

20 Agrarian Services Committees in Kalutara District - 2024

1. Audit Opinion

1.1 The audit of the financial statements of 20 Agrarian Services Committees in Kalutara District for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statements of financial performance, statements of changes in equity and statements of changes in net assets for the year then ended and the cash flow statement and notes to the financial statements for the year then ended including material accounting policy information 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 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 In 20 audit reports issued for 20 Agrarian service committees in Kalutara district, adverse of the opinion for 02 committees, disclaimer of the opinion for 08 committees and a qualified opinion for 10 committees had been expressed and the material deficiencies caused for adverse of the opinion , disclaimer of the opinion and for the qualified opinion as follows.

1.3 Financial Statements

1.3.1 Non-compliance with Accounting Policies including Sri Lanka Public Sector Accounting Standard

| | Audit Observation | Comments of the Management | Recommendation |
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| (a) | In accordance with clauses 99 to 139 mentioned in Sri Lanka Public Sector Accounting Standard No. 01, the Agrarian Banks of 20 committees had not prepared the Statement of Financial Performance along with the Financial Statements. | It has been prepared according to the instructions given by the department. Actions are being taken to prepare it correctly and submit it in the future. | Financial statements should be prepared and presented in accordance with Sri Lanka Public Sector Accounting Standard No. 01. |
| (b) | A statement of changes in net assets for the Committee and all 20 Agrarian Banks for the year 2024 had not been prepared and submitted along with the financial statements in accordance with paragraphs 118 to 125 of Sri Lanka Public Sector Accounting Standards No. 01. | Actions will be taken to rectify. | Financial statements should be prepared and presented in accordance with Sri Lanka Public Sector Accounting Standard No. 01. |
| (c) | Cash flow statements of 11 Agrarian Banks and 04 committees had been prepared and presented along with the financial statements without identifying and classifying the main cash flows | Actions will be taken to rectify. | The cash flow statement should be prepared and presented in accordance with Sri Lanka Public |

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| | in accordance with Sri Lanka Public Sector Accounting Standard No. 02. | Sector Accounting Standard No. 02. |
| (d) | All accounting policies used in the preparation of financial statements should be stated in the financial statement set in accordance with Sri Lanka Public Sector Accounting Standard No. 03, but all accounting policies had not been stated in the financial statements of 07 committees and 09 Agrarian Banks. | Actions will be taken to rectify in year 2025. Accounting policies should be disclosed in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard No. 03. |

1.3.2 Accounting Deficiencies

| | Audit Observation | Comments of the Management | Recommendation |
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| (a) | In preparing the financial statements of 16 Agrarian Banks for the year 2024, accrued expenses of Rs.82,000 had not been accounted for as expenses payable as at 31 December 2024, and the expense of Rs.80,000 paid in the year 2024 relating to the year 2023 had been accounted for as expenses in the year under review. | Actions will be taken to check and rectify in year 2025. | An internal program should be developed to confirm that accrued expenses are accounted for in the appropriate accounting year. |
| (b) | The accrued expenses of Rs.3,169,338 paid in the year 2025 in respect of 16 committees for the year 2024 were not accounted for in the financial statements as expenses for the year 2024, resulting in, understatement of accrued expenses and overstatement of surplus were stated. | Actions will be taken to check and rectify . | -Do- |
| (c) | Due to the debiting of the accumulated fund by the total value of Rs.520,317 incurred for the purchase of computer equipment in relation to 13 Agrarian Banks in the year 2024 and the total amount of Rs.1,942,050 incurred by 10 Agrarian banks for the same purpose in the year 2023, The accumulated fund and the balance of the assets account were understated by that value. | It will be rectified after seeking advice from the head office. | The balance of the accumulated funds account and the balance of the assets account should be corrected. |
| (d) | Liabilities totaling Rs.8,225,653 of 17 committees, which were not substantiated by documents or otherwise, and assets totaling Rs.7,082,815 of 18 committees, which did | Fake assets and fake liabilities will be eliminated and accounted for. | The financial statements should be corrected after completing the formalities and confirming the |

not even have physical existence, were included as assets and liabilities in the financial statements.

balances.

