that 16 vehicles belonging to department should be deposited before 31 August 2024, no step had been taken to</p>	<p>08 vehicles out of 16 had been disposed.</p>	<p>The action should be taken to dispose the vehicles.</p>

dispose 03 vehicles  
out of that.

### 3.5 Irregular Transactions

Audit Issue	Comments of the Accounting Officer	Recommendations
(a) It is totally prohibited to create new funds in any other way except an Act passed in the Parliament and non-statutory funds should be immediately dissolved and its money balances should be credited to the Consolidated Fund as per F.R. 876(3) and if there are fair reasons for further maintenance of a non-statutory fund, the action should be taken to legalize such funds by a Parliamentary Act .No step had been taken in that manner up to the date of audit in relation to Farmers Bank Fund. Accordingly, an interest income of Rs.29.92 million by investing in the fixed deposits as Re.75 million in 2022, Rs.311 million in 2023 and Rs.50 in 2024.	At the discussion held on 09.01.2025 under the patronage of Director General of Department of Public Finance of the Ministry of Finance in relation to dissolve non-statutory fund or further maintenance, it had been discussed on Farmers Trust Fund also. As per the decisions taken there, it had been scheduled to take decisions with regard to further action based on future functionality of Farmers Trust Fund.	As per Financial Regulations, the action should be taken to dissolve or legalize the non-statutory funds.
(b) In accordance with paragraphs 03 and 04 of Public Finance Circular No.02/2020 dated 28 August 2020, an amount of Rs.8,272,268 had been incurred for purchase of fixed assets and Rs.4,412,001 had been incurred for repairs from farmer bank fund by department without a formal approval of the Secretary of ministry for the action plan and procurement plan of farmer bank fund and contrary to the provisions of relevant circular.	As per the powers entrusted to Agrarian Development Commissioner General from the chapter 6.2 of Athwala-1 issued by Ministry of Agriculture and Lands on 28 September 2000 in accordance with Public Finance Circular No.02/2020 for opening a new account, the way of incurring expenses from an income of 01 percent received by providing the capital to agrarian bank (pilot) project on approval of Agrarian Development Commissioner General and head details of approved in agrarian bank account.	The action should be taken as per the circular provisions.

### 3.6 Deposit Balances

Audit Issue	Comments of Accounting officer	Recommendation
Owing to non-availability of the recommendations of Technical Officer of Matara, Kurunegala and Rathnapura District Offices, Rs.5.86 million as contract retentions	The action will be taken to release the retention money or credit to Government revenue	The retention money should be duly released.



(16/9) had existed since 02 years to 05 years within 07 days.  
and if there are defects in relevant contracts, no  
action had been taken to settle relevant retention  
money having completed such defects.

### 3.7 Direction of bank transactions

	<b>Audit Issue</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a)	In accordance with Financial Regulations 188(2) and (3), when monies are banked, the officers responsible should ensure that they receive acknowledgements for them from the banks and verify credits by reference to Bank Statements. Accordingly, no action had been taken as per above Financial Regulations in relation to receipt of Rs.8.80 million at the examination of the bank reconciliation Statements in December of 03 District Offices.	The receipt of Rs.8, 802,877 in Nuwaraeliya and Matale Districts had been already identified and the action will be taken to settle in the future.	Having examined the banking of monies, it should be accurately accounted.
(b)	Even though if the cheque remains uncashed for more than six months from the date of issue or from the last date of revalidation, whichever is later, and no reply to the letters has been received, the action should be taken in that regard as per Financial Regulation 396(d), no measure had been taken in relation to 44 cheques with a value of Rs.786,396 of 07 District Offices as per above Financial Regulation.	The action will be taken in relation to 44 cheques with a value of Rs.786,396 as per Financial Regulation 396 in the future.	The action should be taken carefully in issuance of cheques.
(c)	The action had not been taken to identify 16 cheques with a value of Rs.5.37 million and account those as per the bank reconciliation statements of bank account No.7042345 of Bank of Ceylon in December 2024 and mentioned as unidentified receipts.	The necessary step had been taken to settle 02 receipts with a value of Rs.1.43 million out of 16 unidentified receipts with a value of Rs.5,378,964. The required action is being taken to identify 14 unidentified receipts with a value of Rs.3.94 million which is the remaining amount.	Having identified the bank receipts, it should be accounted.

