29 Agrarian Services Committees in Ampara District - 2024

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1. Audit Opinion

1.1 The audit of the financial statements of the 29 Agrarian Service Committees in Ampara 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, Statement of Changes in Net Assets and 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 for 29 Agrarian Service Committees in the Ampara District relating to the year 2024 and a qualified opinion had been expressed for all 29 of those committees and the material errors that caused to this are given below.

1.3 Financial Statements

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

	Audit Observations	Comments of the Management	Recommendation
(a)	In accordance with Section 107 (Amendment 05) of Circular No. 15/2016 dated 09 February 2017 of the Commissioner General of Agrarian Development, although accounts should be presented annually in accordance with public sector accounting standards, the note on accounting policies and standards submitted along with the financial statements by the Maha-oya Agrarian Services Committee did not explicitly state that Public Sector Accounting Standards had been followed.	No answer provided.	It should be disclosed that public sector accounting standards are being followed.
(b)	According to paragraph 21 of Sri Lanka Public Sector Accounting Standards No. 1, the statement of changes in equity, which is a component of the financial statements had not been prepared and presented along with the financial statements.	That the statement of changes in equity will be prepared and submitted from the year 2025.	Financial statements including all components, should be submitted for audit.

(c)	Although the Agrarian Bank and the Agrarian Services Committee are required to prepare consolidated financial statements, 06 Agrarian Service Centres had not been prepared consolidated financial statements.	That it will be rectified in the coming year.	Steps should be taken to prepare consolidated financial statements.

1.3.2 Accounting Deficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	The aggregate value of Rs.258,765, representing the combined balances of the fixed deposit and savings deposit accounts as of 31 December of the year under review, had not been disclosed in the Statement of Financial Position by the Maha-oya Agrarian Services Committee.	That it will be rectified in the coming year.	Financial statements should be accurately prepared and presented.
(b)	The opening accumulated fund balances of 02 Agrarian Services Committees for the year under review had been overstated by Rs.6,245,240.	That it will be rectified in the coming year.	The correct value of the opening accumulated fund should be stated when preparing the financial statements.
(c)	Although the Pallan-oya Agrarian Services Committee held a closing balance of urea worth Rs. 10,449,127 at the end of 2023, the opening stock balance of urea for the year under review had been overstated by Rs.4,175,873, due the opening balance of the urea trading account is stated as Rs.14,625,000	That the purchase price of the urea stock is not specified, and the figure of Rs.14,625,000 represents fertilizer purchases.	The opening balance of fertilizer stocks should be accurately accounted for.
(d)	Although the cash book balance was stated as Rs. 11,709,868 according to the bank reconciliation statements prepared for the Pallan-oya Agrarian Services Committee's current account, in the statement of financial position, it was understated by Rs.10,600,000, appearing as a sum of Rs.1,109,868.	It was observed that, during computerization, an amount of Rs.10,600,000 was omitted from the figure that should have been recorded as Rs. 11,709,868.	Account balances should be accounted for accurately.

(e)	During the year under review, action had not been taken to capitalize agrarian bank accounting software valued at Rs.456,339 purchased for agrarian banks by 03 Agrarian Services Committees and capital expenditure amounting to Rs. 2,060,847 incurred by 05 Agrarian Services Committees.	That it will be rectified in the coming year.	Assets and capital expenditures should be accurately accounted for.
(f)	Regarding 05 Agrarian Services Committees, items requiring capitalization were identified from the expenditure of Rs.21,287,950 incurred on center renovations during the year under review, yet the values of these items had not been capitalized.	That it will be rectified in the coming year.	Correct values should be identified and recorded.
(g)	The total sales value of Urea, MOP, and TSP at 03 Agrarian Service Committees amounting to Rs. 4,706,171 had been understated in the trading accounts.	That it will be rectified in the coming year.	Relevant transactions should be accurately disclosed in the financial statements.
(h)	Although the value of the closing stock of the Pallan-oya Agrarian Services Committee for the year under review was Rs. 6,797,169, it was understated by Rs. 1,241,088 in the Statement of Financial Position, appearing as Rs. 5,556,081.	The audit observation is correct. That the actual MOP stock balance should be accurate when reporting the value of stock in the Statement of Financial Position.	The value of closing stock should be accurately accounted for.
(i)	The combined opening stock balance of Urea and MOP for 02 Agrarian Service Committees had been overstated by Rs.5,519,220.	That it will be rectified in the coming year.	The value of opening stock should be accurately accounted for.
(j)	A stock of urea valued at Rs. 2,628,150 held by the Irakkamam Agrarian Services Committee had not been disclosed in the statement of financial position.	That it will be rectified in the coming year.	The value of stocks should be accurately identified and recorded.