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| (e) | When accounting for the acreage tax revenue for the year 2024, the total of 12 committees was under-accounted by Rs.554,396 and the total of 06 other committees was over-accounted by Rs.192,345. | It will be checked and rectified. | A formal investigation should be conducted to identify the correct acreage tax revenue for the accounting year and correct it in the accounts. |
| (f) | The Itthevana Committee had purchased fixed assets totaling Rs.144,437 during the year under review and debited the expenditure account instead of debiting the asset account, and therefore the asset account balance and surplus were understated by that amount. Furthermore, the purchased assets had not been included in the fixed assets register. | Actions will be taken to rectify. | The purchase of these fixed assets should be properly adjusted in the accounts and accounting as an expense should be corrected. |

1.3.3 Un-reconciled Credit Control Accounts or Records

| | Audit Observation | Comments of the Management | Recommendation |
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| (a) | There was an unreconciled balance of Rs.4,520,471 between the financial statements and corresponding reports relating to 36 accounting subjects of 11 committees. | Actions will be taken to correct in the 2025 Account reports. | Actions should be taken to correct the accounts or corresponding reports in a formal manner. |

1.3.4 Unauthorized Transactions

| | Audit Observation | Comments of the Management | Recommendation |
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| | Prior approval should be obtained for transactions accounted for using journal entries and journal vouchers when accounting through journal entries, 261 journal entries accounted for by 05 Agrarian banks during the year under review and all journal entries accounted for by 03 committees in the year 2024 were accounted for without using journal vouchers and obtaining prior approval. | Transactions will be accounted for preparing journal vouchers and obtaining approvals in the year 2025. | Officers should be informed about this matter and a program should be developed to confirm that journal entries are made after journal vouchers are prepared with supporting documents and approval is obtained. |

1.3.5 Suspense accounts

| Audit Observation | Comments of the Management | Recommendation |
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| Suspense accounts balances should be identified and resolved before preparing the financial statements, but the financial statements were prepared without identifying and resolving a suspense balance of Rs.52,614 in the Itthe pana Agrarian bank and a suspense balance of Rs.30,806 in the Walagedara Committee. | Actions will be taken to settle in year 2025. | Prompt actions should be taken to prepare financial statements after conducting a formal investigation, identifying suspense account balances and correcting the ledger. |

1.3.6 Documentary Evidences not made Available for Audit

| Audit Observation | Comments of the Management | Recommendation |
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| (a) Sufficient written evidence was not submitted to the audit to verify the accuracy of the various loan balances provided to 1709 farmers with a total value of Rs.55,906,253 stated in the financial statements of 09 Agrarian banks as at 31 December 2024. | Actions will be taken to submit written evidence. | Relevant evidence should be submitted to verify the accuracy of the loan balances. |
| (b) Sufficient written evidence to verify the accuracy of the various deposit balances of 2743 farmers with a total value of Rs.30,113,027 stated in the financial statements of 08 Agrarian banks as at 31 December 2024 was not submitted to the audit. | Necessary evidence will be submitted for checking the deposit balance. | - Do - |
| (c) Sufficient written evidence to verify the accuracy of the share cash balances of 7304 farmers with a total value of Rs.7,784,722 stated in the financial statements of 08 Agrarian banks as at 31 December 2024 was not submitted to the audit. | Necessary evidence to verify the share balances will be submitted. | Written evidence requested by the audit should be submitted to check the accuracy of share balances. |
| (d) Sufficient documentary evidence to verify the accuracy of the general individual deposit balances stated in the financial statements of 10 Agrarian banks as at 31 December 2024, relating to 8692 farmers with a total value of Rs.8,464,121, was not submitted to the audit. | The necessary evidence to verify the general deposit balances will be submitted. | Written evidence requested by the audit should be submitted to check the accuracy of deposit balances. |

