

## 15 Agrarian Services Committees in Kegalle - 2024

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### 1. Audit Opinion

1.1 The audit of the financial statements of the 15 Agrarian Service Committees in Kegalle District for the year ended 31 December 2024 comprising the statements of financial position as at 31 December 2024 and the statements of financial performance, cash flow statements for the year then ended and notes to the financial statements, including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article (3)154 of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018 and Section (1)58 of the Agrarian Development Act, No. 46 of 2000. My comments and observations which I consider should be reported to Parliament appear in this report.

1.2 Qualified audit opinion has been expressed on the 15 audit reports issued in relation to 15 Agrarian Service Committees in the Kegalle District, the following are the material deficiencies that caused to the expression of a qualified audit opinion.

### 1.3 Financial Statements

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

Audit Observations	Comments of the Management	Recommendation
(a) In 13 committees, the statement of changes in equity had not been submitted in accordance with paragraph 21 of Sri Lanka Public Sector Accounting Standard 01 and arrangements had not been made to account for assets in accordance with paragraph 25 of Standard No. 07.	That the action will be taken in accordance with departments instructions and that the assets will be accounted for after the assess and acquisition of lands.	Financial statements should be presented in accordance with accounting standards.
(b) In 06 committees, fixed assets were accounted for by depreciating them on an annual net basis without using the cost model or the revaluation model in accordance with paragraphs 40, 41, and 42 of Sri Lanka Public Sector Accounting Standard No. 07.	Action will be taken accordingly after receiving instructions from the department.	Assets should be accounted for in accordance with accounting standards.
(c) Although the accounts of the Yatiyantota Agrarian Services Committee disclose that depreciation is being carried out using the straight-line method in accordance with paragraph 76	Action will be taken accordingly after receiving instructions from the department.	Depreciation should be carried out in accordance with the depreciation policy disclosed in the

of Sri Lanka Public Sector Accounting Standard No. 07, depreciation had been calculated based on carrying value.

financial statements.

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| (d) | All accounts related to the Agrarian Bank of 14 committees had not been included in the annual final accounts of the Agrarian Committee and consolidated financial statements had not been prepared.                                      | That it prepared according to the format provided by the department.                                | Consolidated accounts should be submitted as per the circular.   |
| (e) | 4 Agrarian Banks related to 4 committees had not submitted the statement of changes in net assets/equity in the Agrarian Bank Financial Statements set in accordance with paragraph 21 of Sri Lanka Public Sector Accounting Standard 01. | It has been informed that 4 agrarian banks related to 4 committees will be corrected in the future. | Actions should be taken in accordance with accounting standards. |

### 1.3.2 Accounting Deficiencies

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The total surplus of 08 committees was overstated by Rs. 894,973 due to reasons such as an increase in income of Rs. 132,545 for the year, incorrect crediting of income of Rs. 689,652, under-accrual of purchases of Rs.9,560, under-accrual of expenses of Rs. 59,216 and under-accounting of income of Rs. 4000 for the previous year.	That we are working to correct it.	When preparing financial statements, efforts should be made to accurately reconcile income and expenses related to the accounting year.
(b) The total surplus of 10 committees was understated by Rs. 2,198,532 due to reasons such as under-accounting of income of Rs.875,555 for the year, over-accounting of purchases of Rs. 37,500, over-accounting of expenses of Rs. 125,082, accounting of expenses of Rs. 57,795 and purchases of fixed assets of Rs. 1,102,600 related to the previous year as expenses for the year.	That we are working to correct it.	- Do -

