

31 Agrarian Services Committees in Badulla District - 2024

1. Audit Opinion

1.1 The audit of the financial statements of the 31 Agrarian Service Committees in Badulla 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 154(3) 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 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 Qualified audit opinions had been given on the financial statements of 31 Agrarian Service Committees in the Badulla 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 Observation	Comment of the Management	Recommendation
(a) Although the Farmers' Bank is a unit of the Agrarian Services Committee, consolidated financial statements of the 31 Agrarian Services Committees in the Badulla District had not been prepared.	That they will take further action after seeking advice from the head office.	Steps should be taken to prepare consolidated financial statements.
(b) According to paragraph 40 of Sri Lanka Public Sector Accounting Standards No. 07, an entity must choose the cost model or the revaluation model when accounting for its fixed assets and although that policy should have been applied to the property, plant and equipment class, such action had not been taken regarding the accounting of fixed assets in the 31 Agrarian Service Committees.	That they will take advice from the head office and reassess and prepare the accounts in the future.	Fixed assets should be accounted for according to the accounting standard.

1.3.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) The value of 18 buildings, 07 lands and 04 other assets owned by 11 committees had not been identified and accounted for.	That the action will be taken to account for assets in the future.	The value of assets should be identified and accounted for.
(b) 362 account balances totaling Rs.16,989,337, which were being carried forward as receivables from 24 committees for a period ranging from 4 to 30 years, had been listed as debtors instead of being recovered or dealt with appropriately.	That the information will be checked and action will be taken to recover it from the relevant parties or, if not, to obtain approval and write it off.	Action should be taken against officers who have not collected loan balances on time after conducting a formal inspection, appropriate action should be taken under formal approval on balances that can be confirmed to be uncollectible, and recoverable balances should be identified and recovered.
(c) 272 account balances totaling Rs.24,048,714, which were carried forward as outstanding balances of 25 committees for a period ranging from 4 to 38 years, had been listed as creditors instead of obtaining formal approval and taking appropriate action.	That the action will be taken to check the information, identify the relevant parties and made the payments or if not possible, obtain approval and the balances written off.	Balances that cannot be verified as payable after a formal investigation, action should be taken to deal with appropriately under formal approval, and balances that are due should be identified and paid promptly.
(d) Fixed assets purchased by 03 committees during the year under review totaling Rs. 560,903 were not accounted for as capital expenditure but were accounted for as recurring expenditure.	That it will be accounted for correctly in future financial statements.	Financial statements should be prepared with correct classifications and relevant adjustments should be made.
(e) Expense reimbursements of 03 committees amounting to Rs.1,194,487 were accounted for as income in the year under review.	That the future financial statements will be prepared accurately.	Revenues should be accurately identified and accounted for, and relevant adjustments should be made.

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| (f) | The opening balance of the commercial fertilizer trading account of the Ridipana Agrarian Services Committee had been overstated by Rs. 185,000. | That the prices were revised due to fluctuations in the market price of commercial fertilizers. | Inventories should be valued in accordance with Sri Lanka Public Sector Accounting Standards No. 09. |
| (g) | During the year 2024, the Nagadeepa Agrarian Services Committee disposed of an expired seed paddy stock worth Rs.101,100 for Rs.57,500, the cost of the discarded stock was shown as Rs. 101,100 as returns and the revenue from the sale of expired stock was shown as Rs. 57,500 as other income in the financial performance statement and the disposal loss of Rs. 43,600 had not been adjusted in the financial statements. As a result, the surplus of the Committee had been overstated by Rs.202,200. | That we will work to resolve the matter in the future. | It should be accurately accounted for and the relevant adjustments made to the financial statements. |
| (h) | The net value of the fixed assets of the Kumbalwela Agrarian Services Committee was understated by Rs.80,000. | No answers were given. | Fixed assets should be accounted for correctly. |
| (i) | In the general ledger of the Bambarapana Farmers' Bank, only the Accumulated Funds Account, Bank Income Account and Bank Expense Account had been prepared, while other accounts had not been prepared. | That the accounts will be prepared in the future. | All accounts should be presented in the general ledger. |
| (j) | In the statement of financial position of the Ballaketuwa Agrarian Services Committee, the balance of non-current assets had been overstated by Rs.103,614 by recording the initial cost without considering the net value of fixed assets at the end of the year under review. | That it will be corrected in future through journal entries. | Adjustments should be made to the financial statements by accurately accounting for them. |