## 4. Operational Review

### 4.1 Non fulfillment of expected outcome

	<b>Audit Issue</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a)	In accordance with the action plan in the year under review, a provision of Rs.12.48	Not answered.	The physical progress of the provisions

	million had been released to cultivate 600 acres under cultivation of short-term intercrops in paddy lands project and an expense of Rs.10.21 million had been incurred out of that, its progress had not been reported.	released should be noted in the performance report.
(b)	Even though a provision of Rs.16.7 million had been released in the year under review for 200 small irrigation maintenance fund projects as per the action plan and an expense of Rs.16.3 million had been incurred, only 167 projects had been implemented. The action had not been taken to implement 33 projects out of 200 projects planned and the progress of the projects implemented had not been reported.	Since 33 projects submitted from districts are not compliance with the instructions in the guideline, the projects not approved had not been implemented. The progress of the projects had been reported up to now.
(c)	Even though the estimates had been prepared for implementation of Smart Model Agricultural Village Program in 19 districts according to the action plan, a provision of Rs.263 million had been released in the year under review without including annual physical targets to be implemented in revised action plan and the construction of only 18 greenhouses had been commenced by incurring an expense of Rs.67.1 million out of that. The construction progress of 07 greenhouses was 50 percent and the progress of 11 greenhouses on which the constructions had been commenced had not been reported. Accordingly, such program had not been successfully fulfilled within the year under review.	Having included approved projects in the action plan, its progress should be reported.
(d)	It had been planned to register 1,600,000 paddy lands in the year under review under preparation of name registers for digital paddy lands project as per the action plan and Rs.30 million had been allocated and Rs.26.05 million had been released for that. However, 38,495 paddy lands had been registered by incurring an expense of Rs.25.06 million or 96 percent from the provision and it had taken a value less than 2.4 percent from targeted amount.	The projects on which the provision had been released to construct smart agricultural program are due to be completed the work on 15.06.2025.
		According to the action plan, the targeted greenhouses should be completed on due time.
		As per action plan, the preparation of name registers for digital paddy lands should be completed.
		120,875 KML files had been examined in 2024 under preparation of name registers for digital paddy lands project and Rs.24.17 million had been released as provision.

- |     |   |   |   |
|-----|---|---|---|
| (e) | Even though a provision of Rs.241.4 million had been released by department for cultivation of 10,000 acres in 21 districts under Parachute cultivation program as per the action plan in the year under review, only 613 acres had been cultivated by incurring Rs.63.6 million or 26 percent and it had taken a value less than 6.3 percent from targeted amount.   | A provision of Rs.240.80 million had been released for 3,559,936 Parachute trays for 2,128 acres in 19 districts under Parachute Cultivation Program in Maha Season 2024/25.                    | In accordance with the action plan, the targets of Parachute Cultivation Program should be completed. |
| (f) | Even though a provision of Rs.31.04 million had been released for preparation of safety houses for cutting flower cultivation project as per the action plan and an amount of Rs.29.92 million or 96 percent had been released, no step had been taken to complete 30 safety houses commenced constructions within the year.  | The construction activities of preparation of safety houses for cutting flower cultivation project are in the final phase and the farmers are due to be commenced the cultivation.              | As per action plan, the targets of cutting flower cultivation projects should be fulfilled.           |
| (g) | Even though 590.30 acres of barren paddy fields belonging to group A, 232.465 acres of barren paddy fields belonging to group B and 833.78 acres of barren paddy fields belonging to group C from the documented as paddy lands as at 31 December 2024 in Kurunegala district had been identified, no any step had been taken to cultivate again the relevant paddy lands.  | The identification of this barren paddy lands had been carried out in Maha season 2023. Since other paddy lands had been cultivated; it couldn't be carried out the cultivation in that season. | The action should be taken to complete the targets of cultivation of barren lands.                    |
| (h) | Even though Rs.8.06 million had been incurred from district offices for cultivation of lands in extent of 215 acres of 27 centers in 2023 in Kurunegala district under barren paddy field cultivation national program, an amount of Rs.1.62 million incurred without paddy cultivation in barren paddy fields in extent of 24.3045 acres of 11 centers even up to 31 December of the year under review had been an idle expense. | Owing to destruction of cultivation in these lands on natural disaster situation, there is no possibility of cultivating.   | The targets of cultivation barren paddy fields should be completed.                                   |

