

## 13 Agrarian Service Committees of Polonnaruwa District - 2024

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### 1. Audit Opinion

1.1 The audit of the financial statements of the 13 Agrarian Service Committees of Polonnaruwa District for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of National Audit Act No.19 of 2018 and provisions in Article 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 The Qualified opinions expressed in the 13 audit reports issued with regarding the 13 Agrarian Services Committees of Polonnaruwa District and the material errors come across for scuch reports mention below.

### 1.3 Financial Statements

#### 1.3.1 Non-Compliance with Accounting Policies including the Sri Lanka Public Sector Accounting Standerds

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Although the Agrarian Bank is a unit of the Agrarian Services Committee the consolidated financial statements should therefore be prepared, 13 Agrarian Services Committees had not prepared such consolidated financial statements.	The accounts are prepared in accordance with the format provided by the Department of Agrarian Development.	Consolidated financial statements should be prepared.
(b)	As per the Sri Lanka Public Sector Accounting Standard No. 1 requires all numerical information reported in the financial statements be disclosed comparatively together with information for the previous reporting period, 12 Agrarian Services Committees had not prepared and presented the Statement of Financial Position and the Statement of Financial Performance in accordance with the appropriate formats.	That the accounts are prepared in accordance with the format provided by the Department of Agrarian Development.	In accordance with Sri Lanka Public Sector Accounting Standards, all numerical information reported in the financial statements should be disclosed on a comparative basis together with information for the preceding reporting period.

### 1.3.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although Sri Lanka Public Sector Accounting Standard No. 07 requires the recognition of increases in the cost of property, plant and equipment by considering the cost recognition criteria, 06 Agrarian Services Committees had not accounted for the acquisition of assets valued at Rs. 2,209,640 as non-current assets.	It will be corrected in the future.	Action should be taken in accordance with the requirements of Sri Lanka Public Sector Accounting Standard No. 07.
(b) During the year under review, fixed deposit interest income of Rs. 85,864 of three Agrarian Services Committees and fixed deposit interest income receivable of Rs. 95,841 of two Agrarian Services Committees had been overstated.	It will be corrected in the future	Income should be correctly accounted for, and the correct values should be reconciled.
(c) Due to changes in fixed deposit interest rates, the interest relating to the year under review of the Manampitiya Committee had not been calculated and brought to account for the year under review.	That interest adjustments have been made based on balance confirmations.	-do-
(d) Although Sri Lanka Public Sector Accounting Standard No. 09 requires that all losses relating to inventories be recognized as an expense in the period in which they occur, 04 Agrarian Services Committees had not so accounted for expired inventories with a cost of Rs. 946,746.	As approval had not been obtained to write off the inventories, they have been shown under current assets.	Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards.
(e) Although a provision for doubtful and bad debts should be made in respect of loans recoverable, provisions for doubtful and bad debts had not been made in respect of long-outstanding loans amounting to Rs. 364,054,848 of 13 Agrarian Services Committees.	Not answered.	A provision for doubtful and bad debts should be made in respect of loans recoverable.
(f) The surplus for the year was overstated by Rs.65,000 for non- depreciation of of 02 computers worth Rs.650,000 purchased in the year 2023 for the year New Town Agrarian Bank Pilot Project.	This will be rectified in the year 2025	Action should be taken to adjust depreciation as per the instructions of the circulars.
(g) When examining the financial statements of the Bakamuna Agrarian Service center and the Agrarian bank for the year under review, there was a difference of Rs.381,761 between the two	This will be rectified in the futute.	Necessary adjustments should be made by reconciliating between the Accounts and

accounts due to the fact that the amount receivable from the bank according to the Committee's account was Rs.853,220 and the amount payable to the Committee according to the bank's financial statement.

identifying the difference.