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| (c) | In the 09 committees, due to the non-accounting of income receivable of Rs. 239,493, bank account balance of Rs. 26,556 and Rs. 1,108,981 receivable from Agrarian Bank for issuing material loans, and the under-accounting of fixed deposits of Rs. 395,058 and stocks of Rs. 23,650, the total current assets had been understated by Rs. 1,793,738. | That we are working to correct it.    | Action should be taken to correct the accounts.   |
| (d) | Due to the non-accounting of fixed assets of Rs. 17,157,503 in 06 committees, non-current assets had been understated by that amount, and the depreciation expense related to that value had been also understated.   | That we are working to correct it.    | Assets should be accurately accounted for and appropriate adjustments should be made.                         |
| (e) | 2 committees had been overstated current liabilities by Rs. 2,832,402, 2 committees had been understated current liabilities by Rs. 5,081 and one committee had been overstated non-current liabilities by Rs. 600,000.   | That we are working to correct it.    | Liabilities should be accounted for correctly.  |
| (f) | Approval had not been obtained for 346 journal entries worth Rs. 40,460,800 in 06 agrarian banks.   | That will be corrected in the future. | Approval should be obtained for journal entries, and action should be taken against parties who do not do so. |
| (g) | At the beginning of the year, in the 09 agrarian banks assets of Rs.376,495,515, liabilities of Rs.290,095,525 and equity accounts of Rs. 86,399,991 had not been recorded in the journal.  | That will be corrected in the future. | It should be accounted for through journal entries.   |
| (h) | Accounts had not been maintained in the general ledger for 27 accounts worth Rs. 19,523,916 in the trial balance of 05 agrarian banks.  | That will be corrected in the future. | Arrangements should be made to maintain accounts in the ledger.   |

### 1.3.3 Unreconciled Control Accounts or Reports

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) There was a difference of Rs. 1,477,970 between the value of 21 accounting subjects in the financial statements and the balance as per the corresponding reports of 09 Agrarian Service Committees.	That we are working to correct it.	Comparisons should be made with the corresponding documents and financial statements and appropriate adjustments should be made.
(b) A difference of Rs. 5,843,550 was observed between the ledger and trial balance of 28 accounts of 08 agrarian banks.	That will be corrected in the future.	- Do -

### 1.3.4 Unauthorized Transactions

<b>Description of Unauthorized Transactions</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) At the beginning of the year, assets of Rs. 51,607,353, liabilities of Rs. 19,318,602 and equity accounts of Rs. 32,288,751 of 03 committees had not been recorded in the ledger through journal entries.	That we are working to correct it.	It should be recorded in the ledger through the journal entries.
(b) 42 journal entries worth Rs.739,524,607 of 03 committees had not been approved and Rs.141,951 had been accounted for without journal entries.	That we are working to correct it.	Journal entries should be made after obtaining approval, and action must be taken against parties who fail to do so.

### 1.3.5 Suspense Accounts

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The long-standing debit balance of Rs.212,892 and credit balance of Rs.12,948 in the suspense accounts relating to 4 Agrarian Service Committees had not been settled.	That we are working to correct it.	Suspense account balances should be settled using an expedited process.

### 1.3.6 Lack of Written Evidence for Audit

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Due to the absence of asset records, balance confirmations and time analysis of 48 accounting items worth Rs. 49,521,550 in 04 committees, it was not possible to satisfactorily observe or accept them during the audit.	That we are working to correct it.	Relevant audit evidence should be submitted.
(b) Schedules for 71 ledger accounts worth Rs. 228,480,838 of 07 agrarian banks had not been submitted for audit.	That will be corrected in the future.	- Do -

### 1.4 Non-compliance of Laws, Rules, Regulations and Management Decisions etc. ..

<b>Reference to Laws, Rules, Regulations and Management Decisions etc...</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Agrarian Development No. 46 of 2000			
(i) Section 22	All 15 committees had not been implemented a program to determine crops and animals more suitable for agricultural lands.	The program will be implemented next year as per departmental instructions.	Action should be taken in accordance with the Act, and action should be taken against those who have not done so.
(ii) Section 53(4)	The land records of 14 committees had not been revised.	Revisions will be made in the future according to departmental instructions.	- Do -
(b) Section 52 of the Agrarian Development Act, No. 46 of 2000, as amended by the Agrarian	The 15 committees had not been prepared an agricultural program and development plan.	Although it was missed in the year under review, it has been adjusted for the year 2025.	- Do -

