

18 Agrarian Services Committees in Puttalam District - 2024

1. Audit Opinion

1.1 The audit of the financial statements of the 18 Agrarian Service Committees in Puttalam 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 had been issued in relation to 18 Agrarian Service Committees in the Puttalam District in 2024 and qualified audit opinion had been expressed on those reports. The following are the material deficiencies that caused to the expression of a qualified audit opinion.

1.3 Financial Statements

1.3.1 Accounting Deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Action had not been taken to assess and account for the values of non-financial assets such as 9.1586 hectares of farmland of 17 Agrarian Service Committees, 18 soil testing kits, 07 old and new warehouses, 04 office buildings, a government house, a seeds store, a guard room, a toilet system and a tissue culture laboratory.	That the land and building values of 02 agricultural service centers have been assessed, and steps will be taken to assess and account for all the lands and buildings of the other centers in the future.	The value of non-financial assets must be accurately accounted for.
(b)	Machinery and vehicles worth Rs. 762,618, which were auctioned off by two Agrarian Service Committees and transferred to other institutions, had not been removed from the financial statements.	It has been forwarded to the head office for approval to remove the value of these machinery and vehicles.	The accounts should be properly reconciled, the relevant balances removed, and the correct balances should be shown in the financial statements.

(c)	Although Rs. 9,913,774 payable for tractors, harvesters, agricultural equipment and leaf blowers in relation to 11 committees had been identified as non-current liabilities, the institutions did not have the underlying assets.	That the balances of tractors and agricultural equipment have been forwarded to the head office for approval to adjust to the accumulated fund.	A formal investigation should be conducted to reveal reasons for not having assets and appropriate adjustments should be made to the financial statements accordingly.
(d)	The values of 45 non-financial asset items, such as 4 seed planting machines, 10 seed planters, 16 water level gauges, a seed paddy spraying machine, 06 weeding machines, a stock of elephant fence equipment, a multimedia projector, a smart television, 03 weeders, 01 tripod screed and a laptop computer, received in 2022 under the Climate-Smart Irrigation Project of 03 Agrarian Service Committees had not been identified and accounted for.	The Climate Smart Irrigation Project has been requested to provide values for accounting.	The value of non-financial assets should be accurately recorded.
(e)	The interest income on fixed deposits for the year under review of 04 Agrarian Service Committees had been overstated by Rs. 326,847, 02 Committees had been understated by Rs.31,881 and the accrued interest had been understated by Rs. 11,200 by the Mahakumbukkadawala Committee and accrued interest had not been accounted for by 02 committees amounting to Rs. 207,892.	That the steps will be taken to correct the 2025 financial report through journal entries.	Interest receipts should be properly reconciled and accounts corrected.

1.3.2 Lack of Written Evidence for Audit

Audit Observation	Comments of the Management	Recommendation
(a) Due to non-submission of evidence such as details notes, valuation reports, balance confirmation certificates, fixed asset registers, title certificates,	That the action will be taken to submit the detailed notes, valuation reports, balance confirmation certificates, loan	Steps should be taken to submit relevant evidence to verify the balances of assets and

schedules and creditor age analysis, 51 documents, and title liabilities. assets items totaling Rs.67,238,041 and certificates. 20 liabilities items totaling Rs.12,439,631 in the 17 Agrarian Service Committees have could not be satisfactorily verified during the audit.