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| (k) | Although the fixed deposit interest income of the Mahiyanganaya Agrarian Services Committee for the year 2024 was Rs.1,820,494, it was stated in the Financial Performance Statement as Rs. 1,217,223, with a decrease of Rs. 603,271, fixed deposit interest income receivable as of December 31 of the year under review amounting to Rs. 129,042 had not been accounted for. | That it will be accounted for correctly in the future. | Revenue should be recognized and accounted for on an accrual basis. |
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1.3.3 Unreconciled Control Accounts or Reports

Audit Observation	Comment of the Management	Recommendation
(a) The total amount of Rs.172,162 relating to 18 accounting items of 6 Agrarian Service Committees had been stated in the financial statements in excess of the balances stated in the corresponding reports.	That will be worked to correct it in the future.	It should be compared and corrected.
(b) The total amount of Rs.11,204,669 relating to 57 accounting items of 13 Agrarian Service Committees had been stated in the financial statements lower than the balances stated in the corresponding reports.	That will be worked to correct it in the future.	It should be compared and corrected.
(c) The total amount of Rs. 1,767,976 relating to 20 accounting items of 7 pilot agrarian bank projects had been stated in the financial statements with excess of the balances stated in the corresponding reports.	That will be worked to correct it in the future.	It should be compared and corrected.
(d) The total amount of Rs. 1,126,915 relating to 16 accounting items of 5 pilot agricultural bank projects had been stated in the financial statements lower than the balances stated in the corresponding reports.	That will be worked to correct it in the future.	It should be compared and corrected.

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| (e) | There was a difference of Rs.138,000 between the total assets and liabilities in the financial statement of the Atampitiya Agrarian Services Committee. | The error has been identified and will be corrected in the future. | Relevant comparisons should be made and assets and liabilities should be accurately accounted for in the statement of financial position. |
| (f) | The balance of Rs. 45,165 payable to the Agrarian Bank (Pilot) Project included in the statement of financial Position of the Rambukpotha Agrarian Services Committee had not been included in the statement of financial Position of the Agrarian Bank (Pilot Project). | That will be worked to correct it in the future. | It should be compared and corrected. |

1.3.4 Suspense Accounts

Audit Observation	Comment of the Management	Recommendation
The debit balance of the suspense accounts carried forward from a period of 27-35 years of 06 Agrarian Service Committees, amounting to Rs.544,542, and the credit balance of the suspense accounts carried forward from a period of 8-9 years of 06 Committees, amounting to Rs.1,323,134, had not been settled.	That the investigations will be conducted about the balances and corrected in the future.	The causes of suspense accounts should be identified and corrected.

1.3.5 Lack of Written Evidence for Audit

Audit Observation	Comment of the Management	Recommendation
(a) 75 asset balances totaling Rs. 34,945,037 relating to 18 committees, 31 liability balances totaling Rs.28,999,284 relating to 08 committees, 18 control accounts totaling Rs.19,800,575 relating to 02 farmers' banks, 02 expenditure balances totaling	That the necessary action will be taken in the future.	Necessary written evidence should be submitted to the audit to substantiate all balances shown in the financial statements.

Rs.23,786 relating to Maspanna Farmers' Bank and 14 income, expenditure and control account balances totaling Rs.2,755,916 relating to Bambarapana Farmers' Bank could not be satisfactorily examined during the audit due to non-submission of relevant fixed asset records, debtor and creditor records, ledger accounts, balance confirmations and relevant schedules.