(k)	The closing balance of 48,538 kilograms of Urea, TSP and MOP fertilizers submitted by the Akkarapattu East Agrarian Service Center during the year under review was Rs.8,172,474, a discrepancy of Rs.2,207,082 existed due to the amount being reported as Rs.10,379,556 in the Statement of Financial Position.	It will be corrected in the year 2025.	The value of inventory should be accurately identified and recorded.

1.3.3 Un-reconciled Control Accounts or Reports

	Audit Observations	Comments of the Management	Recommendation
(a)	Regarding the Madanagama Agrarian Services Committee, there were discrepancies of Rs.1,448,883 and Rs.49,582, respectively in the values of opening stock balances according to the quantitative stock account and the trading account of Urea and MOP fertilizers for the year under review.	That it will be rectified in the year 2025.	Action should be taken to identify the reasons for the discrepancies and correct them promptly.
(b)	Regarding the Padiyathalawa Agrarian Services Committee for the year under review, there was a discrepancy of Rs.2,919,944 , between the values on the quantitative stock account and the trading account for three account items.	That it will be rectified in the coming year.	- Do -
(c)	Regarding 07 account subjects of the Dehiattakandiya Agrarian Services Committee, there were discrepancies of Rs.3,709,695 between the values shown in the trial balance and the financial statements as of 31December of the year under review.	That it will be rectified in the coming year.	Necessary actions should be taken to settle these balances.
(d)	Although the sales value of subsidized fertilizer in the quantitative stock account of the Lahugala Agrarian Services Committee should have been Rs. 12,018,697, as the amount was recorded as Rs. 2,620,935 in the relevant account, there was a discrepancy of Rs. 9,397,762.	That it will be rectified in the coming year.	Action should be taken to identify the reasons for the discrepancies and correct them promptly.
(e)	The value of the sale of subsidized fertilizer by the Lahugala Agrarian Services Committee was stated as Rs. 2,620,935 in	That it will be rectified in the coming year.	- Do -

	the quantitative stock accounts and as Rs.13,569,237 in the trading account, discrepancies existed between the values because the amount was stated as Rs.20,607,941 in the cash flow statement.		

1.3.4 Lack of Written Evidence for Audit

	Audit Observations	Comments of the Management	Recommendation
(a)	It was not possible to satisfactorily verify or audit the asset and liability balances totaling Rs.140,872,351 as shown in the financial statements of 26 Agrarian Services Committees, due to the absence of sufficient, various evidence and balance confirmations.	That the center cannot find evidence and information, the necessary steps are being taken to settle the balance and there is an intention to rectify the balance of accounts report in the year 2025.	The evidence and information required to verify the relevant asset and liability account balances should be submitted for the audit.
(b)	Although a payment of Rs. 10,557,309 had been made for fertilizer in the Lahugala Agrarian Services Committee, payment vouchers amounting to Rs. 3,368,791 were not submitted for audit, as it was reported as Rs. 13,926,100 in the cash flow statement.	That it will be rectified in the future.	Evidence relating all payments should be submitted.

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

	Reference to Laws, Rules, Regulations	Non-compliance	Comments of the Management	Recommendation
(a)	Agrarian Development Act No. 46 of 2000			
(i)	Section 53 (1)	Although 516 applications had been received for the revision of paddy land registers pertaining to the year under review relating to the 08 Agrarian Services	That the steps are being taken to amend it in the future.	Necessary amendments should be done expeditiously in accordance with the provisions of

		Committees, necessary steps to carry out amendments have been taken for only 204 applications.		the Act.
(ii)	Section 55 (1)	Agricultural lands within the Lahugala Agrarian Services area had not been surveyed.	That the surveying operations for all lands with the exception of those under dispute have been completed by the end of the year under review.	Necessary legal procedures regarding disputed lands should be completed, and the surveying work should be completed.
(iii)	Section 56 (4)	No legal action had been taken against those who defaulted on acreage tax payments in the Lahugala Agrarian Services area.	That the steps will be taken to recover outstanding acreage tax.	Action should be taken to recover outstanding acreage taxes in accordance with the Act.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	F.R. 110	A register of damages and losses had not been maintained in accordance with financial regulations relating to 06 Agrarian Services Committees.	That the agreement will be made to maintain a record of damages and losses.	Action should be taken in accordance with financial regulations.
(ii)	F.R. 502 (2)	A fixed asset register had not been maintained in accordance with financial regulations relating to 10 Agrarian Services Committees.	That the steps will be taken in the future to prepare and maintain a fixed asset register.	Necessary actions should be taken regarding asset management and security.
(c)	Circulars and Letters of the Commissioner of Agrarian Development			

