

22 Agrarian Services Committees in the Nuwara Eliya District - 2024

1. Audit Opinion

1.1 The audit of the financial statements of the 22 Agrarian Services Committees in the Nuwara Eliya District for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, cash flow statement 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 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 The audit reports issued for 22 Agrarian Service Committees in the Nuwara Eliya District include, a disclaimer of opinion for 01 committee, and a qualified opinion for 21 committees. The material deficiencies that contributed to these opinions are listed below.

1.3 Financial Statements

1.3.1 Non-compliance with accounting policies, including the Sri Lanka Public Sector Accounting Standards (SLPSAS)

Audit Observation	Comment of the Management	Recommendation
(a) Schedules detailing, the cost of fixed assets, additions during the year, disposals, annual depreciation, accumulated depreciation provisions, and net book value of 03 Agrarian Service Committees were not presented together with the financial statements in accordance with Sri Lanka Public Sector Accounting Standards.	Action will be taken to adjust it in 2025.	Actions should be taken to present information systematically in accordance with accounting standards.
(b) The acreage tax revenue of 08 Agrarian Service Committees for the year under review had been accounted for on a cash basis.	It will be prepared in accordance with the format provided by the Department, and steps will be taken to ensure that future financial reports are accurately prepared	Accounts should be prepared on accrual basis.

1.3.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Depreciation expenses for the year under review amounting to Rs. 129,213 had been understated in respect of 05 Agrarian Service Committees, while depreciation expenses amounting to Rs. 72,428 had been overstated in respect of 03 Agrarian Service Committees.	Steps will be taken in the forthcoming financial year to make adjustments.	The correct depreciation value must be adjusted in the financial statements.
(b) The value of lands and buildings belonging to 17 Agrarian Service Committees had not been assessed and brought to account.	Actions will be taken to conduct the valuation of lands and buildings in accordance with management guidelines.	Management instructions should be promptly obtained, and actions should be taken to value lands and buildings and record them in the accounts
(c) Based on the audit queries for the year 2023 relating to the Nildandahinna and Kandapola Agrarian Service Centres, adjustments amounting to Rs. 307,744, which should have been made to the Accumulated Fund, had not been so adjusted.	Steps will be taken to make the necessary corrections.	Adjustments in the accumulated fund must be carried out systematically to correct the relevant deficiencies
(d) The total Agrarian Bank dividends pertaining to the year under review of the Karaliyadda and Ginigathhena Agrarian Service Committees had been overstated by Rs. 269,620.	Steps will be taken in the forthcoming financial year to make adjustments.	Adjustments must be accurately made in the financial statements.
(e) In the Mungwatta Agrarian Service Committee, fixed assets amounting to Rs. 292,881 purchased in the year 2024 had been recognized as opening balances.	Steps will be taken to prevent such lapses in the future.	- Do -
(f) At the Mungwatta Agrarian Service Centre, a property generating an annual income of Rs. 143,700 from leasing had not been recognized as a fixed asset in the financial statements.	Steps will be taken to account for the assets as fixed assets in the future.	The value of the relevant fixed assets must be assessed and accounted for as fixed assets.

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| (g) | At the Mungwatta Agrarian Service Centre, dividends amounting to Rs. 579,180 receivable from the Agrarian Bank had not been recognized as a payable amount in the Agrarian Bank Statement of Financial Position. | It has been shown under the allocation of incentive. | Adjustments must be accurately made in the financial statements. |
| (h) | In respect of four Agrarian Service Committees, there were returns amounting to Rs. 184,800, omission of stock valued at Rs. 240,700, understatement of stock amounting to Rs. 133,255, and overstatement of acreage tax revenue amounting to Rs. 111,120. | Steps will be taken to make the necessary corrections. | -Do- |
| (i) | A discrepancy amounting to Rs.8,040,245 was observed between the subsidiary documents and the financial statements of 15 Agrarian Service Committees. | Steps will be taken to rectify the errors. | Steps must be taken to reconcile and correct discrepancies between subsidiary documents and the financial statements. |

1.3.3 Suspense Account

Audit Observation	Comment of the Management	Recommendation
(a) At the Mandaramnuwara Agrarian Service Committee, debited suspense balances amounting to Rs. 172,373 had not been settled.	Instructions have been requested from the Head Office for the purpose of settlement.	The balances should be promptly identified and settled.

