17 Agrarian Services Committees in Batticaloa District – 2024

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1. Audit Opinion

1.1 The audit of the financial statements of the 17 Agrarian Service Committees in Batticaloa 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 Audit reports were issued for 17 Agrarian Service Committees in the Batticaloa District for the year 2024, a qualified opinion had been expressed for all 17 of those audit reports. The following are the material observations that caused to the expression of opinions.

1.3 Financial Statements

1.3.1 Accounting Deficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	The value of lands, office buildings, fertilizer stores and sales centers belonging to 17 Agrarian Service Committees had not been estimated and included in the financial statements.	Action will be taken to assess the value of non-financial assets through the acquisition of assets.	Steps should be taken to assess the fair value of all fixed assets and disclose them in the financial statements, after consulting the Department of Agrarian Development.
(b)	The value of 87 pieces of furniture, office equipment and machinery of 03 Agrarian Service Committees had not been estimated and included in the financial statements.	In due course, action will be taken to assess the values and disclose them in the financial statements.	- Do -
(c)	The value of the building and land of Rs.4,579,525 of the Kokkatticholai Agrarian Services Committee and the value of machinery and equipment of Rs.176,750 received as a donation from the Vandaramulai Agrarian Services Committee had not been capitalized and included to the assets.	Steps will be taken to rectify this in the coming year.	The value of those assets must be included in the financial statements in accordance with the instructions of the Department of Agrarian Development.

(d)	The greenhouses, iron tents and constructions completed by 03 Agrarian Service Committees in 2016 at a total cost of Rs. 988,911 had not been accounted for.	- Do -	- Do -
(e)	The value of the office building Rs.2,781,193 renovated during the year under review of the Palukammam Agrarian Services Committee, has not been included as fixed assets in the financial statements.	Steps will be taken to rectify in the coming year.	Steps should be taken to disclose assets in financial statements.
(f)	The loan amount of Rs. 1,407,000 to be recovered from 11 farmers for two-wheeled tractors provided on loan basis in 2008 and 2010 to the Wakarai Agrarian Services Committee under the Japanese aid project had not been disclosed in the financial statements.	Steps will be taken to report in due course.	Steps should be taken to properly record income receivables and collect them in a timely manner.
(g)	The interest income for the financial year on the fixed deposits of the Karadiyanaru Agrarian Services Committee was understated by Rs.72,238.	Action will be taken to rectify this in 2025.	Steps should be taken to properly calculate income, and the accounts should be corrected.
(h)	The interest income from fixed deposits for the Aiththiyamalai and Valaichchenai Agrarian Services Committees for the year under review was Rs. 873,577, and it was not classified as cash flows from financing activities in the statement of cash flows.	Steps will be taken to rectify this in the coming year.	Steps should be taken to prepare the cash flow statement under the appropriate classification.
(i)	There was a difference of Rs. 483,216 between the opening balance of cash and cash equivalents and the closing balance of the previous year in the cash flow statement for the year under review of the Valaichenai Agrarian Services Committee.	Work has been done to correct it.	Action should be taken to make comparisons and adjust the cash flow statement appropriately.
(j)	The interest income on fixed deposits on cash flow statement of the Mandapattadi Agrarian Services Committee for the year 2024 had been understated by Rs. 701,547.	- Do -	Steps should be taken to examine the accounts properly and rectify them.

(k)	Rs. 4,153,295 received from debtors had not been shown as money received from debtors, during the period under review by the Mandapatthadi Agrarian Services Committee, it was reported under other income in the statement of financial performance.	- Do -	- Do -
(l)	The rent amount of Rs. 1,603,616 received from the lease of a controversial land of the Aithiyamalai Agrarian Services Committee had not been accounted for as income but it had been stated as a liability in the financial statements.	Action will be taken to disclose this under non-current liabilities in the coming year.	Steps should be taken to conduct a formal study and make proper adjustments to the accounts.
(m)	The depreciation value of Rs.533,301 for the previous year and Rs.143,460 for the year under review had not been accounted for in respect of 117 quality control laboratory machines and equipment received by the Kalladi Agrarian Services Committee in 2020.	Work has been done to correct it.	Steps should be taken to make the necessary adjustments to the accounts.
(n)	No action had been taken regarding the loss of 22 bags of TSP chemical fertilizer worth Rs. 231,000 due to the flood that occurred during the year under review at the Wellawalli Agrarian Services Committee, and it had not been disclosed in the financial statements.	Steps will be taken to rectify this in the coming year.	Steps should be taken to properly disclose the loss in the financial statements.
(o)	The value of Rs. 600,000 transferred from the Fertilizer Subsidy Account to the Farmers' Bank Account of the Palukammam Agrarian Services Committee in the year 2019 had not been accounted for as an asset in the financial statements even at the end of the year under review.	- Do -	A formal investigation should be conducted and steps should be taken to properly disclose assets in the financial statements.
(p)	The value of the tractor worth Rs.1,150,000, which was disposed of 02 years ago by the Kiran Agrarian Services Committee, had not been removed from the asset account.	- Do -	A formal investigation should be conducted and steps should be taken to correct the financial statements.