1.4 Non-compliance to Laws, Rules, Regulations and Management decisions

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Management	Recommendation	
(a)	Agrarian Development Act No.46 of 2000	Section 53(4)	Although the agricultural land registers should be revised every 03 years, 12 Committees had not acted accordingly.	That it will be done according to the instructions of the Commissioner General of Agrarian Development.	Provisions of the Act should be followed.
(b)	Financial Regulation 128(1), 315, 880 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and Section 09 of Part II of Public Finance Circular No.01/2020 dated 28 August 2020	Although all the officers authorized to deal with cash or stocks are required to post bail, the agricultural research and production assistants of 17 agrarian service committees had not posted bail.	That the action will be taken in accordance with the letter No. 7/2/15/3/3(VII) of the Commissioner General of Agrarian Development dated 23 January 2023.	The security deposit should be made in accordance with the financial regulations and circular provisions.	
(c)	Circulars of the Commissioner General of Agrarian Development				
(i)	Circular No.392/94 dated 16 March 1994	Although the receivable money from other institutions or individuals should be recovered immediately, the balance	Some long-term balances have been recovered, and that the actions will be taken to settle	Action should be taken against officers who have not collected the loans on time and	

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| | | of Rs.64,867,736 which has existed for several years in 15 Agrarian Service Committees has not been recovered. | outstanding balances as soon as they are recovered. | the outstanding balances should be recovered in accordance with the circular instructions. |
| (ii) | Section 5.6(i) of Circular No.4/2012 dated 29 February 2012 | Since the Agrarian Bank is a unit of the Agrarian Service Committee, even though all the accounts related to the Agrarian Bank should be included in the Annual Final Accounts of the Agrarian Committee and prepared consolidated financial statements, all the 18 Agrarian Service Committees had not act accordingly. | That the consolidated financial statements will be prepared as soon as advised by the head office. | Circular instructions should be followed. |
| (iii) | Circular No. 06/2018 dated 20 April 2018 | Information on fallow fields should be prepared and maintained as per the format in Annexure 01 of the circular and although the form of Annexure 02 and Annexure 03 of the circular regarding Category C fallow paddy fields should be prepared and submitted to the Deputy / Assistant Commissioner of Agrarian Development in charge of the district before 31st May 2018, 6 years had been passed as of 30 January 2025, but 12 committees had not been done accordingly. | The relevant forms are currently being prepared by committees. | Action should be taken according to the circular instructions, and action should be taken against officers who fail to do so. |

2. Financial Review

2.1 Financial Results

According to the presented financial statements, the total of the 18 Agrarian Service Committees in the year 2024 was a surplus of Rs.24,013,111, and the total of the 18 Agrarian Banks was a surplus of Rs.15,512,473 and, correspondingly the total of the 18 Agrarian Service Committees was a net surplus of Rs.21,483,706 and the total of the 18 Agrarian Banks was a surplus of Rs.13,505,619 in the previous year.

2.2 Analytical Review

- (a) The total sales revenue of the 18 Agrarian Service Committees in the year under review related to the sale of agricultural goods including fertilizers, agrochemicals, seeds and plants, agricultural equipment was Rs. 193,624,569 and the total gross profit was Rs. 10,783,920. Accordingly, the total gross profit rate of the 18 Agrarian Service Committees was 5.6 percent. Correspondingly, the decrease in gross profit ratio was 2.4 percent, due to 8 percent in the previous year.

3. Operating Review

3.1 Cash Management

Audit Observation	Comments of the Management	Recommendation
(a) 02 savings accounts with a total balance of Rs. 196,684 of the Rajakandaluwa Agrarian Services Committee and 07 current accounts with a total balance of Rs. 385,241 of 06 committees remained inactive at the end of the year under review and steps had not been taken to utilize that money effectively.	It has been stated that steps have been taken to close accounts that are currently not being used and transfer those balances to savings accounts and steps will be taken to transfer the inactive account of the Haldandhuwana Committee to a fixed deposit account.	Funds should be invested in a more productive way.

3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although the 18 Agrarian Service Committees had paid Rs.308,358 for the implementation of a computer	That the implementation of this program should be carried out by the head office of the	The project should be implemented without delay.

software program and Rs.183,042 for the training of the Agrarian Bank officers in the previous year, these projects had not been implemented until now.

Department of Agrarian Development.