#### 4.2 Projects not acquired a progress though the money had been released

Audit Issue	Comments of the Accounting Officer	Recommendation
<p>The constructions had been made after selecting 13 farmers in limit of 02 agrarian services areas for the construction of the greenhouses with automatic sensors for the financial crops under smart village program in 2023 focusing on agricultural entrepreneurs with various objectives such as application of modern technology for the agricultural purposes, and increase number of agricultural cultivators targeted export market. The greenhouses with a value of Rs.1,000,000 had to be constructed as the government contribution of Rs.500,000 for one farmer and farmer's contribution of Rs.500,000. The all imprest had been released on 29 December 2023 and it had been informed to complete the payments before 31 December 2023. Accordingly, while the relevant constructions had not been completed the relevant constructions, by agrarian development district offices, such money had been provided to relevant agrarian services committees. Moreover, though it had been entered into agreement with a private company for purchase the harvest of these farmers, said company had not purchased the harvest of farmers in 2024/2025. Similarly, the APP software introduced to the cultivators by aforesaid contracted company had been halted in half way by relevant company prior to elapse of 04 months. It couldn't be sold the harvest of the cultivators and the farmers had said that the software system in relation to smart village program had not been operated at the end of 2024. Accordingly, increase the number of agricultural cultivators targeted the export market which was the objective of project had not been fulfilled and this project had failed. Even though a memorandum of understanding had been signed among Department of Agrarian Development and relevant institutions, said memorandum of</p>	<p>The payments had to be paid to Agro World (pvt) Ltd for crop consultancy services after construction observation and construction for obtaining the service from APP software introduced by this project subsequent to entered into agreement with the 3 institutions such as Department of Agrarian Development Sri Lanka Agripreneurs' Forum and Agro World (Pvt) Ltd for the constructions of greenhouses with automatic sensors for the financial crops under smart agricultural village program. Since these payments had not been made by the farmers, this APP software had not been implemented. It had been informed to the institute to immediately complete the constructions of these greenhouses.</p>	<p>The action should be taken to complete smart village project program within the specified period of time.</p>

understanding had been violated. The Department of Agrarian Development had not taken any action in relation to relevant institutes.

#### 4.3 Annual Performance Report

<b>Audit Issue</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
In terms of subsection 47(4) of Public Finance Management Act No.44 of 2024, the annual performance report should be published in 180 days from the end of financial year or before that. As per paragraph 10.2 of Public Finance Circular No.2/2020 dated 28 August 2020, the annual performance report had to be prepared as per the format indicated in Guideline No.14 issued by Department of public Finance. In terms of section 16(2) of the National Audit Act No.19 of 2018, though the performance report should be submitted to the annual financial statements, no action had been taken by department accordingly.	The performance report 2023 had been prepared and it had been forwarded for printing. The performance report 2024 had been submitted for the approval of ministry.	The performance report with annual financial statements should be submitted to the audit.

#### 4.4 Foreign Aid Projects

<b>Audit Issue</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
11 warehouses with 900 metric tons capacity had been constructed at a cost of Rs.8.71 million in 2021 for storage the crops of small and medium scale farmers and field crop cultivators under World Bank aids in six districts and handed over to Agrarian Services Centers. These warehouses had been idle and it was observed in the audit that the objective of construction of warehouses had not been fulfilled. The construction of the warehouses without identification the requirements had caused for this. Furthermore, no action had been taken to further complete the warehouse activities constructed at a cost of Rs.2.46 million in Anuradhapura Madewachchiya	The only foundation had been constructed and halted Madawachchiya other field crops warehouse construction project in halfway amidst the conflicting situation such as increase of raw material prices and price fluctuations. Since the work can't be completed on 31.03.2023 in agreement with the price fluctuation of CIDA Formula by relevant contractor, the request for time extension for the completion of the project had not been approved by Ministry of Agriculture. The instructions had been given by the ministry to complete the project by using a suitable provision source. Therefore, aforesaid project had been cancelled as per the instructions and approval of Ministry of Agriculture. Accordingly, the further action will be taken for completion the above project when the	The action should be taken to utilize the warehouses constructed with maximum capacity.