1.3.4 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Management	Recommendation
(a) Due to the non-submission of fixed asset registers, schedules, balance confirmations, and ageing analyses relating to 120 asset balances totaling Rs. 17,777,019 and 72 liability balances totaling Rs. 18,226,586 as at 31 December of the year under review of 14 Agrarian Service Committees, it was not possible to satisfactorily verify these balances during the audit.	Action will be taken to submit the required evidence.	Fixed asset registers should be maintained, and relevant evidence should be produced to verify assets and liabilities.

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| (b) | In the Nuwara Eliya Agrarian Service Committee, bills required to substantiate payments relating to 23 vouchers valued at Rs. 20,052,160 were not submitted as evidence. | Instructions have been given to the Management Assistant to exercise due care in handling vouchers in the future. | Relevant bills should be submitted for audit, and action should be taken against officers who acted irregularly. |
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1.4. Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules, regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a)	Provisions of the Monetary Law No. 43 of 1982 and the Stamp Duty (Special Provisions) Act No. 12 of 2006, issued on 01 January 2008.	Although a stamp duty of Rs. 25 should have been levied on payments exceeding Rs. 25,000, stamp duty amounting to Rs. 11,550 had not been recovered in respect of 462 payment instances totaling Rs. 136,001,739 during the year under review. Further, the relevant stamp duties had not been recovered in prior years as well.	Action will be taken in accordance with the instructions of the management. Prompt action should be taken in accordance with the provisions of the Act.
(b)	Section 16(2) of the National Audit Act No. 19 of 2018.	The annual performance reports of 22 Agrarian Service Committees had not been submitted to the Auditor General.	Action will be taken to submit it in the future. Action should be taken in accordance with the provisions of the Act.
(c)	Section 56 of the Agrarian Development Act No. 46 of 2000.	Arrears of acreage tax amounting to Rs. 350,620, relating to the year under review, had not been recovered in respect of 10 Agrarian Service Committees.	Action will be taken to recover the amount in the ensuing year. Action should be taken in accordance with the Circular, and steps should be taken against officers who failed to effect recoveries in a timely manner.
(d)	F.R.110 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	Records relating to losses and damages had not been maintained in respect of 16 Agrarian Service Committees.	Action will be taken to prepare the relevant documents. Actions should be taken in accordance with the provisions of the Financial

Regulations, and the relevant records should be properly maintained.

(e) Circular of the Commissioner General of Agrarian Services:

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| (i) | Paragraph 21.2 of Circular No. 107 dated 16 October 1981. | Although stock books should have been checked at least once every two weeks by the Executive Secretary and certified as accurate, 22 Agrarian Service Committees had not complied with this requirement. | Action will be taken to rectify the matter in the future. | Action should be taken in accordance with the Circular instructions, and disciplinary action should be taken against the relevant officers who failed to comply therewith. |
| (ii) | Paragraph 12 of Circular No. 07/2014 dated 22 August 2014. | The daily cash holding limit at the Committees had been exceeded, with amounts ranging from Rs. 10,023 to Rs. 614,231 being retained in 474 instances. | Necessary action will be taken to remain within the prescribed limit. | - Do - |
| (iii) | Paragraph 03 of Circular No. 518/2000 dated 06 June 2000 and Paragraph 5.6(i) of the Agrarian Bank (Pilot) Project Circular No. 04/2012 dated 29 February 2012. | The financial statements of the Agrarian Bank in respect of 22 Committees had not been consolidated with the financial statements of the respective Agrarian Service Committees. | The relevant instructions had not been issued. | Action should be taken in accordance with the Circular instructions. |
| (iv) | Paragraph 2 of Circular No. 04/2012 (Amendment VII) dated 13 December 2022. | The daily cash holding limit of Rs. 50,000 had been exceeded, with amounts ranging from Rs. 50,094 to Rs. 2,088,912 being retained in 364 instances across 14 Agrarian Banks. | Relevant officers have been informed to ensure that the limit is not exceeded in the future. | Action should be taken in accordance with the Circular instructions, and steps should be taken against officers who failed to comply therewith. |