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| (h) | The amount of Rs.1,718,633 incurred for the renovation of the seed paddy store facility of the Manampitiya Agrarian Service Committee in the year under review was not capitalized. | This will be rectified in the year 2025 | Action should be taken to capitalize the expenditure in the nature of capital, and relevant adjustments should be made to rectify the same. |
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### 1.3.3 Transactions without Authority

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Eventhough the limit of the of Rs.50,000 of material loan value can only be exceeded by the 03 Agrarian Service Committees on the basis of paying money after selling only for Acting Officers of more than one Division, in the year 2024, 20 Agriculture Research and Production Assistant Officers had given loans totalling Rs.12,674,925 exceeding the limit with regard to the loans given on the basis of paying money after selling .	Loans will be issued within the limit of Rs.50.000.	Action should be taken in accordance with the Circulars, and action should be taken against the parties who have given the loans exceeding the limit.
(b) Medirigiriya Agrarian Service Committee had issued fertilizers worth Rs.57,367,094 to Agriculture Research and Production Assistant Officers and Farmers' Organization on an interest- free basis during the year 2024 and no documents approved in relation to the issuance of these loans were submitted to the audit.	Since there was no enough space in the store of the Center, it has been given to Farmers' Organizations.	-Do-
(c) Even though the approval of the Agrarian Service Committee, and the approval of the Commissionner General of Agrarian Services are required along with the recommendation of the Regional Officer of Agrarian Development and the Assistant Commissionner of Agrarian Development should be obtained for the use of	It has been stated that relevant activities thereto were carried out by the Polonnaruwa Agrarian Development District Office.	Action should be taken in accordance with the Circulars, and measures should be taken against the parties who have carried out

funds of the Agrarian service Committees in the limits or District Offices as per the Volume i (Operatioanal Manual) No.7/5/9-05 and the letter dated 22 November 2022 of the Commissioner General of Agrarian Development, a sum of Rs. 2,000,000 had been paid by the Manampitiya Agrarian Service Committee without obtaining such an approval for the renovation of the official quarters of the Assistant Commissisoner of Agrarian Development through the voucher No. 2024/ක/99 dated 21 March 2024.

transactions without approval.

- (d) Ambagaswewa Agrarian Service Committee had issued commercial fertilizer worth Rs.13,826,550 to 06 Agriculture Research and Production Assistants in the year 2024, and no approval was submitted to the audit regarding the issuance on credit.
- Since it should be provided to farmers within a short period of time at a subsidized price, this amount has already been recovered.
- Formal approval should be obtained regarding the issuance on credit, and measures should be taken against the parties who have given loans without approval.

#### 1.3.4 Suspense Accounts.

Subject	Amount Rs.	Period remained as a suspense Account	Comments of the Management	Recommendation
02 balances of Bakamuna Agrarian Bank	462,783	From the years 2011 and 2017	It will be settled in the future.	It should be settled after conducting a formal inquiry.

#### 1.3.5 Lack of Documentary Evidence for Audit

Subject	Amount Rs.	Audit Evidence not provided	Comments of the Management	Recommendation
(a) Unsettled creditor balances at the end of year of 04 Agrarian Service Committees	93,858,972	Balance Confirmation Letters	Since these balances had continuously existed, the action will be taken to rectify in the future.	The action should be taken to settle subsequent to a formal balance confirmation.