Development  
(Amendment) Act,  
No. 46 of 2011

(c) Financial  
Regulations of the  
Democratic  
Socialist Republic  
of Sri Lanka

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| (i)  | F.R.137       | Payments of Rs. 3,892,858 had been made by 03 committees from 67 vouchers without approval.   | That the steps have been taken to approve the vouchers.         | Financial regulations should be followed and action should be taken against parties who do not comply.           |
| (ii)   | F.R. 225      | The Panawala Committee had been made payments of Rs. 59,564 without bills.  | That we are working to correct it.                              | - Do -   |
| (iii)  | F.R. 257      | 66 vouchers worth Rs. 3,269,363 had been paid without certification in 02 committees.   | Agree with the audit and take steps to prevent future mistakes. | - Do -   |
| (d) Agricultural Bank<br>Circular No.<br>04/2012 dated 29<br>February 2012 |               |   |   |  |
| (i)  | Paragraph 3.1 | Within the jurisdiction of 02 committees, farmers who were expected to implement agricultural equipment-based projects had not been identified and encouraged to launch those projects and had not been provided with agricultural equipment loans. | That will be done in the future.                                | Action should be taken in accordance with the circular and action should be taken against non-compliant parties. |
| (ii)   | Paragraph 3.8 | Project loans worth Rs. 3,050,000 were issued to 52 borrowers on the same day that the accounts of 03   | That we will take steps to prevent this in the future.          | - Do -   |

committees and small groups were opened and between 08 and 372 days after opening, but the fact that the borrowers had opened accounts and had an account balance had not been taken into consideration when recommending and approving loan applications.

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| (iii) | Section 4.1(V)                            | During the year under review, payments had been made for 252 vouchers worth Rs. 60,805,208 of the Baminiwatte Agrarian Services Committee without the approval of the Chairman of the Loan Control Committee. | That we will work to correct it in the future.         | - Do -  |
| (e)   | Circular No. 07/12/07 dated 24 April 2023 | Rs. 5,305,795 collected in the Disaster Loan Coverage Account by 06 committees had not been deposited in a fixed deposit account.   | That we will take steps to prevent this in the future. | Money should be managed as efficiently as possible in accordance with the circular. |

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements submitted, the total of the 15 Agrarian Service Committees in the year 2024 was a surplus of Rs. 14,610,477, the total of the 14 Agrarian Banks was a surplus of Rs. 16,784,761 and the Ambepussa Agrarian Bank had a deficit of Rs. 58,446. The total of 14 Agrarian Service Committees in the year 2023 was a surplus of Rs. 12,671,292, and the total of 14 Agrarian Banks was a surplus of Rs. 27,412,849.

#### 2.1.1 Analytical Review

- (a) In the year under review, the surplus of 15 Agrarian Service Committees compared to the surplus of the previous year showed an increase in the surplus of Rs. 5,691,723 in 07 committees and a decrease in the surplus of Rs. 4,747,835 in 08 committees.
- (b) The primary functions of the Agrarian Service Committees are to sell agricultural products including fertilizers, agrochemicals, seeds and plants, and agricultural equipment. The total sales of the 15 Agrarian Service Committees for the year under review amounted to Rs. 53,215,521. Since the total gross profit was Rs. 8,131,170, the average annual sales value of one Agrarian Service Committee was Rs. 3,547,701, and the average gross profit was Rs. 542,078.

- (c) As per the financial statements submitted, the financial position of the 15 Agrarian Service Committees as on 31 December of the year under review is given below.