1.3.2 Lack of Written Evidence for Audit

Audit Observations	Comments of the Management	Recommendation
Since sufficient evidence was not submitted to the audit to verify the aggregate value of Rs. 31,951,543 regarding the 10 account balances of Agrarian Services Committees, it was not possible to satisfactorily verify/examine the matter during the audit.	Action will be taken to submit the debtor's register, invoices, confirmation letters, and detailed schedules, etc.	All evidence requested by the audit should be submitted to verify the account balances.

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

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Agrarian Development Act No. 46 of 2000			
	(i) Section 44 (1)	Although it had been stated that the accounts of all Agrarian Services Committees should be checked by the authorized officer of the Commissioner General of Agrarian Services, the accounts of 06 Agrarian Services Committees had not been checked in accordance with the provisions of the said Act.	Action will be taken to check the accounts of all Agrarian Service Committees in the future.	Action should be taken in accordance with the provisions of the Act, and action should be taken against parties who have not complied.
	(ii) Section 55 (1)	The Aryampathi Agrarian Services Committee had not carried out the necessary work to survey the paddy lands.	Action will be taken to survey the land in the future.	- Do -
(b)	Stamp Fees (special) Act No. 12 of 2006	Stamp duty had not been collected for payments exceeding Rs. 25,000 in 03 Agrarian Service Committees.	Action will be taken to collect stamp duty in the future.	- Do -

(c) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i) F.R. 102 – 110	Although a complaint had been made to the police regarding 66 assets worth Rs. 459,562 belonging to the Eravur Agrarian Services Committee due to the chaotic situation that arose in the year 2008, appropriate action had not been taken to write them off.	Action will be taken to cut off them in the coming years with the approval of the Deputy Commissioner.	Actions should be taken in accordance with financial regulations, and actions should be taken against parties that fail to comply.
(ii) F.R. 110	No records had been maintained regarding the damages and losses of 07 Agrarian Service Committees.	Action will be taken to maintain a record of damages and losses in the future.	- Do -
(iii) F.R. 137 and 225	The Wandaramulai Agrarian Services Committee had been prepared an expenditure voucher for the purchase of urea worth Rs.1,610,000 during the year under review and paid the relevant amount to the fertilizer company without approval by an authorized officer.	Action will be taken to prevent such mistakes happening in the future.	- Do -
(iv) F.R. 384 (2)	The Wellavelli Agrarian Services Committee had not been maintained a register of cheque issuance.	Action will be taken to maintain these documents in the future.	- Do -
(v) F.R. 452 (1) - (2)	The Kokkadtichcholai and Thanthamalai Agrarian Service Committees had not maintained an audit enquiry register and an electrical equipment register.	- Do -	- Do -
(vi) F.R. 502(2)	The Kattankudy and Eravur Agrarian Service Committees had not maintained a fixed asset register, they had not been physically inspected.	- Do -	- Do -

(vii)	F.R. 891	15 Agrarian Service Committees had not been taken steps to maintain a security deposit register.	- Do -	- Do -
(viii)	F.R. 756 (6) and State Finance Circular No.01/2020	12 Agrarian Services Committees had been failed to submit their annual audit reports regarding stocks to the Auditor General.	From now on, Action will be taken to submit the annual survey report to the Auditor General.	- Do -
(d)	Agrarian Development Commissioner General's Circular No. 5/2018 dated 20 April 2018	10 Agrarian Service Committees had not been taken steps to prepare a register of the uplands in those areas.	Action will be taken to include the uplands in the upland register and maintain the register in the future.	Action should be taken as per the circular and action should be taken against non-compliant parties.
(e)	Treasury Circular No. IAI/2002/02 dated 28 November 2002	08 Agrarian Service Committees had not been taken steps to maintain a register regarding computers and computer accessories.	Action will be taken to maintain these documents in the future.	- Do -
(f)	Section 15 of Circular No. 107 under the Agrarian Services Act No. 58 of 1979	05 Agrarian Service Committees had not been taken steps to maintain the general ledger and daily notes.	Action will be taken to maintain the general ledger and daily notes in the future.	- Do -
(g)	Agrarian Services Circular No. 08/2020 dated 25 June 2020	11 Agrarian Service Committees had not been received any security deposits from officers engaged in revenue collection activities such as cash, storage and signing of cheques.	Action will be taken to obtain bail money from the relevant officers.	- Do -