(b)	Fertilizer stock issued to Agriculture Research Production Assistant in Kahabiliyagama Division, Madirigiriya	6,142,000	Documents in relation to limitation to the audit for access to the stores for verification the remaining stock and issuance of the fertilizer to the farmers on credit basis	It had been provided to the Farmers' Organizations under the supervision of officers of A.R.P.A. and since any limitation had been made by the officers of the officers of Farmers' Organizations, it is regretted.	A document including the names of the farmers who had been given the loans should be maintained.
(c)	Revolving funds and interest unsettled in long-term of Madirigiriya Agrarian Service Committee	1,954,173	Balance confirmations	It will be made aware in relation to the measures to be taken	The balance confirmations should be submitted to the audit.
(d)	Agricultural chemical stock sold on credit basis to Madirigiriya Agrarian Service Committee mentioned in Higurukgoda Agrarian Service Committee	1,320,500	Loan bills and balance confirmations formally prepared	The step will be taken to rectify.	The measures should be taken as per the circular instructions.
(e)	Fertilizer stock provided on credit basis to the farmers by Agriculture Research and Production Assistant of Wedkachchiya Division - 97 of Ambagaswewa Agrarian Service Committee	2,419,956	Documents related to the credit sales	A report had been obtained from the Farmers' Organizations related to the stock sales and all loan amounts had been settled.	The action should be taken as per the circular instructions and the measures should be taken against the relevant parties.

### 1.3.6 Noncompliance with the Laws, Rules, Regulations and Management Decisions

	<b>Reference to laws, rules and regulations</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<b>(a)</b>	<b>Financial Regulations of Democratic Socialist Republic of Sri Lanka</b>			
(i)	Financial Regulations 133,134(3)	No internal audit had been carried out in relation to money and the transactions by 11 Agrarian Service committees.	It will be carried out in the future.	An internal audit should be performed as per the Financial Regulations.
(ii)	Financial Regulation 237(a)	Though a certificated should be annexed that the goods had been received and such goods had been included in the relevant inventory and the stock books in the payment for the stores supply. 05 Agrarian Service Committees had not noted in that manner.	It will be carried out in the future.	The action should be taken as per the Financial Regulations and the steps should be taken against the parties who had not compiled.
(iii)	Financial Regulation 315	Insurance had not been made on cash in transit by 13 Agrarian Service Committees.	It will be considered in the future.	-Do-
(iv)	Financial Regulation 341	Even though the receipt, issuance and taking over the counterfoil books should be properly carried out, no details had been indicated in relation to 29 counterfoil books issued in the year 2024 by 03 Agrarian Service Committees.	It will be carried out in the future.	-Do-
(v)	Financial Regulation 502 (2)	The fixed asset register had not been formerly maintained by 06 Agrarian Service Committees.	It will be performed in the future.	-Do-
(vi)	Financial Regulation	Though the stock of goods	It will be	-Do-

751		belonging to the institute should be included in a formal document, the stock balances belonging to 25 items which had not been included in the stock books of Madirigiriya Agrarian Service Centre had existed.	included in a document formally.	
(vii)	Financial Regulation 880 and 881	Even if all the employees who have been authorized to proceed regarding money or stocks should give security, the securities had not been given by the officers of 10 Agrarian Service Committees.	The securities will be given in future.	-Do -
<b>(b) Circular No. 01/2023 dated 24th April 2023 of Department of Agrarian Development</b>				
(i)	Paragraph 2.1.2	As per the Annual Final Accounts of Farmers Bank (Pilot) Project, although 10 percent of the net realized profit should be allocated annually to the Farmers Disaster Loan Coverage Account for loan risks, The Farmers' banks of 13 Agrarian Service Committees had not made such an allocation.	It will be done in future.	-Do -
(ii)	Paragraph 2.1.2	At the time of issuing loans to each farmer, 1 percent of the loan value for all agricultural loans and a percentage as specified in the circular for other loans should be allocated to the Farmers Distress Loan Coverage Account as a contribution of the Farmers Bank (Pilot) Project for the said loan amount. However, such an allocation had not been made by 13 Agricultural Service Centers.	It will be done in future.	-Do -