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| (e) | The accuracy of the schedules and fixed asset registers relating to office equipment and various assets, which had a total value of Rs.1,290,780, stated as fixed assets in the Statement of Financial Position of Bandaragama Committee as at 31 December 2024, could not be verified the accuracy as they were not submitted for audit. | Accept. | Sufficient written evidence or survey board reports of physical inspection of assets should be submitted, and schedules and fixed asset registers should be submitted. |
| (f) | The accuracy of the schedules accompanying the 2024 financial statements could not be verified due to the fact that the sub-ledger accounts of the Project Loans, Agricultural Loans, Entrepreneurial Loans, Sara Lanka Loans and Women Farmers Organization Deposits of the Padagoda, Pelawatte, Bulathsinhala and Millaniya Agrarian Banks were not balanced as at 31 December 2024. | Actions will be taken to rectify. | Action should be taken against officials who did not act in a proper manner and did not supervise them, and a system should be established to confirm that sub-ledger accounts are balanced annually. |

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 |
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| (a) Agrarian Development Act No.46 of 2000 | | | |
| Section 56 | All acreage taxes that were legally due had not been collected as scheduled by 11 Agrarian Service Committees. | Accept. | Formal action should be taken against officials who have not collected acreage tax on time and action should be taken to recover acreage tax in accordance with the provisions of the Agrarian Development Act. |

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| (b) | <p>Part II of the Establishment Code of the Democratic Socialist Republic of Sri Lanka</p> <p>Paragraph 5.3 of Chapter XLVII and Section 31:1.7 of Chapter XLVIII</p> | <p>Agrarian bank money had been misused by Agricultural Research and Production Assistant Officers working at the Moronthuduwa and Pelawatta Agrarian Banks.</p> | <p>Accept. Will be acted as per the instructions.</p> | <p>Disciplinary action should be taken in accordance with the Establishment Code.</p> |
| (c) | <p>Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p> | <p>99 payment vouchers of 08 committees with a total value of Rs.3,096,611 had been paid without prior payment confirmation.</p> | <p>Accept.</p> | <p>Formal action should be taken against officials who acted contrary to financial regulations, and internal controls should be strengthened to ensure that payment vouchers are certified in accordance with financial regulations in the future.</p> |
| | <p>(ii) Financial Regulations 396</p> | <p>Actions had not been taken in accordance with the financial regulations regarding 20 cheques worth Rs.217,177, which were issued by 08 committees but were not presented for payment and were over 06 months old.</p> | <p>Accept.</p> | <p>Cheques issued but not presented for payment should be dealt with in accordance with the financial regulations.</p> |
| | <p>(iii) Financial Regulations 880 and 881</p> | <p>The officers who handle the money and sign the cheques at the 20 committees and Agrarian banks had not taken actions to deposit the securities.</p> | <p>Accept.</p> | <p>All officers who are required to deposit security as per financial regulations should be deposited securities promptly.</p> |

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| (d) | Paragraph 5.6(1) of the Circular of the Commissioner General of Agrarian Development No. 4/2012 dated 29 February 2012 | All accounts related to the Agrarian Banks should be included in the annual final accounts of the Agrarian Services Committee and consolidated financial statements should be prepared, but all 20 Agrarian Services Committees had not done so. | Accept. | Action should be taken as per the instructions in paragraph 5.6 (1) of the circular. |
| (e) | State Accounts Circular No. 265/2018 dated 05 May 2018 and Paragraph 04 of the Auditor General's Circular No. AGS/02-2023(1) dated 15 February 2023 | The basis for preparing the financial statements of the Committees and Agrarian Banks is "Public Sector Accounting Standards", the accounting basis for preparing the financial statements of a Committee and an Agrarian Bank was not mentioned in the financial statement set, and it was noted that the financial statements of 04 other Committees were prepared using 02 accounting bases. | Actions will be taken to rectify. | Financial statements should be prepared based on public sector accounting standards and It should be disclosed in the financial statements. |

2. Financial Review

2.1 Financial Result

According to the presented financial statements, the total of 17 Agrarian Service Committees in the year 2024 was a surplus of Rs.9,739,353 and the total of 03 committees was a deficit of Rs.471,143, correspondingly the surplus and deficit of the previous year were Rs.7,343,884 and Rs.3,453,095 respectively. According to the financial results of the year under review, the total of 19 Agrarian Banks was a surplus of Rs.3,548,285 and one Agrarian Bank had a deficit of Rs.569,419, correspondingly the surplus of 20 Agrarian Banks of the previous year was Rs.4,242,822.