2. Financial Review

2.1 Financial Results

(a) The operating result of 17 Agrarian Service Committees during the year under review was a net deficit of Rs. 878,666 and in contrast, the net surplus for the previous year was Rs. 27,149,231. Accordingly, there was a net decline of Rs. 28,027,897 in the financial result. This decline was mainly due to a decrease in acreage tax revenue for agricultural lands, fertilizer sales, and interest income from fixed deposits.

(b) The operating result of the 17 agrarian banks for the year under review was a surplus of Rs.948,655, whereas the corresponding surplus for the previous year was Rs. 5,523,305. Accordingly, there was a decline of Rs. 4,574,650 in the financial result. The main reason for this decline was the decline in interest income from agricultural loans and the financial frauds committed in the Mandapatthadi and Eravur Agrarian Banks.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	No steps had been taken to acquire ownership of the lands on which 12 Agrarian Service Committees are located.	The necessary work is being done.	Appropriate actions should be taken to acquire the land as per the instructions of the Department of Agrarian Development.
(b)	Out of the 150 bags of urea fertilizer worth Rs. 2,895,000 purchased by the Mandapatthadi Agrarian Services Committee in the year under review, 99 percent had not been sold by the audit date of 09 June 2025, and its value was Rs. 2.8 million.	In the future, action will be taken to sell through farmer organizations.	Steps should be taken to expedite the sale of fertilizer using a formal program and convert the stock into cash.
(c)	The amount of Rs. 220,505 deposited in 02 bank accounts of the Mandur Agrarian Services Committee remained idle for a period of 06 to 19 years without being used for the intended purpose.	Action will be taken to use funds in the future.	Steps should be taken to use the fund for the relevant purpose upon formal approval.
(d)	The value of the cheques issued but not presented for payment in the bank reconciliation report of the Wakarai Agrarian Services Committee was Rs. 1,300,500, and no action had been taken regarding that amount even though a period of 01 to 05 years had passed.	Action will be taken after obtaining the approval of the District Deputy Commissioner.	A formal investigation should be conducted and necessary steps should be taken to refund or credit the amount to income in accordance with financial regulations.
(e)	The Kokkatticholai Agrarian Services Committee had not taken steps to settle the amount of Rs.6,460,725 due to the Colombo Commercial Fertilizer Institute collected by the farmers' organizations during the year under review.	Action will be taken after obtaining the approval of the District Deputy Commissioner.	Steps should be taken to settle the relevant funds in a proper manner.

3.2 Identified Losses

	Audit Observations	Comments of the Management	Recommendation
(a)	During the period 2022-2025, a financial irregularity of Rs.10,154,193 was committed by not taking steps to promptly bank the daily collected money in the Mandapatti and Eravur Agrarian Service Committees. In this regard, no action had been taken as of May 2025 to initiate preliminary investigations in accordance with Financial Regulation 104(1)(b).	The relevant amount has been recovered. Action will be taken to recover the remaining amount in accordance with financial regulations.	Action should be taken regarding irregularities in accordance with financial regulations, and action should be taken against officials who have not acted in a timely manner in this regard.
(b)	Although the incentive of Rs.420,495 given to officers for construction quality inspection in 2023 without approval by the Kalladi Agrarian Services Committee had been overdue for more than 02 years, no steps had been taken to recover it from the relevant officers.	Action will be taken to recover it.	A formal investigation should be conducted and action taken to recover the money.
(c)	Although 15 years have passed since the police complained about the loss of Rs. 2,086,912 to the assets of the Thanthamalai Agrarian Services Committee due to the problematic situation in 2009, no action has been taken to resolve it.	Action will be taken to resolve it.	Actions should be taken in accordance with financial regulations, and steps should be taken to expedite investigations by contacting the relevant institutions.
(d)	During the year under review, a stock of urea chemical fertilizer worth Rs.3,303,500 had been completely damaged in the Palukammam Agrarian Services Committee, and the damaged stock had been written off from the stock books without proper approval.	Action will be taken to conduct a relevant investigation.	A relevant investigation should be conducted and action should be taken against the officers responsible for the loss.