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

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| (i)   | Circular<br>Letter No.<br>0317 dated 05<br>February<br>1986 | Even if the approval of the<br>Committee should be obtained<br>and reported to the Agrarian<br>Service Commissioner prior to<br>the transferring of fixed<br>deposits, no evidence was<br>presented to the audit that the<br>Sevagama Agrarian Service<br>Committee had done<br>accordingly in relation to the<br>transfer of fixed deposits<br>amounting to Rs. 2 million.  | The transfers<br>were done with<br>the approval of<br>the Committee.  | -Do -  |
| (ii)  | Circular<br>No.2006/08<br>dated 14<br>December<br>2022.     | Although action should be<br>made to write off expired and<br>remained unsaleable stocks in<br>accordance with Financial<br>Regulations, The Giritale<br>Agrarian Services Committee<br>had not taken appropriate<br>action regarding the stocks<br>worth of Rs.208,566 that had<br>been destroyed and expired in<br>previous years.   | It was decided<br>to write off the<br>stocks.   | -Do-   |
| (iii) | Circular<br>No.09/2015<br>dated 23<br>August 2023.          | Although room rentals should<br>be charged based on the<br>square feet, room rental had<br>been charged out that basis for<br>the Hela Bojunhala, which<br>belongs to the Medirigiriya<br>Agricultural Services<br>Committee. Accordingly,<br>although the actual rental<br>income on square feet basis<br>was Rs.216,000, due to only<br>the amount of Rs.18,000 had<br>been charged as rental<br>income, Rs.198,000 of annual<br>income had been lost. | It is a program<br>implemented in<br>collaboration<br>with<br>Committees<br>with the aim of<br>upliftment the<br>economic status<br>of women in<br>farmer's<br>families in the<br>area. | Actions should be<br>done as per the<br>instructions and<br>approval should<br>be obtained for the<br>project. |

## 2 Financial Review

### 2.1 Financial Results

The operating result for the year under review was a profit of Rs. 21,812,705, and the corresponding surplus of the previous year was Rs. 36,771,380. Accordingly, a decline of Rs. 14,958,675 was observed in the financial result. This decline was mainly caused by the decrease in subsidy fertilizer income, decrease in fixed deposit interest income, decrease in the reimbursement of fertilizer usage cost, decrease in agrochemical sales and increase in salaries and allowances.

## 3 Operational Review

### 3.1 Financial Management

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Since 04 fixed deposit accounts amounting to Rs. 5,000,000 of Welikanda Agrarian Services Committee; which were to reach its maturity on 05 May 2024 were encashed on 08 February 2024 before the maturity, an interest income of Rs. 365,508 to be received by the Committee had been lost.	Those were obtained due to insufficient balance in current accounts or savings accounts.	The proceedings should be done in a way that does not cause any loss for the Committee, and a proper financial management should be maintained.

### 3.2 Uneconomic Transactions

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) 742 advance units purchased by Welikanda, Siripura and New Town Agrarian Service Centers in the year 2022 had been distributed free of charge among farmers for the sustainable home gardening program as per a decision of the Committee. The said distributed stock had been recorded as a receipt in the accounts. Also, as the stock had been purchased without carrying out a study on the requirement and due to the slow speed of sale, the remaining stocks was decided to be distributed free of charge. Consequently, the Committees had experienced a loss of Rs. 1,288,836.	Distribution has been done free of charge for the farmers for the sustainable home gardening program in order to encourage the farmers according to a decision of the Committee.	A formal inspection should be done, and the loss incurred by the Committee due to the free distribution of stocks purchased for sale should be recovered from the relevant officers.
(b) A sum of Rs. 161,500 had been incurred by the letter No. 20/01/01/General dated 25 June 2024 with the signature of the Assistant	Incurring of such expenditure in the future will be done	The money of Agrarian Service Committee must not be utilized for

Commissioner of Agrarian Development in charge of the District for a nonproductive activity by the voucher No.2024-206 dated 31 July 2024 from Madirigiriya Agrarian Service Committee for printing photographs of 19 of former Commissioner Generals served in the Agrarian Development Department.

subject to the limits.

such activities.