(v) Paragraph 3.4.2 of Circular No. 04/2012 dated 29 February 2012.	Although the maximum repayment period for agricultural loans is 06 months, in respect of 05 Agrarian Service Committees, agricultural loans totaling Rs.10,946,027 issued to 329 farmers from 1998 Maha season to 2023 Yala season had not been recovered.	Action will be taken to recover the amount.	Action should be taken against officers who failed to recover loans in a timely manner, and steps should be taken to promptly recover the outstanding loan balances.
(vi) Subparagraphs (i) and (ii) of Paragraph 2 of Circular No. 12/2018 (Amendment 01) dated 11 December 2023.	For committee purchases exceeding Rs. 100,000 and purchases for resale exceeding Rs. 200,000, payments should have been counter signed by the Deputy / Assistant Commissioner of Agrarian Development. However, in 03 Agrarian Service Committees, during 03 instances, payments ranging from Rs. 158,000 to Rs.500,000 were made without obtaining the required counter signatures.	Action will be taken to act correctly in the future.	Action should be taken in accordance with the Circular instructions, and disciplinary action should be taken against the relevant officers who failed to comply therewith.
(f) Treasury Circular No. 842 dated 19 December 1978.	Fixed asset registers had not been properly maintained in an updated manner in respect of 19 Agrarian Service Committees.	Action will be taken in the future to prepare the fixed asset register.	A fixed asset register should be maintained in accordance with the Circular.
(g) Procurement Guidelines Compilation – 2006, Paragraph 3.4.	In respect of fourteen Agrarian Service Committees, purchases of agricultural materials and equipment totaling Rs. 73,327,059 had been made without following the prescribed procurement procedures.	Actions have been taken in accordance with the letter issued by the Commissioner General of Agrarian Services dated 25.10.2023 regarding the utilization of funds by Agrarian Services	Action should be taken in accordance with the Procurement Guidelines, and steps should be taken against officers who failed to comply therewith.

Committees, and that further action will be taken in accordance with the instructions of the management.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the total surplus of 21 agrarian service committees in the year under review was Rs. 6,846,587, as compared with the corresponding surplus of Rs. 3,538,827 in 13 committees and deficit of Rs. 813,166 in 08 committees for the previous year. The operational result of an agrarian service committees for the year under review recorded a deficit of Rs. 191,092, as compared with the corresponding deficit of Rs. 143,750 in the preceding year. The financial results of 22 Agrarian Banks that submitted financial statements for the year under review showed a surplus of Rs. 9,511,390, as compared with the corresponding surplus of Rs. 8,228,658 in the preceding year.

3. Operational Review

3.1 Finance Management

Audit Observation	Comment of the Management	Recommendation
(a) As 11 blank cheques relating to current accounts of three Agrarian Service Committees were kept in the office with only signatures affixed, their internal financial control was at a weak level	The officers authorized to sign cheques had been absent from the area due to personal reasons, and therefore, cheques had already been signed and obtained.	Formal measures should be taken to strengthen internal financial control.
(b) Under the sale-on-credit payment basis, a sum of Rs. 3,458,231 recoverable from Agriculture Research Production Assistant Officers of 14 Agrarian Service Committees as at 31 December 2023 had not been recovered even by 31 December of the year under review.	The relevant officers have been informed.	Action should be taken to take formal measures against officers who fail to make timely payments, and to promptly recover any outstanding amounts.