Agrarian Service Centre.

provision will be received for construction of new buildings.

#### 4.5 Assets Management

Audit Issue	Comments of the Accounting Officer	Recommendation
(a) 03 vehicle machinery items belonging to Monaragala Agrarian Development District office had not been utilized and 09 government quarters 12 Agrarian Service Centers in Puttalam district are in reparable condition and 05 houses had been idle due to no renovations.	No. 51-7005 Cab had been sent for repairs. The renovations couldn't be carried out due to non-receipt of provisions requested for repairs of official residencies in the previous years.it had been requested to repair from the provision in this year and the necessary action will be taken to carry out repairs after receiving relevant provision.	The repairable assets should be repaired within the specified period.
(b) In accordance with the observation of the report by inquiry report appointed in relation to F.R.104 (1) "a" inquiry with regard to tire shortage in Narahenpita Central warehouse, it had been indicated that the value of total loss was Rs.3.37 million after adding a surcharge of 25 percent under F.R.105. Similarly, though store keeper had accepted the tire shortage provided by him in writing to preliminary investigation report and it had been recommended to recover in cash at once from store keeper of Narahenpita Central Warehouse who is responsible for this loss as per the recommendation of that report, such loss had not been recovered from relevant officer up to 16 August 2024.	A charge sheet had been drafted against the officer as per the recommendation of the preliminary inquiry and referred to Director General of Combined Services on 12.03.2024. Similarly, F.R.104 inquiry report had been provided on 30.05.2024 and it had been disclosed that the loss occurred was Rs.3.37 million as per report. It had been recommended to recover such amount from Management Services Officers. The officer had been made aware to pay relevant money. A compliant had been lodged in Narahenpita Police Station in relation to misplacement of tires subjected. However, since the suspect had not taken into custody even up to 20.05.2025 it had been made aware Colombo South Senior superintendent of Police on 20.05.2025 to immediately perform the inquiry.	The shortage should be recovered from relevant officer.
(c) 16 hand tractors provided in 2006 to agrarian service centers by Western Province Agriculture Department Agrarian Development District Office – Kalutara had dilapidated as unserviceable presently and the space issue had arisen in the premises of such institutions due to	The answers had not been provided.	The unserviceable tractors should be disposed.

parking of such tractors in agrarian service centers no speedy action had been taken to dispose the tractors.

- |  |   |   |
|--|---|---|
| <p>(d) No action had been taken to take over or transfer 08 vehicles which had not been registered by the name of department to other institutions. Certain vehicles are not in usable condition and no step had been taken to renovate or dispose such vehicles after transferring.</p> | <p>The ownership of 12 vehicles out of the vehicles registered by the names of other institutions had been transferred to our department and the future action related to transfer of other vehicles will be taken.</p> | <p>The action should be taken to transfer the vehicles which belong to the department. or release to the other institutes</p> |
|--|---|---|

#### 4.6 Uneconomic Transactions

##### Audit Issue

##### Comments of the Accounting Officer

##### Recommendation

A quality laboratory in Puttalam district had been established in 2017 within Puttalam Agrarian Service Centre and it had been renovated as suitably to a quality control room at a cost of Rs.768,698 and a stock of equipment had been purchased by incurring Rs.3,629,101 in that year itself. Said equipment had been idle without carrying out any tests in quality control room and had not examined the functionality of equipment. The equipment including in this quality control room had not been included in the stock books of agrarian district development office or agrarian service committee also. In accordance with the construction quality checks services circular No.05/2023 dated 08 June 2023 of Agrarian Development Commissioner General, a technical officer had been appointed as officer in charge for implementation of quality laboratory. 02 technical officers including officer in charge had participated for the training programs on behalf of Puttalam district for soil tests and raw material tests related to quality control room in November and December 2023.