(b) In a sample inspection conducted in 12 divisions belonging to the Munneswaram Agricultural Services Division, 125.5 acres of paddy land, including 102.75 acres for greens cultivation and 22.75 acres for coconut cultivation, were used for cultivations other than paddy cultivation and 37.4 acres of paddy land had been reclaimed. However, the written permission of the Commissioner General had not been obtained in accordance with sub-sections 30 (2), (3), 32 (1) and 33 (1) of the Agrarian Development Act No. 46 of 2000.

Under Section 30 of the Agrarian Development Act, that the action will be taken to identify the relevant persons and grant legal permission.

Action should be taken in accordance with the provisions of the Act and circulars regarding the use of paddy lands for other purposes that cannot be cultivated paddy, a formal investigation should be conducted and action should be taken against officers who did not comply.

(c) According to the requests made to remove 1 acre, 3 roods, 264 perches land owned by a farmer in Munneswaram Division which has not been cultivated for about 20 years from the paddy land register, although surveillance orders were issued under Section 23(1) of the Agrarian Development Act, as it was revealed during the inspection that the land was suitable for paddy cultivation, those supervisory regulations were also disregarded. However, the Agrarian Development Committee and the District Office had not taken steps to take over and cultivate that piece of land in accordance with Circular No. 17/2018 dated 01 August 2018 and the provisions of the Act.

Currently, supervisory committees have been established to deal regarding ineffective land.

Action should be taken in accordance with the circulars and sections of the Act regarding the non-cultivation of paddy in paddy lands that can be cultivated.

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| (d) | The area of the Kottapitiya Tank, which was approximately 160 acres, has been reduced by approximately 25 acres due to unauthorized construction and the lake had suffered various damages due to unauthorized activities taking place on that land. However, no judicial action had been taken on behalf of those individuals in accordance with Section 96 of the Agrarian Development Act No. 46 of 2000. | Since complex and problematic situations are observed in the removal of these unauthorized persons, it has been informed that it is appropriate to conduct a joint investigation and make decisions with the agreement of the state institutions involved in this subject, and further action will be taken accordingly. | Action should be taken in accordance with the provisions of the Act regarding unauthorized seizures. |
| (e) | Under the 2KR-2006, 2008, 2010 project, 93 tractors at Rs. 250,000 each and 25 tractors at Rs. 200,000 each, a total of 118 tractors had been provided to 118 farmers on loan basis. As of 31 December of the year under review, an amount of Rs. 5,494,420 was still due from 41 farmers. Furthermore, due to the lack of spare parts available in the market for repairs, many tractors were currently idle. | That the programs will be implemented within the next 3 months to recover outstanding tractor installments and the Department of Agrarian Development has been informed regarding the purchase of spare parts. | Action should be taken against officers who have not collected outstanding loans on time, and a system should be implemented to collect outstanding debts and procure spare parts for repairs. |

3.3 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although the vision and mission of the Department of Agrarian Development aims to achieve sustainable development of agricultural lands and optimum productivity from all agricultural lands, considering the harvest yield of 303 divisions in the Puttalam district, there was an unusual variation in productivity during the 2023 Yala season, the 2023/2024 Maha season and the 2024 Yala season. However, no steps had been taken to analyze the controllable/uncontrollable causes of seasonal productivity variations in each	That the steps have been taken to provide farmers with the necessary facilities and knowledge to increase their yields by obtaining technical advice from the Department of Agriculture.	The reasons for productivity variations should be investigated and appropriate actions should be taken.

agricultural land and take remedial measures.