### 3.3 Identified Losses

Audit Observation	Comments of the Management	Recommendation
(a) There had been a deficiency between the physical balance of the opening stock of fertilizer of the Hingurakgoda Agrarian Service Committee as at 01 January 2025 and 03 bundles of 50 kg of T.S.P. fertilizer valued at Rs. 31,500 and 24.63 bundles of Urea fertilizer valued at Rs. 217,684 in the stock balance of the fertilizer inventory.	It has been informed in writing to the officer in charge of stocks to pay and arrangements had been made to conduct a preliminary investigation.	A formal inquiry should be conducted and the stock deficiencies should be charged from the relevant officials.
(b) There had been a deficiency in fertilizer amounting to Rs. 70,701 between the balances of agro-chemical inventory books of Hingurakgoda Agrarian Service Committee and the stock balances physically available as at 31 December 2024.	It has been informed in writing to settle the deficiency in stocks.	A formal inquiry should be conducted in relation to the stock deficiency and arrangements should be taken to recover from the relevant officials.

### 3.4 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Necessary action had not been taken to recover the amount of Rs.102,024 payable by the clerk of the Commission, who had been served in the Girithale Agrarian Service Commission, due to misusing of the fertilizer stocks.	Requests have been made from the Assistant Commissioner of Agrarian Development to take necessary action.	Action should be taken to recover the amount.

### 3.5 Transactions of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
(a) A stock of agro-chemicals costed at Rs. 1,320,500 had been sold by Hingurakgoda	Necessary actions will be taken to	A formal register should be maintained in relation to

Agrarian Service Centre on credit basis to Madirigiriya Agrarian Service Centre on 13 December 2024, and balance confirmation letter had not been obtained for credit bills prepared informally without getting the signatures of the person issuing goods and person receiving goods in the credit bill issued in relation to this purpose.

obtain a debtor confirmation letter.

fertilizer that were sold on credit basis and balance confirmations should be obtained and action should be taken in relation to the parties not acted accordingly.

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| (b) | Although the balance of the current account owned by the Sewagama Agrarian Service Commission and indicated under assets in the statement of financial position had been indicated as Rs.151,316, the balance had been indicated as Rs. 2.16 according to the balance confirmation of the bank. | It has been given instructions to settle this difference balance which was continued from year 2008. | Action should be taken to check this noncompliance and to settle that. |
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### 3.6 Assets Management

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendations</b>
(a) Since the raw material crusher, which is used for production of organic fertilizer and was granted to the Welikanda Agrarian Services Committee by the North Central Provincial Council in year 2022 for encouragement of production of organic fertilizer under the “Vistas of Prosperity” Eco friendly agricultural Programme, could not be bring into operational status, it was inactive from 02 years, and no actions had been taken to bring it to the fully utilizable status.	Actions have been taken to give it to a nominated person of the Coconut development Board.	Actions should be taken to bring the Assets to the fully utilizable status.
(b) Even though the fertilizers and chemicals should be purchased as per the requirement of seasons and keeping stocks unnecessarily should be controlled, the 404.8 kg stock of MOP fertilizers at the Welikanda Agrarian services Centre as at 01 January 2024 costs Rs. 3,002,920 remained as the same by 31 December 2024.	No payment had been made for this and reimbursed to the companies as per the amount of fertilizers sell as each season.	Actions should be taken to identify the requirement correctly and make purchases.

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| (c) | 03 Impact printers and 04 Metrix pass book printers valued Rs. 776,164 given by the district Agrarian Services Office without a request from 4 Agrarian Service Committees had remained idle by the end of the year.  | Pass book written by hand had been used.  | Purchases should be made after identifying the requirement and actions should be taken to utilize the provided equipment. |
| (d) | No Actions had been taken to repair and utilize the tractor valued Rs. 876,318 given to the NewTown Agrarian Services Committee by the Bakamoona Agrarian Services Committee.   | Information required for auction of the tractor had been referred to the head office. | Assets should be utilized effectively.  |
| (e) | 30 items of equipment used for soil research purposes purchased by the Girithale Agrarian Services Committee on 04 July 2005 at a cost of Rs. 486,018 for commencement of a new soil research laboratory considering the requirement mentioned in the letter No: පො/3/අ/2 “පස් පර්යේෂණ” dated 13 September 2004 of the Assistant Commissioner of Agrarian Development had not been utilized for providing services for the farmers as expected. | A report of recommendations had been requested by the letter dated 29 July 2025.      | Actions should be taken to provide services to the farmers as expected.   |