It is difficult to implement this quality control room due to attachment of only 02 technical officers in agrarian development district office and heavy duties assigned to them. But the action will be taken to implement this control room since 2025.

The necessary action will be taken to include the relevant equipment in the inventory of agrarian development district office.

The action should be taken to formally maintain the quality control room which had been idle.

#### 4.7 Management Weaknesses

Audit Issue	Comments of the Management	Recommendation
(a) Even though an amount of Rs.12.28 million should be recovered in accordance with the disciplinary order given by Agrarian Development Commissioner General in relation to misuse fertilizer usage done by 03 officers of 03 agrarian service committee in Badulla district, no action had been taken to recover said amount by relevant Agrarian Development Deputy Commissioner or Accountant even up to the end of the year under review.	The step will be taken to recover due money from agrarian development officer who had been vacated the post and center management as per the legal instructions. It had been informed by Agrarian Development Assistant Commissioner (Badulla) that the recovery of the money due from center clerk from his pension and pension gratuity will be performed after approving the pension gratuity of the officer. Accordingly, the future action will be taken.	The action should be taken to implement the disciplinary order.
(b) In accordance with the preliminary inquiry in relation to an Agricultural Research and Production Assistant who serves in Bathmadilla agrarian bank, it was observed that approximately Rs.5 million had been misused and no action had been taken to recover relevant money from the officer after taking follow-up activities even up to the end of year under review and said officer had been engaged in the duties. A promotion to Grade 1 of Agricultural Research and Production Assistant service had been granted to this officer with effect from 03 May 2019 by the letter No. 7/2/15/උ.ස/බදුලේ dated 17 October 2022 of Agrarian Development Commissioner General.	The Nuwaraeliya Development Officer had been appointed to carry out a preliminary inquiry in relation to financial irregularities occurred in Bathmadilla Agrarian Pilot Project and once the preliminary inquiry report will be received, relevant further action will be taken.	The preliminary inquiry activities on misuse of money should be immediately carried out.
(c) Under Information Management Unit, digital paddy lands registry revision program had been commenced in 2022 and it had not been completed even up to the present moment. The paddy lands couldn't be classified and identified under this program and the information on the paddy lands of 410 agricultural research production assistant divisions	It had been reported the change of number and disparities of 410 agricultural research and production assistant out of 10,400 in relation to 14,021 Grama Niladhari divisions. The system had been provided to system creation and development groups for updating again without damaging to place order of existing	The digital paddy lands registry revision program should be carried out.



of 145 agrarian service centers in relation to 24 districts in the country at the end of 2024 as per the data submitted had not been entered to the data system.

data in the system after preparing the division lists in which the disparities exist having studied on that and such rectification activities are being carried out now.

- |   |   |  |
|---|---|--|
| <p>(d) There are 1,222 anicuts which nourish 16,998 paddy acres cultivated by 23,558 farmers in Kurunegala District and 100 anicuts which are in non-operational level belonging to 16 agrarian service centers had been abandoned. Though 12 anicuts and relevant canals had been renovated within the year under review, no necessary action had been taken to bring those anicuts not operated into operational level.</p>   | <p>There are 56 limits of Kurunegala district agrarian service areas and the renovation proposals in relation to all agrarian service centers are submitted and since no adequate money had been allocated to implement such all proposals, the essential projects to be carried out on necessity and priority within the provision limit allocated to Kurunegala district in 2024 had been renovated.</p>  | <p>The relevant renovations should be performed after allocation provision on priority.</p>                                      |
| <p>(e) Though 513 wells out of 4,765 agricultural wells constructed for paddy cultivation and other agricultural crops in Kurunegala district are not in operational level, no step had been taken to renovate those within the year under review.</p>  | <p>Though these amounts had been indicated when obtaining the information on agrarian service center level in various occasions, the proposal on agricultural wells had not been submitted in center level as renovation proposals.</p>   | <p>The action should be taken to renovate after identifying the agricultural wells to be renovated.</p>                          |
| <p>(f) In accordance with the circular No.07/2018 dated 27 April 2018 issued by Agrarian Development Commissioner General, paddy lands in extent of 548.05 perches in Colombo district identified as barren paddy field in A grade but not permitted to reclaim /utilize for other purpose and paddy can be cultivated again in the agricultural lands (paddy fields) registry revision program implemented in 2015/2017 had been permitted to reclaim or utilize for another purpose in contrary to the above circular provisions.</p> | <p>As per the decision taken at the parliamentary consultative committee on agriculture held on 07.03.2023, the circular No.7/2018 in relation to granting permission to utilize paddy lands for another purpose except paddy cultivation since 08.03.2023 had been suspended. However, since the circulars No.6/2018 and 4/2019 with regard to revision of paddy land category had not been cancelled by above decision, relevant approval had been granted by Agrarian Development Commissioner General related to utilization of the paddy lands for another purpose in terms of the provivison of Agrarian Development Act No.46 of 2000 amended by Agrarian Development (Amendment) Act No.46 2011 after</p> | <p>When the permission is granted to reclaim the barren paddy fields, the action should be taken as per circular provisions.</p> |