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| (b) | Due to the fact that out of the 59,468 acres of paddy fields in 340 divisions belonging to 18 Agrarian Service Committees, 13,238 acres, 14,755 acres and 17,886 acres remained uncultivated in the 2023 Yala, 2023/24 Maha and 2024 Yala seasons respectively. The yield of all three seasons (average yield of 80 bushels of paddy per acre) was 3.67 million bushels of paddy lost to the Gross Domestic Product. | It is stated that the cultivation targets have been given for the relevant seasons and more than the acreage you have mentioned has been cultivated and the relevant targets cannot be achieved due to crop damage and steps will be taken in the future to prevent disasters other than natural disasters. | Strategies should be applied to cultivate all uncultivated land. |
| (c) | In the 2024/25 Maha season, out of the 43,106 acres of cultivated land belonging to 15 Agrarian Development Committees, 42,909 acres were under normal mud paddy cultivation and due to not using the parachute system or the planting machine and not taking steps to popularize it among the farming community, the additional yield of 1,544,724 bushels at 36 bushels per hectare that could have been obtained from 42,909 acres had been lost to the annual gross domestic product. | That the farmers cannot carry out these cultivations on all paddy lands and farmers have focused on paddy lands where they can. | Necessary actions should be taken to popularize the parachute method or the planting machine among the farming community to increase harvests. |
| (d) | Although the 2024 Yala season cultivation activities in the 18 Agrarian Service Committees in the Puttalam District had been commenced in March 2024, fertilizer subsidy funds worth Rs. 222 million related to the season had been credited to the bank accounts of 22,357 farmers since 20 May 2024. Cultivation activities for the 2024/2025 Maha season had been commenced in September 2024, and fertilizer subsidy funds worth Rs. 433 million related to the season had been credited to the bank accounts of 28,955 farmers since 28 October 2024. In accordance with the fertilizer recommendation of the Director General | Payment for fertilizer to farmers is done digitally and the data is entered into agrarian.lk to provide subsidized fertilizer funds on the due date. Due to reasons such as flooding of paddy fields, difficulties in obtaining water and draining water depending on the location of paddy lands, since late entry of data from farmers who are engaged in paddy cultivation into the relevant information system, that there will be some delay in giving them money. | The fertilizer subsidy program should be implemented in a way that achieves the desired objectives. |

of Agriculture No. PG/12/1/19/Fert dated 11 September 2022 for urea and MOP fertilizer required for paddy fields, urea fertilizer should be applied during the 2nd, 4th, 6th and 7th weeks after paddy cultivation, while MOP fertilizer should be applied during the 4th and 6th weeks after paddy cultivation, it was observed that due to the delay in the disbursement of fertilizer subsidy funds, farmers had not received the fertilizer subsidy on time.

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| (e) | There are 1,049 tanks, 198 embankments, 247 canals, 573 agricultural roads and 838 cultivation wells in 16 Agrarian Service Committees in the Puttalam District and although development proposals have been submitted for the renovation of 221 tanks, 54 embankments, 144 agricultural roads, 70 canals and 20 cultivation wells by 2024, during the year, renovation work had been completed on 34 tanks, 9 embankments, 2 canals and 8 agricultural roads. | Although proposals for irrigation works that need to be renovated have been submitted, renovation work is limited due to the financial allocations. | The necessary reforms should be carried out in a systematic manner, with the necessary resources obtained, without delay. |
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3.4 Contentious Nature Transactions

Audit Observation	Comments of the Management	Recommendation
(a) Although the transmission and distribution equipment of an electronic data communication company measuring 12 x 14 feet had been constructed on the land of the Palakudawa Agrarian Services Committee, which has been transferred to the Department of Agrarian Development, the Agrarian Services Committee had not taken any fee for that.	Since this transmission tower was located on the same land when it was handed over to the Department of Agrarian Development, that it is difficult to charge a fee for it.	The Department of Agrarian Development and other related institutions should be informed and steps should be taken to recover the fees from the relevant company in a formal manner.
(b) Although it has been confirmed that the 39.59 acres of old paddy field belonging to 635/1 Aluth Eluwankulama Grama Niladhari Division in the Wanathawilluwa Agrarian Services area	That the action has been taken in accordance with the letter of the Commissioner General of Agriculture No. DAD/CG/01/01 dated 2 December 2020.	A technical inspection and study of the land's cultivation history should be conducted to determine whether it is

can be cultivated with paddy in as per the letter of the Assistant Commissioner of Agrarian Development (Chilaw) No. ෧෩/සං/දි/කා/හලා/නීති/02/01/17 dated 29 February 2020, consent had been given to a forest plantation based on the personal observation of the Agrarian Development Commissioner that paddy cannot be cultivated as per the letter of the Commissioner of Agrarian Development No. DAD/CG/01/01 dated 02 December 2020. Accordingly, this land had been given to a private company for forest plantation without any technical inspection or study of the land's cultivation history, without obtaining written confirmation from farmers' organizations and other closely related parties, and without transparency.