3.3 Operating Inefficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	No action had been taken to recover the long-standing receivables of Rs.31,893,863 from 10 Agrarian	Action will be taken to recover the outstanding amount.	Action should be taken against officers who have not collected loan

	Service Executive Committees.		balances on time and steps should be taken to recover outstanding balances.
(b)	The amount of Rs. 5,565,492, which had not been settled for a long time by 06 Agrarian Services Executive Committees, had not been settled even at the end of the year under review.	Action will be taken to settle the amount.	Formal steps should be taken to settle the outstanding amount.
(c)	Rs. 4,564,456 worth 10 agricultural machines had been provided to the Wandarumulai Agrarian Services Committee during the years 2021-2022 under the Climate-Friendly Irrigation Agriculture Project, revenue of Rs.12,000 only had been earned from those machines up to the year under review.	Action will be taken to increse the income.	Steps should be taken to increase income through a formal program.
(d)	Two paddy sowing machines received by the Wandarumulai Agrarian Services Committee in 2021 had been lying idle for over 3 years without being used.	Action will be taken to use machines in the future.	Steps should be taken to use the machines using a formal program.
(e)	The advance amount of Rs. 607,200 given to the Agrarian Bank by the Mandapattidi Agrarian Services Committee to start the agricultural banking activities has not been recovered even though more than 05 years have passed.	Action will be taken to recover the money given as an advance payment.	Steps should be taken to recover the advance amount.
(f)	Although 3 years have passed since the 37 sprayers provided to 35 farmer organizations by the Vakarai Agrarian Services Committee in 2022, the Center has not taken any monitoring action to ascertain whether they are being used and generating income.	Action will be taken to monitor in the future.	Steps should be taken to monitor the use of equipment.
(g)	Kokkatticholai Agrarian Services Committee purchased 401 bags of expired organic fertilizer worth Rs.417,300 in the year 2021 and it had been stored until the end of the year under review.	It was not possible to sell the organic fertilizer because farmers refused to use it.	A formal inspection should be conducted and steps should be taken to dispose of the stocks.

	Audit Observations	Comments of the Management	Recommendation
(h)	Although Rs. 102,000 had been collected from farmers at Rs. 500 each for the revision of the register of paddy lands of the Kokkatticholai Agrarian Services Committee in the year under review, the register of paddy lands had not been revised.	Action will be taken to revise the document in the future.	Steps should be taken to revise the paddy land register, and action should be taken against officers who have not acted on it in a timely manner.

3.4 Underutilization of Funds

	Audit Observations	Comments of the Management	Recommendation
(a)	The amount invested in fixed deposits and its interest income of Rs. 2,880,227 received as donations by 08 Agricultural Service Committees to provide 'Govidaru Scholarships' to the children of poor farmers remained idle for a long time.	Action will be taken to utilize the fund.	Steps should be taken to use the fund for the intended purpose under formal approval.
(b)	The balance of Rs. 883,498, which is the total value of the savings account, current account, interest and approved fee receipts of the Kalladi Agrarian Services Committee for farm-related activities, had been held in the accounts for more than three years without any action being taken.	- Do -	Actions should be taken to deploy it effectively under formal approval.
(c)	In 2016, Rs. 412,000 each was allocated for 3 greenhouses in 03 Agrarian Service Committees, amounting to Rs. 1,236,000, of which Rs. 517,475 had not been utilized.	Action will be taken to use it to generate income.	Steps should be taken to use the money effectively.

3.5 Idle or Underutilized Property, Plant and Equipment

	Audit Observations	Comments of the Management	Recommendation
(a)	Although the Kaluwanchikkudi Agrarian Services Committee had been purchased a printer and a scanner worth Rs. 229,161 for the activities of the Agricultural Bank in the year under review, the said items had not been used for the intended purpose up to 13 June 2025.	It will be used in the future.	Steps should be taken to use assets for their intended purpose.