considering the recommendations received under said circular.

- |     |  |   |  |
|-----|--|---|--|
| (g) | <p>As per the requirement mentioned in the section 12(g) of the National Audit Act No.19 of 2018, the action had been taken not in compliance with the powers, duties and functions of agrarian service committee. Accordingly, the total amount of Rs.1,553,000 had been paid as Rs.945,000 from 12 agrarian service centers, Rs.200,000 from farmers organization boards, Rs.378,000 from private companies and Rs.30,000 personally from officers and farmers of Vidilipura agrarian service center for incurring the expenses which are not complied with the duties and functions of agrarian service committee as per the letter dated 22 April 2024 of Agrarian Development Deputy Commissioner, Nuwaraeliyage for the conference held on 03 and 04 May 2024 for Deputy and Assistant Commissioners of Agrarian Development Department.</p> | <p>The money had been given for conducting the meeting in good faith and the action had been taken as per the instructions of deputy Commissioner of Agrarian Development Department.</p>   | <p>The expenses not compliance with powers, duties and functions of agrarian service should not be incurred.</p> |
| (h) | <p>Even though 149 tanks which are inactive and can't be utilized in relation to 24 agrarian service centers out of 5,636 total tanks in Kurunegala District had been abandoned, 108,413 paddy acres are nourished under these tanks and number of farmers is 125,063. However, the action had been taken to renovate only 02 abandoned tanks within year under review and no action had been taken to renovate enabling to use 147 tanks.</p>   | <p>Since there are a large number of abandoned tanks and the provision received for the renovations is not adequate for rehabilitation of such all tanks, the relevant renovation activities are carried out on necessity and priority.</p> | <p>The tank renovations should be carried out on priority.</p>   |
| (i) | <p>The action had not been taken to value the lands belonging to 482 of agrarian services centers and buildings belonging to 74 agrarian service centers belonging to department and account. Those values.</p>  | <p>The action will be taken to value land and buildings and accounted.</p>  | <p>After transferring the land and buildings, those should be valued and accounted.</p>                          |