suitable or unsuitable for paddy cultivation. A formal inspection should be conducted in this regard and action should be taken against the relevant parties.

3.5 Assets Management

Audit Observation	Comments of the Management	Recommendation
(a) The soil testing equipment of all 18 committees, the fingerprinting machine of the Palakudawa Committee, 03 tractors from 03 committees, a bowser from the Rajakandaluwa Committee and 04 sales stalls at the food hall, 02 government houses in Madurankuliya and Put/Thabbowa committees, a seed warehouse in Wanathawilluwa committee, 05 warehouses in two committees, a threshing machine in Haldaduwana committee and the sprinkler project equipment remained idle.	That the steps will be taken to utilize the relevant assets effectively in the future.	Assets should be utilized effectively through a formal program.
(b) The tissue culture nursery built by the Wanathavilluwa Agrarian Services Committee in 2012 with the intervention of World Vision is	That the Committee has approved the transfer of the relevant building and its equipment to a buyer on a lease	- do -

underutilized and is being maintained and its income and expenditure have shown a cumulative decline in financial results of Rs. 1,146,209 from 2012 to date.

basis.

4. Agrarian Bank

Audit Observation	Comments of the Management	Recommendation
(a) The Agrarian Bank has been as a pilot project until now from the establishment and, instead that, the requests required for control as a nationally recognized bank had not been forwarded by the Agricultural Service Centers to the District Agricultural Development Office.	This has been discussed at the National Executive Committee meeting, and that the final decision in this regard should be taken by the Commissioner General of Agrarian Development.	Necessary requests should be made to obtain regulation as a recognized bank.
(b) In accordance with paragraph 2.6.1 of the Circular of the Commissioner General of Agrarian Services No. 9/2020 dated 08 October 2020, although the farmer organization's savings account should be opened and maintained in the Agrarian Bank (Pilot) Project in the Agrarian Service Area by the all registered farmer organizations and all transactions of the farmer organization must be carried out through that savings account, out of 662 registered farmer organizations in 18 committees, 512 farmer organizations had deposited Rs. 87,189,977 in other banks.	That the actions have been made to take progress every month.	Steps should be taken to maintain the bank accounts of farmers' organizations in the Farmers' Committee Bank in accordance with the circular instructions.
(c) As of 31 December of the year under review, out of the total amount of Rs.67,944,787 in agricultural loans, project loans, enterprise loans and other loans provided to 1515 farmers in 18 Agrarian Services Committees,	That the actions have been made to take progress every month.	An investigation should be conducted into the granting of loans and non-timely collection of outstanding loan balances, action should be taken

an outstanding loan balance of Rs.29,222,898 of 882 farmers had not been recovered even though it had been overdue for a period of 01 to more than 20 years.

against the relevant parties, and steps should be taken to recover the outstanding loan balances.

- (d) Out of 68,468 farmers in 370 divisions related to the 18 Agrarian Service Centers in the Puttalam District, the number of farmers who were granted cultivation loans, project loans, entrepreneurial loans and other loans in the years 2022, 2023 and 2024 was 4,111, 1,373, 806 and 333 respectively and this was a very low figure of 6, 2, 1.2 and 0.5 percent of the total farmers respectively.

That the actions have been made to take progress every month.

In accordance with the objective of establishing farmers' banks, steps should be taken to increase the progress of issuing loans.