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| (b) | The payment vouchers, petty cash vouchers and petty cash book for the period from January 2024 to September 2024 and the record of the delivery of goods on a cash-for-sale basis of the Madolsima Agrarian Services Committee had not been submitted for audit. | That the payment vouchers and petty cash book were safely stored and later found, and that no loans were issued on the basis of sale and payment in 2024. | All books, papers and documents should be prepared and submitted for audit. |
| (c) | According to the bank reconciliation statement prepared for the month of December 2024 in relation to a bank current account held by the Sapugolla Agrarian Services Committee, the reasons for the adjustments made to the bank balance amounting to Rs. 56,769 and deductions amounting to Rs. 18,783, which had been made over a period of 8 years, were not presented to the audit and no steps had been taken to identify those adjustments and take necessary further action. | No answers were provided. | Necessary evidence should be submitted to substantiate all balances shown in the financial statements. |

1.4 Non-compliance to the Laws, Rules, Regulations and Management Decisions

	Reference to Laws, Rules, Regulations	Value Rs.	Non-compliance	Comment of the Management	Recommendation
(a)	Financial of the Democratic Socialist Republic of Sri Lanka				
(i)	Financial Regulations 133 and 134		An internal audit was conducted for 07 committees for the year under review and copies of the audit reports had not been submitted to the Auditor General.	No answers were provided.	Action should be taken according to the Financial Regulations.
(ii)	Financial Regulation 188(2)	56,025	Action had not been taken regarding 09 cheques deposited but not realized by the Sapugolla Committee.	That in the future, we will act in accordance with financial regulations.	- Do -
(iii)	Financial Regulation 396 (c)	252,688	Action had not been taken regarding 11 cheques issued by 03 committees, but not presented to the bank for payment.	That in the future, we will act in accordance with financial regulations.	- Do -
(iv)	Financial Regulation 880		17 officers in charge of goods and money in 10 committees had not deposited any security deposit.	While 04 committees had not provided answers, 08 committees said that they would take appropriate action in the future.	- Do -

(v)	Financial Regulation 891	14 committees had not maintained deposit records.	Five committees had not provided answers, while nine committees said that they would act in accordance with financial regulations in the future.	- Do -	
(b)	Circulars of the Commissioner General of Agrarian Development				
(i)	1 Paragraph of Circular No. 264 dated 21 October 1986	1,417,283	14 committees had not collected the room rent receivables for the year under review and previous years.	That the amount of Rs.8,640 due to the Ridipana Agrarian Services Committee is an upcoming balance and the other 13 committees will inform the relevant institutions in the future and collect the arrears of rent.	Room rent should be collected in accordance with the provisions of the circular, and action should be taken against parties who fail to do so.
(ii)	3.4.9 paragraph of Circular No. 04/2012 dated 29 February 2012		Although a list of the names of farmers who have been given loans during each month should be sent to the District Deputy/Assistant Commissioner with copies to the head office before the 15 of the following month and a copy should be displayed at the Agrarian Service	That the action will be taken in accordance with the circular in the future.	Action should be taken as per the provisions of the circular.

Center, Bandarawela,
Diyaluma and
Nikapotha
Agricultural Banks
had not taken such
action.

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| (iii) | 3.4.11
paragraph of
Circular No.
04/2012 dated
29 February
2012 | A farmer disaster loan
coverage account had
not been maintained for
farmers who had
obtained loans from the
Passara Agrarian Bank. | That the action will
be taken in
accordance with the
circular in the future. | - Do - |
| (iv) | Circular No.
07/2014 (No.
107 edited)
dated 22
August 2014 | Although the
maximum amount that
can be withheld daily is
Rs.10,000, 10
committees had
exceeded that limit and
withheld money on 428
occasions. | One committee did
not provide answers
and three committees
stated that it was
difficult to deposit
money daily as the
distance to deposit
was more than 6km,
and six committees
stated that money
received after 3 p.m.
would be deposited
the following day. | - Do - |

**2 Financial Review
Financial Results**

The total operating result for the year under review for 31 Agrarian Service Committees in the Badulla District was a surplus of Rs. 24,062,390, Correspondingly, the surplus for the previous year was Rs. 18,455,589. Accordingly, an increase of Rs. 5,606,801 was observed in the financial result.

The total operating surplus for the year under review for 30 agricultural banks in the Badulla district was Rs. 21,053,901.