2.2 Financial Results Analysis

- (a) The total value of the operating results of the year under review of 12 Committees was a surplus of Rs.8,032,722, and correspondingly, as the total value of the surplus of the previous year of those 12 Committees was Rs.6,116,251, a growth of Rs.1,916,471 was observed in the financial results. These growths were mainly due to increase in acreage tax income, increase in fixed deposit interest income, increase in sales outlet income and decrease in expenses.
- (b) Although the total value of the operating result of the year under review of 05 committees was a surplus of Rs.1,706,631, correspondingly, as the total value of the previous year's deficit was Rs.874,992, a growth of Rs.2,581,623 was observed in the financial results.. These growths

were mainly due to the increase in acre tax income, increase in fertilizer income, decrease in repair costs and increase in fee income.

- (c) The total value of the operating results of 01 committee for the year under review was a deficit of Rs.82,382, while the total value of the surplus of the previous year was Rs.1,209,693, resulting in a decline of Rs.1,292,075 was observed in the financial results. This decline was mainly due to a decrease in income, an increase in repair expenses, and an increase in other expenses.
- (d) The total value of the operating results of the year under review of 02 Committees was a deficiency of Rs.388,761, and correspondingly, as the total value of the previous year's deficiency was Rs.2,578,109, resulting in a growth of Rs.2,189,342 was observed in the financial results. This increase was mainly due to the increase in acreage tax revenue, increase in other revenue, decrease in fertilizer unloading expenses and decrease in other expenses.
- (e) The total operating results of 19 Agrarian Banks in the year under review were a surplus of Rs.3,548,285, and correspondingly, the total surplus of those banks in the previous year was Rs.3,942,502, resulting in a decline of Rs.394,217 was observed in the financial result. This was mainly due to the decrease in the income of the Agrarian banks and the increase in the expenses. Furthermore, in the year 2024, only the Moronthuduwa Agrarian Bank had a deficit of Rs.569,419, while in the previous year the surplus was Rs.300,320, resulting in a decline of Rs.869,739 was observed in the financial result.. This was mainly due to the decrease in the income of the Agrarian banks and the increase in the expenses incurred.

3. Operational Review

3.1 Management Inefficiencies

| | Audit Observation | Comments of the Management | Recommendation |
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| (a) | Under the “Project to Create a lakh Sustainable land” jointly implemented by the Ministry of Agriculture and Plantation Industries and the Department of Agriculture, vegetable seeds and plants were distributed free of charge to 2933 selected farmers in 423 domains belonging to 15 committees. Under this project, in addition to the plants and seeds, no other necessary assistance and guidance was provided, and according to the data maintained by the committee in relation to this project, information was not reported that the project was successful. | Accept. | Actions should be taken to carry out regular supervision activities, ensure the success of development projects, and maintain the reports required for regulation. |
| (b) | The progress in collecting acreage taxes in 65 Agricultural Research and Production Assistant Domains belonging to 11 Agrarian Service Committees in the district remained at a low level. | Actions will be taken to recover outstanding acreage taxes. | Formal action should be taken against officials who have not collected acreage tax on time and |