		Rs.	Rs.
<u>Total Assets</u>			
Current Assets	=	93,272,254	
Non-current Assets	=	71,229,819	164,502,073
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<u>Total Liabilities</u>			
Current Liabilities	=	67,708,927	
Loan Term Loan Value	=	14,649,754	82,358,681
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Accumulated Fund Value (Net Assets)	=		246,860,754
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### 3. Operating Review

#### 3.1 Money Management

##### (a) Inactive Bank Accounts

	<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(i)	05 current accounts with a balance of Rs. 198,226 and 03 savings accounts with a balance of Rs. 22,073 of 07 committees remained inactive.	Action will be taken to close unnecessary accounts and keep other accounts in active.	Steps should be taken to maintain bank accounts in active.
(ii)	In 10 committee current accounts, an amount of between Rs. 20,350 - Rs. 3,992,476 per month in the year 2024, and in 02 committee savings accounts, an amount of between Rs. 445,963 and Rs. 10,418,127 per month, and in 02 agricultural bank savings and current accounts, an amount of between Rs. 965,468 and Rs. 3,301,321 per month in the year 2024, had been retained and had not been invested in any productive investment.	That we will take action to making productive investments.	Excess money should be invested in productive investments with formal approval.

### 3.2 Management Inefficiencies

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Out of 299 'Sithamu' women's farmer organizations registered in 03 committees, 162 farmer organizations remained inactive.	The department will seek advice from the government to liquidate weak unions, initiate a program to activate women's unions, and assign targets to agricultural research and production assistants and evaluate progress.	Steps should be taken to actively maintain registered farmers' organizations and other societies.

### 3.3 Operating Inefficiencies

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) No steps had been taken to acquire the ownership of the lands measuring 13 acres, 03 roods and 33.21 perches located in the 15 centers.	It has been informed that steps are being taken to take over.	All center lands should be acquired as per the instructions of the Department of Agrarian Development.
(b) Although the period related to the 2024/2025 Maha season ended in March 2025, as Rs. 11,411,874 out of a total subsidy amount of Rs. 48,713,633 applicable to 9,389 farmers in 07 committees had not been paid as of February 15, 2025, the required subsidy money had not been provided to the farmers during the period related to the season.	Crediting of fertilizer subsidy money to farmers is done through the Information Management Unit and District Offices.	Subsidized fertilizer funds should be provided in accordance with the season, and action should be taken against those who have not done so.
(c) Providing solutions to farmer disputes is a major function of the center, but out of 715 farmer complaints received by 05 centers in the past years, solutions were provided for 562 complaints and 153 complaints had not been resolved.	That the investigations are underway for the complaints forwarded to the district office.	Timely solutions should be provided to farmer disputes.

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| (d) | The total amount of paddy land in the agricultural jurisdiction of 10 committees is 45,694 plots, and although all of these plots have been measured using the Geogovia system, 13,020 plots of land have not been included in the digital paddy land register.   | That the mapping will be completed after the newly submitted applications for the paddy land register are submitted in a proper manner.                             | Urgent steps should be taken to map all paddy lands in the agricultural service areas. |
| (e) | The area of fallow land (Type A) that can be used for paddy cultivation in the jurisdictions of the 13 Agrarian Service Centers was identified as 1062.64 acres, the area that can be used for other cultivations (Type B) was identified as 756.83 acres and the area of fallow land belonging to Category C was identified as 637.84 acres by the end of the year under review, but the necessary measures had not been taken to cultivate the fallow land. | That the necessary legal actions were taken after investigating the paddy lands and that the paddy lands have become fallow due to practical problems in each area. | Actions should be taken to cultivate all agricultural lands that remain fallow.        |

### 3.4 Receivable and Payable Accounts

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) At the end of the year under review, Rs.1,537,541 was due in respect of goods provided to Agricultural Research Production Assistant Officers on the basis of sale and payment in 07 committees.	Those officers have been informed at weekly meetings and through letters. That the action will be taken to recover the money in the future.	Money for goods provided on a cash-on-delivery basis should be collected within the relevant period, and action should be taken against officers who fail to do so.  Payment for goods provided on a cash-on-delivery basis should be collected within the relevant period, and action should be taken against officers who fail to do so.