## 5. Achievement of Sustainable Development Goals

Audit Issue	Comments of the Accounting Officer	Recommendation
(a) Rs.8.15 million had been incurred in 2024 for renovation of Ibbawala Tank under neglected tank renovation program in Kurunegala District. The relevant investigation reports had not been submitted for bringing back 21 cube sand not in standard carried to the tank renovation site for verified at the quality check and receipt of sand with standard, quality control check of the raw materials obtained for the site, quality check of soil inside the tank used for tank wall and quality check of concrete used for sluice gate and spill constructed by using concrete and since only a part of dam had been turfed and it was observed that there is a possibility of 918 cubes of soil removed in the renovations had not been removed by the persons who purchased and dumped as mountains in 04 places in the tank, it was observed that there is a possibility of depositing those things in the tank.	It had been informed to Director (Engineering) to examine and report on standard and compressive strength of the concrete used for Ibbawala tank, Palu tank and Wara tank in Kurunegala district. It had been recommended that the standard and compressive strength used for above projects in the report received accordingly is adequate and the compaction values of soil are in required value. A copy of such report had been attached.  The turfs for the dam of Ibbawala tank had been cut from Wara tank and it was difficult to supply the turfs due to heavy rain. Similarly, the payments had been made only for turfed area so far and the buyers were unable to remove soil due to heavy rain after auctioning soil. It had been informed to the buyers to remove such soil.  The soil of Palu tank had been auctioned and the rain had started before the completion of soil removal by buyers. The soil had been dumped on that tank and it had been informed to the buyers to remove such soil.	The tank renovation activities should be duly carried out.
(b) An amount of Rs.5.93 million had been incurred in 2024 for rehabilitation of Palu tank in rehabilitation of abandoned tanks program in Kurunegala district. Though the extent of nourished paddy fields should be at least 20 acres in accordance with the guideline of Agrarian Development Commissioner in tank rehabilitation, the extent of paddy lands under this tank is about 13 acres and the cultivation had been restricted to 09 acres. The soil of tank had been used	It had been informed to Director (Engineering) to examine and report on standard and compressive strength of the concrete used for Ibbawala tank, Palu tank and Wara tank in Kurunegala district. It had been recommended that the standard and compressive strength used for above projects in the report received accordingly is adequate and the compaction values of soil are in required value. A copy of such report had been attached.	The renovation of tanks should be duly carried out.

for dam of the tank and the information had not been submitted on examination of its quality. The boundaries of tank had not been duly identified and since the soil had been put and prepared the old dam, it was observed that the water had flowed from the dam prior to water flow through spill over. Since the soil removed from tank had been dumped in the tank, the soil had added to the tank.

The turfs for the dam of Ibbawala tank had been cut from Wara tank and it was difficult to supply the turfs due to heavy rain. Similarly, the payments had been made only for turfed area so far and the buyers were unable to remove soil due to heavy rain after auctioning soil. It had been informed to the buyers to remove such soil.

The soil of Palu tank had been auctioned and the rain had started before the completion of soil removal by buyers. The soil had been dumped on that tank and it had been informed to the buyers to remove such soil.

- (c) A provision of Rs.45.76 million had been allocated for Kurunegala district for this program targeted for making 100,000 home gardens under sustainable home garden cultivation program and maintenance sustainably and Rs.16.63 million had been expensed for seeds and planting materials and balance of Rs.29.13 million had been handed over. Accordingly, 64 percent from the provision received had been returned without utilization. The number of targeted home gardens in Kurunegala district 21,200 and since the seeds and planting materials had been supplied to 6,299 home gardens for making home gardens as at 31 December of the year under review, the progress of establishment of home gardens was in very low level like 30 percent. No step had been taken to obtain the current progress of these home gardens even up to 31 January 2025. Even though monitoring officers should carry out frequent follow-up on accurate identification of home gardens, maintenance and successful existence and take all actions for prevention of break down in cultivation, an amount of Rs.16.63 million incurred had been idle without taking action accordingly.

Not answered.

The action should be taken to utilize the provision for expected targets.

**6. Human Resource Management**

	<b>Audit Issue</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a)	As at 31 December 2024, the approved cadre of the department was 19,764 and since the actual cadre was 13,484, no necessary action had been taken to recruit or amend after reviewing the vacancies of 6,280 again.	The relevant audit issue is accurate and the steps will be taken to rectify in the future.	The recruitments should be made having reviewed the vacancies again.
(b)	The Unit established on 10 June 2020 in the name of Pothuhara Organic Fertilizer promotion Operating Unit had been named as Information Management Unit since 2022 and though the all digitalization and directing of all technical activities of department are the main function of this unit, the staff had consisted of 19 persons attached from time to time from the commencement up to date without an approved staff with qualified officers for that.	Though the requests had been made to appoint the approved cadre, it had been informed to Department of Management Services to get approved a new staff due to non-availability of qualified officers for some divisions of department including Pothuhera Information Management Unit. The approval had not been granted for that. A group of officers had been temporarily attached for carrying out such activities and the activities of department are maintained.	After recruiting the qualified officers for relevant tasks, they should be attached.