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| | | | actions should be taken to promptly recover due acreage tax. |
| (c) | 09 hand tractors received to 09 committees from the Ministry of Agriculture and Lands of the Western Province in the year 2006, had been in a non-functional state for many years, and no action had been taken to repair and utilize or dispose of the relevant tractors. | Accept. | Actions should be taken to utilize these hand tractors or dispose of properly. |
| (d) | Until the land where the ball clay is mined in the Nagoda Committee is rehabilitated, deposits of Rs.1,000,000 per land should be held as deposit on a repayable basis.13 depositors had given a total of Rs.13,000,000 as security deposits since 2019. In order to release these deposits, the excavated pits had to be closed, the land had to be rehabilitated and cultivation activities had to be carried out. However, due to further excavation, incomplete closure of the pits, and non-cultivation activities, environmental damage had also occurred due to the non-rehabilitation of these lands for about 06 years. | Since the lands have not been rehabilitated, the security deposits have not been released. | Formal action should be taken against officials who have not taken actions to rehabilitate the lands and carry out cultivation. |
| (e) | The Agricultural Research and Production Assistant Officers who were on duty in relation to 13 Agricultural Research and Production Assistant Domains of the Bulathsinhala Agricultural Services Committee had not carried out the necessary surveying activities to enter information into the "Geo Gowiya" data system. Accordingly, action had not been taken against the officers who had neglected their duties. | Accept. | A formal investigation should be conducted and action should be taken against the officers who failed to perform their duties, and actions should be taken to finalize the entry of information into the "Geo Gowiya" data system. |
| (f) | In the year 2024, there were no elections held for the establishment of farmer organizations for the Agricultural Research and Production Assistant Domains belonging to 03 committees and 45 farmer organizations established in 03 committees for the year 2024. | Accept. | Action should be taken to establish farmer organizations and hold elections. |

3.2 Operational Inefficiencies

| | Audit Observation | Comments of the Management | Recommendation |
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| (a) | Although the 19 Agrarian Service Committees had planned to cultivate 17646 hectares of paddy fields in the 'w' category in the year 2024, the target was not achieved by 6894 hectares due to the cultivation of only 10752 hectares of paddy, and the Agalawatta Committee alone had cultivated paddy exceeding the target by 216 hectares. | Actions will be taken to improve rice cultivation in the future. | A program should be developed to expand the supervision of officials and increase cultivation targets. |
| (b) | Although 16 Agrarian Service Committees had targeted to cultivate 3185 acres of fallow paddy fields during the year, by the end of the year, 2695 acres of fallow paddy fields had not been cultivated. However, 04 Committees had cultivated paddy in fallow paddy fields exceeding the target of 61 acres. | Actions will be taken to achieve the fallow fields targets in the year 2025. | A targeted and formal program should be developed and implemented to improve paddy harvest in fallow fields. |
| (c) | Out of the 444 “Sitamu” women's programs planned to be implemented in 20 Agrarian banks in the year 2024, 382 programs had been implemented, while 62 programs had not been implemented. The progress of 99 of the implemented programs was not at a satisfactory level. | Actions will be taken to check and rectify in year 2025. | Formal actions should be taken and implemented against the relevant officials for not implementing the programs, and follow-up should be carried out on programs that were not implemented to a satisfactory level. |
| (d) | During the year under review, 20 committees had planned to renovate 345 minor irrigation projects using a total of Rs.230,300,749. During the year, 161 minor irrigation projects with a total value of Rs.94,863,617 had been renovated, while 184 projects had not been renovated. However, during the year, 78 unplanned minor irrigation projects with a total value of Rs.61,886,535 had been renovated by the Irrigation Department, farmers' organizations and other external parties. | Due to lack of funds, the renovation work could not be carried out as planned. | A formal investigation should be conducted and action should be taken against the parties responsible for not implementing the projects, and a formal program should be implemented for the coming years to renovate minor irrigation projects as planned for the further development of paddy cultivation. |

3.3 Transactions of Contentious Nature

| Audit Observation | Comments of the Management | Recommendation |
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| (a) Based on the Office Circular No. 2/2024 dated 28 March 2024 of the Commissioner General of Agrarian Services, a total of Rs.2,920,000 was provided as special New Year loans to 146 officers who served in 12 committees during the year under review. The provision of these festive advance loans, which exceeded the value of the government festive advance money provided to an employee, had resulted in the failure to achieve the objective of providing loans to farmers, which was the objective of establishing the Agrarian Bank, and had resulted in the liquidity available to the bank for that purpose decreasing. | The loan was granted in accordance with a departmental circular. | While granting loans, priority should be given to farmers which was the objective of establishing the Agrarian Bank. |
| (b) The daily cash in hand balance limit of a Agrarian Bank is Rs.50,000, but when examining the daily cash book of the Pelawatte Agrarian Bank for the year 2024, more than Rs.100,000 had been held in hand daily throughout the year, exceeding that limit. From 31 March 2024 to 11 June 2024, the amount collected daily and held in hand from time to time without being deposited in the bank was Rs.733,652. The responsible officials had not investigated and made corrections regarding the non-banking of daily cash for more than 02 months. | Actions will be taken to correct these deficiencies in the future. | Actions should be taken to take formal action against officers who have held cash exceeding the limit, and to strengthen internal controls to ensure that the daily cash limit is kept at Rs.50,000 and the remaining cash is banked daily. |
| (c) According to the daily receipts register, it was confirmed that a total of Rs.612,887 relating to 14 borrowers, which were the project loan balances of the Kananwila Agrarian Bank due as at 01 January 2024, had been recovered during the month of November 2024. The lump sum payment of the arrears relating to these outstanding loan balances, which had been provided in the years 2015 and 2016, was an unusual debt recovery that has given rise to controversy. | Accept. | A formal investigation should be conducted in this regard and appropriate action should be taken against the relevant parties if any misuse of funds has occurred. |