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| (b) | The Yatiyantota Agrarian Services Committee had not been taken steps so far to get back a tractor and trailer taken by the Army in 1992, costing Rs. 978,173. | That it has not been possible to remove it from the accounts because no information can be found about this. | Steps should be taken to get back the relevant assets. |
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### 3.5 Idle or Underutilized Property, Plant and Equipment

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The leaf shredder purchased by the Aranayake Agrarian Services Committee in 2021 for Rs. 130,000 had not been put into use due to the lack of organic fertilizer production, and the Hatgampala fertilizer warehouse and Narangamma sales outlet also remained idle.	The lack of implementation of organic fertilizer programs and the lack of interest among farmers in them have led to the decrease in the use of shredders.	A program should be implemented to fully utilize assets.
(b) The counterfeit note detection machine purchased in 2014 by two committees remained idle.	The machine has not been used so far, but will be used in the future.	- Do -
(c) The passbook printer machines purchased for Rs. 1,261,300 in November 2024 by 10 committees remained idle due to the fact that the Agrarian Bank had not received the passbooks required for their use and the bank software system had not been installed.	That this machine will be used after the software system is installed.	A program should be implemented to put these machines into use as soon as possible.

### 3.6 Project or Capital Work Delays

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Although a priority list including 381 minor irrigation schemes that needed to be renovated was submitted by 07 committees during the year under review, 336 of them had not been implemented.	That the only reforms for which annual allocations have been made according to priority have been carried out.	A program should be implemented to direct farmers to cultivate fallow fields by implementing reform proposals.

- (b) Although the jurisdictions of 13 agrarian services consist of 25 tanks, 1,275 embankments, 557 agricultural roads and 521 agricultural canals, thereof 312 embankments, 17 agricultural roads and 08 canals remained inactive.
- It is stated that priority documents will be called annually by farmers' organizations and necessary actions will be taken.
- A program should be implemented to restore all inactive tanks, dams, agricultural canals, and agricultural roads to a functional state.

### 3.7 Human Resources Management

#### Audit Observations

#### Comments of the Management

#### Recommendation

As of 31 December 2024, 05 Regional Officer posts and 175 Agricultural Research and Production Assistant posts remained vacant in the 15 Committee Areas.

That the officers have been appointed to fill vacant committees and divisions, the government has not yet made any appointments.

A staff review should be conducted and a plan should be put in place to fill essential vacancies.

### 04 Accountability and Good Governance

#### 4.1 Annual Action Plan

#### Audit Observations

#### Comments of the Management

#### Recommendation

Although the 15 Agrarian Service Committee had been prepared Action Plan for the year under review, its progress had not been prepared at the end of the year.

No answers were given.

Steps should be taken to present progress according to the action plan.

#### 4.2 Budgetary Control

#### Audit Observations

#### Comments of the Management

#### Recommendation

The Committee had not used the budget document, which is used as a control mechanism, as an effective control mechanism due to the variation range of 10 percent to 3369 percent in 420 income and expenditure heads when comparing the 2024 budget estimates with actual income and expenditure.

No answers were given.

The budget document should be used as a control tool.