3.2 Identified Losses

Audit Observation	Comment of the Management	Recommendation
(a) Stocks valued at Rs. 109,048 existed in 05 Agrarian Service Committees had expired.	Action will be taken to return the materials and to dispose of them.	Sales activities should be conducted in an orderly manner, and expired stocks should be disposed of properly.
(b) Six instances were observed where rooms of the circuit bungalow belonging to the Kandapola Agrarian Service Centre were rented out without charging fees to certain officers and individuals or without levying charges based on personal familiarity with officers.	These tasks are being carried out under the instructions of the District Office.	An internal control system as well as an online procedure should be established for the allocation of the circuit t bungalow, and any applicable charges for identified cases should be recovered from the responsible parties.

3.3 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Ownership of the lands and buildings used by 17 Agrarian Service Committees had not been legally transferred to the respective Committees.	Action will be taken in the future to carry out the transfers.	Ownership of the assets should be formally transferred.
(b) It was observed that a building of approximately 250 square feet located near the town and used by the Mandaramnuwara Agrarian Service Committee, a land extent of approximately 2 acres with a building in the Aluoya area transferred to the Vidulipura Agrarian Service Committee by the Land Reform Commission under the Agrarian Development Act, and an "A" Grade paddy land of about 3.5 perches situated in the Rambodagama division belonging to the Helboda	The relevant parties have been informed, and action will be taken in the future to effect the relevant transfers.	Ownership should be verified, and accordingly, action should be taken to formally transfer the relevant property.

Agrarian Service Committee were being forcibly occupied and used by external parties.

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| (c) | Necessary action had not been taken to vest ownership of the shop located in Dikoya town belonging to the Vidulipura Agrarian Service Committee, as well as the Hingurakaduwa and Udawatta fertilizer stores under the possession of the Karalliyadda Agrarian Service Committee, with the respective Committees. | The vesting activities are expected to be carried out in the future. | Action should be taken to formally effect the vesting the relevant property. |
| (d) | The achievement of targets assigned to Agriculture Research Assistant Officers of 22 Agrarian Service Committees for the sale of agricultural inputs and equipment remained at a low level. | Officers have been informed to achieve all targets within the forthcoming year. | Proper supervision should be conducted, and follow-up actions should be taken to ensure that officers achieve the targets to the maximum extent. |

3.4 Operational Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Without taking action in accordance with the letter dated 31 December 2018 bearing No. 07/05/12/ශ්.ව/ක.ස by the Commissioner General of Agrarian Development, 79 long-outstanding receivable balances amounting to Rs.3,712,556 and 96 payable balances amounting to Rs. 8,163,024 relating to 12 Agrarian Service Committees had not been settled even as at 31 December of the year under review.	Action is currently being taken to settle it.	Action should be taken to promptly settle the matter.
(b) Outstanding audit fees amounting to Rs.382,275 relating to 22 Agrarian Service Centres had not been paid even by the end of the year under review.	Action will be taken to pay the outstanding audit fees.	Action should be taken to promptly settle the outstanding audit fees.

3.5 Apparent Irregularities

Audit Observation	Comment of the Management	Recommendation
(a) An Agriculture Research Production Assistant attached to the Nuwara Eliya Agrarian Bank had been interdicted with effect from 12 January 2021 due to allegations of misappropriation of funds amounting to approximately Rs.2,213,000, preparation of falsified documents, and making payments in excess of delegated authority. However, as at the audit date of 22 May 2025, an investigation had not been conducted nor a report submitted in accordance with Financial Regulation 104 in this regard. Further, contrary to the provisions of Financial Regulation 119, the District Office had recovered a total sum of Rs. 314,000 at a monthly rate of Rs. 28,000 from the officer's monthly salary prior to the interdiction. Although this amount should have been remitted to the Agrarian Bank, it had been shown under current liabilities in the financial statements for the year under review. Furthermore, the amount of Rs. 2,213,000 identified as misappropriated funds had not been brought to account. Further, although the matters had been pointed out through audit queries bearing Nos. NUE/A/AGG/NE/2021/35(1) dated 27 December 2021, NUE/A/AGG/NE/2022/16(1) dated 31 October 2022, and CPCG/NE/B/AGG/NE/2023/23 dated 21 July 2023, no formal investigation report relating to this misappropriation of funds had been submitted to date.	Instructions have been given to submit vouchers without any deficiencies.	Proper examinations should be conducted, and action should be taken in accordance with the Financial Regulations to recover the relevant funds.
(b) Although vouchers should be submitted to the Deputy Commissioner of Agrarian Services to obtain approval for payments relating to the purchase of	A new machine has been obtained from the institution located in Geli Oya, no financial transaction was	Action should be taken in accordance with the Procurement Guidelines, and steps should be taken