3.4 Underutilization of Fund

| | Audit Observation | Comments of the Management | Recommendation |
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| (a) | A total of Rs.7,449,542 worth of cash balances in 10 State Commercial Bank accounts belonging to 08 Agrarian Banks and a total of Rs.10,808,871 worth of cash balances in 17 State Commercial Bank accounts belonging to 11 Committees remained idle during the year 2024 without being used for any productive purpose, and no action had been taken to invest that money in an investment way that would generate more income until it was used for a productive purpose. | Actions are being taken to invest that money in a more profitable investment. | This money should be invested in a productive investment way, under formal approval. |

3.5 Idle or Underutilized Property, Plant and Equipment

| | Audit Observation | Comments of the Management | Recommendation |
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| (a) | A total of Rs.4,750,983 and a total of Rs.1,052,374 were paid to the District Office for the purchase of computer equipment by 20 committees and Agrarian banks in 2023 and 2024, respectively, and it was a total value of Rs.5,803,357. Although these computer equipment had been received by 2024, the equipment had remained idle for more than a year as the committees did not have the specialized computers and computer software required for use. | Accept. | A formal program should be implemented and these computer devices should be used for office purposes. |
| (b) | The Kubota tractor, which had a book value of Rs.471,892, which was provided to the Moronthuduwa Committee in the year 1997 on a payment basis by the Department of Agrarian Development under Japanese assistance, had been lying idle for more than 6 years since 2019 without being used for any productive purpose. | Accept. | A formal program should be implemented to use this tractor for the work of the committee and the farmers. |
| (c) | The "Olic" type audio system, which was received by the Kananwila Committee around year 2018, remained underutilized due to the management not using it for productive purposes. | Accept. It will be used for productive purposes from 2025. | A formal program should be implemented to use this loudspeaker for effective purposes. |

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| (d) | The water tanks built for freshwater fish farming in the Pamunugama Committee area remained idle without being used for any productive purpose. | Accept. | A formal program should be implemented to use these water tanks for productive purposes. |
| (e) | A safe provided to the Warakagoda Committee by the Department of Agrarian Development had not been used for more than 11 years, and actions had not been taken to obtain information about the value of the safe, and no actions had been taken to record it in the accounts, and enter it in the inventory books. | It is unable to open, instructions were asking for that. | Arrangements should be made to use the safe, enter into the books, and account for the value. |
| (f) | The building where the fertilizer warehouse of the Madurawala Committee was built had a staircase at the entrance, making it difficult to bring fertilizer stocks into the warehouse. As a result, it had not been used for storing fertilizer but had been used to store other waste materials, and had remained underutilized for almost 7 years. | There are difficulties in loading and unloading fertilizer due to these stairs. Liquid fertilizer and old books and stationery are stored there. | Actions should be taken to use this building for its intended purpose in a proper manner. |

3.6 Human Resource Management

| | Audit Observation | Comments of the Management | Recommendation |
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| (a) | Regarding 19 Committees, There were 556 of A.R.P.A domains, and due to the number of officers assigned to the respective domains being 394, 162 domains were under acting officers. | Cover up has to be done due to lack of staff. | The role of the domains, service requirements, and capacity of officers should be studied and actions should be taken to fill vacancies in order to provide services efficiently to the farming community in the domains. |
| (b) | The position of Committee Clerk in relation to 08 committees remained vacant due to the failure to employ permanent employees. | There are no permanent officers for the position due to lack of staff. | Permanent officers should be employed considering the workload and necessity of the position. |