### 4.3 Sustainable Development Goals

Audit Observations	Comments of the Management	Recommendation
(a) Out of 809,752 chilli plants worth Rs. 4,305,512 provided to farmers of 11 Agrarian Service Committees under the Home Gardening Program, 472,753 plants worth Rs. 2,806,987 had been destroyed and although a harvest of 50 metric tons was expected from 1540 packets of bean seeds worth Rs. 1,262,800 distributed to 385 farmers in the Baminiwatte Committee, the program was a failure project due to the fact that only 24 metric tons of harvest was received.	That the severe weather conditions were caused to this.	When preparing plans, weather and climatic conditions should be considered and projects should be implemented.
(b) Although 22 beneficiaries of the Paragammana Agricultural Service Center were selected and paid Rs. 21,890,000 as the government's contribution for the construction of safe houses in the Paragammana Committee, at a cost of Rs. 500,000 each for each house, the audit did not observe any acceptable documents to establish the legal ownership of the land on which the project will be implemented, as per paragraph 06 (1) of the Memorandum of Understanding under Annexure 01 of the Commissioner General of Agrarian Development's guideline 7/3/19/S.A.V/2023 dated 06 October 2023.	That the beneficiaries have been selected in accordance with the guidelines for implementing the program.	A basic criterion for implementing the project was that the legal ownership of the land should be confirmed through acceptable legal documents.
(c) Although the construction of the greenhouse constructed in the Akiriyagala Agricultural Research and Production Assistant Division of the Paragammana Committee has been completed and Rs. 995,000 has been paid, since cultivation had not commenced, the efficiency and effectiveness of the expenditure was	Due to an emergency trip abroad, his father has been hand overed the farming duties.	The Memorandum of Understanding must be followed and a formal investigation should be conducted pertaining to giving it to a person outside the district.

at zero level and the award of the greenhouse to a resident of Asgiriya, Kandy, who does not belong to the Kegalle District Agricultural Development area, as per the Memorandum of Understanding dated 31 October 2023, and the reasons for the contract were not clear to the audit.

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| (d) | The list of beneficiaries of the Paragammana Committee included the names of 04 individuals, since two individuals were given 2 greenhouses worth Rs.1,990,000 each, the objectives of transforming traditional cultivators into agri-entrepreneurs had been expanded.   | That it has been given to the farmers who applied due to the expected number of farmers not expressing their interest. | A formal inspection should be conducted and relevant steps should be taken.   |
| (e) | Although the Paragammana Committee has provided facilities to 22 farmers to apply water through an automatic water distribution system using modern technology, since only three out of the 22 beneficiaries had applied water through the aforementioned method, the use of modern technology, which was an objective of the project, had not been achieved by all beneficiaries. | That the many farmers live close to home and therefore do not use these devices.                                       | Relevant officers should take steps to direct entrepreneurs to use water distribution systems with modern technology. |

## 5. Agrarian Banks

### Audit Observations

### Comments of the Management Recommendation

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| (a) | Although there were balances between Rs. 31,697,175 and Rs. 79,366,712 in savings accounts of 11 farmers' banks and balances between Rs. 2,037,925 and Rs. 21,533,667 in current accounts, no steps had been taken to invest the excess money in productive investments. | That will be corrected in the future. | Action should be taken to make productive investments under formal approval. |
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- (b) Although, based on a decision of the Aranayake Agrarian Bank Committee, 1 percent of the contracts were credited to an account called the Development Fund for the welfare of agricultural organizations and Rs. 493,987 was spent from that amount in the year 2024, The supporting documents of vouchers were not accompanied and the closing balance of Rs. 958,333 in that account had been transferred to the Share Deposit Control Account through a journal entry without being disclosed in the accounts.
- It was stated that the farmers' organization representatives were making transactions in this account, and that 1% of the amount had been credited by mistake, which had been corrected through a journal entry.
- The end-of-season balance should be accurately disclosed in the accounts, and relevant corrections should be made.
- (c) Due to the failure of the relevant officers to properly discharge their responsibilities in terms of timely recovery of loans, supporting the loan recovery process, taking timely action to recover arrears and directing staff and taking necessary action, there were overdue outstanding loans of Rs.127,575,674 and non-overdue outstanding loans of Rs. 32,374,002 in 11 agrarian banks.
- That the action will be taken to collect in the future.
- Bank loans should be recovered on time, and action should be taken against officers who fail to take steps to recover loans on time.