committee equipment exceeding Rs. 100,000, the Ginigathhena Agrarian Service Committee, when purchasing a “Sharp” photocopying machine valued at Rs. 280,000, had made payments by issuing two cheques, with one valued at Rs. 82,000 as an advance payment and the other for the balance of Rs. 198,000, without obtaining such approval. The “Sharp” photocopying machine purchased from an institution located in Geli Oya was subsequently returned to the supplier, and instead, Rs. 280,000 had been obtained in cash. Further, a voucher relating to the “Ricoh” photocopying machine currently in use by the institution in the year 2024 had not been submitted for audit. Accordingly, although a “Ricoh” photocopying machine had been purchased for the institution using funds obtained from the Geli Oya supplier, no procurement-related documents pertaining to this transaction were available at the institution.

involved, and action will be taken to obtain top-level approval for such purchases.

against the relevant parties regarding irregular purchases.

(c) By the letter dated 17 June 2021, Management Assistant of the center had informed the Assistant Commissioner of Agrarian Development, that three counterfoil books belonging to the Nuwara Eliya Agrarian Service Committee had been misplaced on 14 June 2021. The amount collected through the misplaced receipt books amounted to Rs.1,437,903. However, the responsible parties had not been identified and necessary action had not been taken in this regard even as at 30 June 2025.

An investigation is currently in progress.

A proper investigation should be conducted to identify the responsible parties and necessary action should be taken accordingly.

(d) During the payment of festival advances at the Vidulipura Agrarian Service Centre, discrepancies were observed between the names of four officers submitted to the District Office and the names of four officers who

Due to the absence of two names, two other officers were included in their place, and action will be taken in the future to rectify the deficiencies.

Payments should be made after verifying that the officers are attached to the office, and internal controls related to payments should be

acknowledged receipt of the funds. Signatures of two officers who acknowledged receipt had been cut and one of these two officers was an officer who had been transferred in 2023.

strengthened.

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| (e) | According to the letter dated 22 April 2024 from the Deputy Commissioner of Agrarian Services, Nuwara Eliya, payments totaling Rs. 1,553,000 were made for a meeting of Deputy and Assistant Commissioners of the Department of Agrarian Development held on 3 and 4 May 2024, which was not in accordance with the duties and functions of the Agrarian Service Committees, comprising Rs. 945,000 collected from 12 Agrarian Service Centres, Rs. 200,000 from the Agrarian Organization Governing Board, Rs. 378,000 from private companies, and Rs. 30,000 from the officers and farmers of the Vidulipura Agrarian Service Centre. | That the amount provided was for holding the meeting in good faith, and action was taken under the instructions of the Deputy Commissioner of the Department of Agrarian Development. | Action should be taken against the relevant parties after conducting a proper investigation. |
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3.6 Assets Management

Audit Observation	Comment of the Management	Recommendation
(a) The “Govi Mithura” machine purchased by the Mandaramnuwara Agrarian Service Committee on 27 September 2021 at a cost of Rs. 165,000 for use in organic fertilizer production remained idle even as at the audit date of 03 July 2025.	Action will be taken in accordance with the instructions provided by the Department.	The requirement should be identified and a proper procedure should be implemented to utilize the machine.
(b) Additionally, an amount of Rs. 193,750 had been spent for timber installation works at the Mandaramnuwara Agrarian Service Centre without the recommendation of a technical officer.	The necessary approvals have been obtained.	Steps should be taken to carry out constructions under a proper recommendation.
(c) The garage building and dining hall building provided on a rental basis by the Poodaluoya Agrarian Service	Action will be taken in the forthcoming year to provide the building on a lease basis.	A systematic procedure should be established to utilize assets and thereby