**3 Operating Review
3.1 Management Inefficiencies**

Audit Observation	Comment of the Management	Recommendation
(a) It was observed that 3,936 kilograms of MOP, 4,343 kilograms of TSP fertilizer,	That the farmers are not buying urea due to its large granules and are not coming	Advice should be sought urgently and necessary action should

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| | to collect fertilizer due to the high transportation costs incurred when visiting the Agricultural Service Center. | be taken. |
| (b) Although 16 committees had accurately identified the extent of the lands belonging to those committees, no steps had been taken to acquire their legal ownership. | That the requests have been made to the relevant Divisional Secretariats for land acquisition activities. | Steps should be taken to take legally ownership of the lands owned by the Agrarian Service Committees after obtaining advice from the Department of Agrarian Development. |
| (c) The loan balance of Rs. 93,118 due from an officer who was working as an Agricultural Research and Production Assistant Officer at the Nagadeepa Agrarian Service Center and transferred to the Nuwara Eliya District in 2019 had not been recovered as of 31 December 2024. | That the officer has been informed in writing to pay the relevant amount. | Action should be taken to recover the outstanding amount. |
| (d) Although the Dambawinna Agrarian Services Committee had rented out the two-wheeled hand tractor owned by the Committee to the Divithotawela Farmers' Organization for a sum of Rs.200,000 for a period of 3 years from 6 September 2008, as of 31 December 2024, there was still a deficit of Rs. 125,000. and no further action had been taken in accordance with the agreement regarding the default in payment of that amount. | No answers were provided. | Action should be taken to recover the outstanding amount. |
| (e) The arrears acreage tax amounting to Rs. 155,204 | That the action will be taken to recover the | Recovery should be completed within the |

pertaining to 04 Agricultural Service Committees had not been collected by the end of the year under review.

amount in the future.

stipulated time frame, and action should be taken against parties who fail to do so.

3.2 Operating Inefficiencies

Audit Observation

Rs.2,445,984 due for materials / equipment issued during the year under review and previous years on the basis of sale and payment to 29 Agricultural Research and Production Assistant Officers of 04 Committees had not been recovered.

Comment of the Management

Action will be taken to recover the money in the future.

Recommendation

Action should be taken to recover the amount without delay, and after the grace period has expired, action should be taken to recover it from the salary.

3.3 Assets Management

Audit Observation

- (a) 123 pieces of equipment worth Rs. 8,588,862 purchased for the installation of accounting software for 31 Agrarian Service Centers remained unused and idle.

Comment of the Management

That the equipment cannot be used because the accounting software has not been installed.

Recommendation

The accounting software should be installed and the relevant equipment should be used.

- (b) A machine worth Rs.2,351,000 used for harvesting paddy and maize at the Nagadeepa Agrarian Services Committee had been lying idle for 9 years.

The machine cannot be used on paddy lands belonging to the Agrarian Services authority area.

Steps should be taken to provide it to a usable center or to make optimal use of it.

3.4 Staff Management

Audit Observation

As of December 31, there was a shortage of 264 officers for 09 posts of approved staff for the Agrarian Development District Office and 31 Agrarian Service Committees, and surplus of 11 officers for 04 posts.

Comment of the Management

No answers were provided.

Recommendation

A staff review should be conducted and staff should be maintained at an optimal level without vacancies or redundancy.

4 Agrarian Banks

Audit Observation

During the period from 1999 to 31 December 2024, totaling Rs.146,019,828 as Rs. 93,563,983 of the agricultural loans issued to 3,035 farmers by 29 committees, Rs. 34,060,775 of project loans issued to 669 farmers by 25 committees and Rs. 14,984,724 of entrepreneurial loans issued to 478 farmers by 21 committees and Rs. 3,410,346 of the agricultural equipment and other loans issued to 81 farmers by 13 committees had not been recovered.

Comment of the Management

Action will be taken to recover the amount by taking legal action, referring it to the Agrarian Tribunal, conducting office investigations and sending awareness letters.

Recommendation

A formal investigation should be conducted into the granting of loans and non-recovery of loans on time and action should be taken against the relevant parties, and steps should be taken to recover the outstanding amounts in accordance with the loan agreements.