### 3.7 Procurement Management

Audit Observations	Comments of the Management	Recommendations
A sum of Rs. 1,829,800 had been paid by the Medirigiriya, NewTown and Ambagaswewa Agrarian Services Committees for the items brought for selling at the shops and for the transport expenses without calling quotations, assessments by the procurement committees, selection of suppliers and signing agreements with suppliers according to the Procurement Guidelines 2006 of the Democratic Socialist Republic of Sri Lanka.	No answers provided.	Procurement method should be followed for purchases and actions should be taken against who had not followed so.

### 3.8 Human Resource Management

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendations</b>
3 Regional Officer posts, 09 Management Assistant posts, 120 Agricultural Assistant posts, 22 Development Officer posts, 02 Security posts and one Labour post in 13 Agrarian Services Committees had remained vacant.	Vacancies had been informed to the head office.	Actions should be taken to fill the essential vacancies after a staff review.

## 4 Accountability and Good Governance

### 4.1 Annual Actions Plan

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendations</b>
(a) Even though it had been stated in the para 2.4.1 of Agrarian Bank circular no. 04/2012 that it is a responsibility of the Administrative Committee and the Agrarian Development Officer to prepare a plan to motivate for the production process and selling activities encouraging agrarian community presuming the future loans in the area and prepare a potential customer plan for entering them to the savings and loan process according to the said target, such plan had not been prepared by the agrarian services Committee no.08.	Loan requirement should be identified at divisional level and loans should be issued.	Action should be taken according to the circular instructions and steps should be taken against the parties, who had not followed the instructions.
(b) Even though an agricultural programme should be prepared for the area in terms of the section 52(1) of the Agrarian Development Act No. 46 of 2000 amended by the Agrarian Development (Amendment) Act No. 46 of 2011, any such programme had not been prepared by 03 Agrarian Services Committees	Cultivation targets required for preparing an agricultural programme will be obtained.	An agricultural programme should be prepared for the area in terms of the Act and actions should be taken against the parties who have not prepared such plans.

## 5. Systems and Controls

	<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendations</b>
(a)	As per the 3.4.2 (ii) of the circular no. 4/2012 dated 29 February 2012 of the Commissioner General of the Agrarian Development, 11 of Agrarian Services Committees had not been taken actions to charge, a sum of Rs. 101,029,433 of agricultural loans of which the prescribed loan period had been exceeded by 180 days, from 274 of farmers.	Actions will be taken to charge.	Actions should be taken in terms of the circular and steps should be taken against the parties who had not charged the loans timely.
(b)	Even though it is stated in the para 3.4.9 of the Agrarian Bank Circular no. 04/2012 regarding cultivation loans that a list of names of farmers to whom the loans had been given should be sent to the district Assistant Commissioner monthly before the 15th of the next month and a copy of it should be displayed for public, 10 agrarian Communities had not followed accordingly.	Actions should be taken accordingly in due course.	Actions should be taken in terms of the circular and steps should be taken against the parties.
(c)	Even though all loans and interest should be charged within 09 months i.e. 270 days from the date that load had been given, a sum of Rs. 54,217,870 of cultivation loans and interests of 04 Agrarian Services Committees which should be charged from 780 farmers who exceeded 09 months had been remained outstanding at Agrarian Bank.	Actions will be taken to charge in due course.	Actions should be taken to charge loans and interests in terms of the circular and actions should be taken against the officers who have not charged timely.