Committee were renovated during the year under review at a cost of Rs.75,730. However, they remained idle.

generate income.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Comment of the Management	Recommendation
(a) The financial statements of 08 Committees for the year under review were submitted after a delay of between one and three months beyond the prescribed date contrary to the paragraph 3 of Section 30 of the Circular No. 107 dated 16 October 1981 issued by the Commissioner of Agrarian Services.	Action will be taken to submit the financial statements on the prescribed date in the forthcoming financial years.	Action should be taken in accordance with the Circular instructions to submit the financial statements on the prescribed date.

5. Agrarian Banks

Audit Observation	Comment of the Management	Recommendation
(a) Under the Special Project Loan, the Walapane Agrarian Service Committee had released a loan of Rs. 500,000 to a farmer in 2016; however, any amount of this loan had not been recovered as at 31 December of the year under review.	Action will be taken to initiate legal measures.	Action should be taken to recover the outstanding loan balances, and a proper investigation should be conducted regarding the disbursement and non-recovery of loans, and accordingly relevant action should be taken.
(b) No action had been taken by the Agrarian Arbitration Board to initiate legal proceedings regarding the outstanding loans totaling Rs.28,950,010 of 836 farmers pertaining to 15 Agrarian Service Committees.	Action will be taken to recover outstanding loans by submitting the matter to the Agrarian Services Arbitration Board.	- Do -

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| (c) | Loans amounting to Rs. 249,084 granted to 09 farmers under the "Sithamu" enterprise scheme of two Agrarian Service Committees, and agricultural equipment loans amounting to Rs. 468,662 granted to 27 farmers of 03 Agrarian Service Committees, had not been recovered as at 31 December of the year under review. | The matter has been submitted to the Arbitration Board. | - Do - |
| (d) | Loan repayments totaling Rs. 1,136,522 related to 43 farmers of 04 Agrarian Service Committees had been defaulted due to the death of the farmers or their relocation from the area, and no formal action had been taken to recover these amounts. | Action will be taken to recover amounts from the guarantes. | - Do - |
| (e) | As at 31 December 2024, no instalments had been recovered from agricultural loans totaling Rs. 4,751,794 granted to 133 farmers by four Agrarian Service Committees. | The matter has been referred to the Agrarian Services Arbitration Board and the Courts. | - Do - |
| (f) | Thirty four blank cheques had been retained by 07 Agrarian Service Committees with only signatures affixed. | Action will be taken in the future to rectify the matter. | Action should be taken against the relevant parties after conducting a proper investigation, and steps should be taken to strengthen internal financial controls. |
| (g) | During the issuance of project loans in 08 Agrarian Service Committees, the project reports had not been recommended by the Agriculture Research and Production Assistants. | Action will be taken to rectify the matter. | Action should be taken against officers who disbursed loans without obtaining recommendations. |
| (h) | Recommendations from veterinary officers had not been obtained in 42 instances of project loan disbursement for animal husbandry by five Agrarian Service Committees. | Action will be taken to obtain recommendations. | - Do - |
| (i) | Payments exceeding Rs. 25,000 made by 22 Agrarian Service Committees should have been subject to a stamp | The property has been released from stamp duty. | Action should be taken in accordance with the Stamp Duty Act. |

duty of Rs. 25. However, stamp duties totaling Rs. 60,200 for 2,408 such payments during the year under review had not been collected.

- (j) Under the Karalliyadda Agrarian Bank pilot project, an amount of Rs. 79,948 relating to a loan file registered at the Kandy High Court on 12 March 2003 had been received by the court, but the amount had not been remitted to the bank even as at the audit date of 30 June 2025.
- Department has been informed, and action will be taken in the future in accordance with the instructions given.
- Action should be taken to obtain the relevant funds to the committee.