4. Accountability and Good Governance
4.1 Submission of financial statements for audit

| Audit Observation | Comments of the Management | Recommendation |
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| (a) In accordance with Section 16 (2) of Part III of the National Audit Act No. 19 of 2018 and Paragraph 6.6 of the “Operations Manual” accompanying Circular No. P.E.D. 01/2021 dated 16 November 2021, the financial statements should be submitted to the Auditor General for audit within 60 days of the end of the accounting year, but the financial statements of 19 committees were submitted for audit after a delay of more than 60 days. | Actions will be taken to submit financial statements in year 2025. | The financial statements for the year 2025 should be submitted within 60 days in terms of the circular. |

4.2 Annual Action Plan

| Audit Observation | Comments of the Management | Recommendation |
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| (a) Although an action plan for the year 2024 had been prepared for 20 committees, but the plan had not been prepared in a way that could be compared with the physical and financial progress targets as at 31 December 2024 and that the targeted income and expenditure, including all the activities of the committees, could be compared with the actual activities at the end of the year. | Actions will be taken to correct it in year 2025. | Actions should be taken to prepare the action plan of next year by the due date, including all activities, obtain written approval, and prepare progress reports. |

5. Agrarian Banks

| Audit Observation | Comments of the Management | Recommendation |
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| (a) The total amount of Rs.6,215,367 provided to 261 farmers by 15 Agrarian banks had been referred to the tribunals due to non-recovery of loans and interest. As at 31 December 2024, only Rs.1,003,757 of the total amount had been recovered, while Rs.4,881,454 | Physical actions are being taken to recover these outstanding debts. | Action should be taken against officials who have not taken actions to collect outstanding loans on time, and actions should be taken to promptly recover these |

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| | remained unrecoverable on that date. However, no legal action had been taken to recover this outstanding loan balance, which had been unrecoverable for a long time. | | outstanding loans. |
| (b) | As at 31 December 2024, a total of Rs.129,574,295 was outstanding from 3413 farmers under various loan categories through the Agrarian Bank Pilot Projects of 20 Agrarian Service Committees, and out of that amount, a loan balance of Rs.6,380,043 was outstanding in 17 Agrarian Banks for over 05 years. | Actions are being taken to recover this old due loan balances. | -Do- |
| (c) | Although the total amount of Rs.854,900, which was the "arrears loan" granted to a limited company by the Kananwila Agrarian Bank in the year 2000, had remained outstanding for more than 24 years, adequate action had not been taken to recover that loan. | Actions are being taken to recover this old due loan balance. | -Do- |
| (d) | There were instances where the balances in the sub-ledger account books maintained for the year 2024 in relation to 08 Agrarian banks had not been updated and maintained, or where the deposit balance, interest and accumulated interest in the various schedules such as deposits, personal deposits, shares, etc., which were to be submitted for audit along with the financial statements of the Agrarian banks, had not been correctly recorded and maintained up to date. | Accept. | Actions should be taken against officers who have not maintained the books of account properly and actions should be taken to correctly update the deposit balance, interest, and accumulated balance in the schedules. |
| (e) | It was observed that the Agricultural Research and Production Assistant, who was in charge of the Moronthuduwa Agrarian Bank Pilot Project, had misused an amount of Rs.1,051,518 by using 03 general cash receipt books and other means provided for the use of the Agrarian banks Pilot Project, through the letter No. DAD/KL/SER/01/09 dated 25 November 2024. Accordingly, the | Accept. | Disciplinary action should be taken in accordance with the Establishment Code. |

relevant officer had credited the said amount to the account number of the Agrarian banks Pilot Project on 29 November 2024, but even though about a year had passed since this irregularity was identified, even in May 2025, when the audit was conducted, instead of taking disciplinary action as per the Establishments Code, the officer had been transferred and deployed.