(b)	The Department of Agrarian Development had allocated Rs.4,009,037 for the construction of greenhouses for 12 Agrarian Service Committees in 2016 and 2017, but they had not been utilized effectively.	The project could not achieve the desired objective and income.	Steps should be taken to carry out production activities using greenhouses, and action should be taken against parties that have failed to do so.
(c)	Steps had not been taken to use the building complex belonging to the marketing center, which was constructed with the income of the Karadinaru Agrarian Services Committee, for a specific purpose even at the end of the year under review.	Action will be taken to use it for a specific purpose.	Steps should be taken to use it for specific purposes.
(d)	Although a year had passed, steps had not been taken to utilize the computers worth Rs. 1,140,426 that had been provided to the 05 Agricultural Banks with the aim of computerizing the operations of the Agricultural Banks.	Action will be taken to use it for a specific purpose in the future.	- Do -

3.6 Procurement Management

	Audit Observations	Comments of the Management	Recommendation
(a)	15 Agrarian Service Committees had not been prepared preliminary procurement plans in accordance with 4.2.1 (a) and (b) of the Procurement Guidelines.	Action will be taken to prepare the procurement plan in a timely manner.	Steps should be taken to prepare a master procurement plan.
(b)	The Vandarumulai Agrarian Services Committee made payments amounting to Rs. 9,398,119 for 66 procurement activities without following the bidding procedures outlined in the government procurement guidelines.	Action will be taken to follow procurement procedures in accordance with the government's procurement guidelines from time to time.	Action should be taken in accordance with the Procurement Guidelines, and action should be taken against parties who fail to do so.

(c)	Out of 100 bags of urea valued at Rs.1,930,000 purchased in 2022 without adhering to guidelines 4.2.1 (a) and (b) of the Procurement Guidelines, 74 bags valued at Rs.1,428,200 had expired by March 2025 because no action was taken to sell them or return them to the supplier by the end of the year under review.	Instructions have been issued to carry out future purchases in accordance with procurement guidelines.	A formal inquiry should be conducted, and action taken against the parties involved in the procurement.
(d)	03 Agrarian Services Committees made purchases worth Rs. 5,364,760 during the year under review without following procurement procedures.	Instructions have been issued to carry out purchases in accordance with the procurement guidelines.	Action should be taken in accordance with the procurement guidelines, and measures must be initiated against parties that fail to do so.

3.7 Human Resource Management

Audit Observations	Comments of the Management	Recommendation
No steps had been taken to transfer 25 officers who had been serving continuously for more than 05 years across 10 Agrarian Services Committees.	Work related to the implementation of transfers is currently being carried out by the District Office.	Steps should be taken to properly implement the transfer procedure.

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observations	Comments of the Management	Recommendation
17 Agrarian Services Committees had not been prepared action plans to achieve the Sustainable Development Goals in accordance with the Sustainable Development Act No. 19 of 2017.	Action will be taken to formulate an action plan for the upcoming financial year.	Action should be taken in accordance with the relevant Act.

5. Agrarian Banks

	Audit Observations	Comments of the Management	Recommendation
(a)	Out of the loans granted to farmers by 07 agrarian banks during the year	Action will be taken to process the charge.	Action should be taken to address parties that

	under review and preceding years, the outstanding loan balance of Rs.15,119,108, along with interest and penalty charges issued to 251 farmers remained unrecovered as of the end of the year under review.		have failed to settle dues on time and to recover the outstanding amounts within a specified timeframe.
(b)	Although instructions were issued in accordance with the Department of Agrarian Development letter No. 7/12/5/4 dated 22 October 2019 to deposit the funds of farmer organizations operating under external institutions into Agrarian Banks, no action had been taken to deposit the balances of 17 farmer organizations into these banks.	In this regard, action will be taken to inform the farmers' organizations and arrange for the funds to be deposited into the Agrarian Services Bank.	A program must be prepared to implement the instructions given in the article.
(c)	According to Section 4.3 of Circular No. 4/2012 (ගො.බැ.) dated 29 February 2012 of the Department of Agrarian Development, although it is stated that the daily cash balance in the Agricultural Bank should be maintained at a maximum of Rs.10,000 or Rs.25,000 with the approval of the Assistant Commissioner, due to the failure to take appropriate actions to deposit the daily receipts of the Vellaveli Agrarian Bank, the daily cash balance on hand had increased from Rs.25,000 to Rs. 440,000.	In the coming years, action will be taken to deposit the collected funds on a daily basis.	Steps should be taken to act in accordance with the circular, and action should be taken against parties that have failed to do so.
(d)	In accordance with Section 3.2 (iii) of Circular No. 04/2012 (ගො.බැ.) dated 29 February 2012, although it is stated that farmers should maintain savings amounting to at least 10 percent of the loan amount in the Agrarian Bank, during the year under review, agricultural loans amounting to Rs.60,000 each with a total value of Rs. 1,980,000 were granted to 33 farmers under the Kaluwanchikudi Agrarian Services Committee who did not have the required 10 per cent savings.	Necessary steps will be taken to act in accordance with the circulars from now on.	- Do -