(i)	Circular No. 2006/08 dated 01 December 2006	The Lahugala Agrarian Services Committee had not been appointed an independent board of inquiry regarding the stocks.	That the district office has made requests for the disposal of expired stocks.	Immediate action should be taken to inspect the stock and dispose of the expired stock.
(ii)	Agrarian Development Commissioner Circular No. 08/2020 and 25 June 2020	14 officers relating to 07 Agrarian Services Committees had not been furnished the required security deposits.	That the relevant officers will be taken steps to post bail in the future.	Arrangements should be made to deposit the bail money.
(d)	Circular No. 07/2014 (107 edition iii) dated 22 August 2014	Although the maximum amount that can be held on hand daily is Rs.10,000, in contrast, 04 Agrarian Services Committees had been held cash on hand ranging from Rs. 243,528 to Rs.10,707,889 on 72 occasions between January and December 2024.	That the due to the heavy workload at the centers, it has not been possible to go and deposit money every day.	Action should be taken to ensure the proper safeguarding of government funds.
(e)	The letter No 7/7/කු.ඉ.ලේ.ප්‍රති/ 2023 dated 16 May 2023 of the Agrarian Development Commissioner General	Although land surveying under the 'Geo Goviya' program should be completed by 31 May 2023, Surveys including the calibration of latitude and longitude coordinates to determine location had not been completed for 43,592 out of the 69,445 land pieces across 18 Agrarian Services Committee areas.	That the 'Geo Goviya' program could not be completed by the scheduled date due to a lack of sufficient staff.	Regarding to the failure of completion of the program by the scheduled date should be investigated, and actions should be introduced to expedite the program.

2. Financial Review
2.1 Financial Results

The operating result for the year under review in relation to 29 Agrarian Service Committees belonging to the Ampara District was a surplus of Rs. 29,057,824, the corresponding profit for the previous year was Rs. 69,317,161. Accordingly, there was a deterioration of

Rs.40,259,337 in the financial result. Also, the total operating result of 29 farmers' banks for the year under review was a surplus of Rs. 3,968,086, correspondingly, due the surplus in the previous year was Rs. 4,601,916, there was a decline of Rs. 633,830 in the financial results of the agrarian banks.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	As of 31 December 2024, an outstanding balance of Rs. 9,981,134 remained to be settled for 67 hand tractors issued by the Ampara District Office of the Department of Agrarian Development to 09 Agrarian Services Committees on an installment payment basis between 2008, 2010 and 2012.	Steps will be taken to recover outstanding amounts and initiate legal action against defaulters.	Immediate action should be taken to recover the outstanding installment amounts.
(b)	Necessary actions had not been taken to recover a sum of Rs. 145,931,110 due from various parties to 27 Agrarian Services Committees, outstanding for periods ranging from 3 to 24 years.	The Ampara district office and the head office have been informed to take the necessary steps to recover or write off outstanding balances.	Immediate action should be taken to recover the relevant money.
(c)	No actions had been taken to settle outstanding account balances amounting to Rs.291,427,497, which had been carried forward over a period ranging from 5 to 26 years relating to 27 Agrarian Services Committees.	Information regarding some balances is unavailable, and steps will be taken to settle the balances that can be identified.	Steps should be taken to settle the outstanding account balances.
(d)	As of December 31 of the year under review, inside the warehouse of the Pallan-oya Agrarian Services Committee, there were 348.33 kg of TSP fertilizer, 700 kg of Urea, 772.5 liters of liquid bio-fertilizer, and 135 liters of organic Biotin available for free distribution, but no steps had been taken to distribute them.	No answer provided.	Arrangements should be made to distribute agrochemicals to farmers within the stipulated timeframe.
(e)	Although permission was granted to a person to remove 600 cubic meters of sand from the paddy land in Lahugala through a letter of the Deputy Commissioner of Agrarian Development, dated 8 August	That the steps will be taken to recover outstanding amounts in the coming year.	Uncollected revenue should be recovered from the responsible officers, and legal

	2024, due to the collection of a sum of Rs. 20,000 for 100 cubes of sand, revenue amounting to Rs.100,000 which should have been collected for the remaining 500 cubes had been lost. Management had not been followed any methodology to verify the amount of sand cubes removed and although a letter of authorization from the Geological Survey and Mines Bureau was required prior to granting permission for sand removal, no such letter was submitted for the audit.		action should be taken against officers who acted in excess of their authority without the approval of the Geological Survey and Mines Bureau.
(f)	No action had been taken to recover the sum of Rs. 1,408,825 due to the Uhana Agrarian Services Committee since 2013 for paddy issued to millers under the paddy purchasing program.	That the legal proceedings are currently underway, and steps are being taken to recover the funds through that process.	Immediate action should be taken to recover the relevant funds.
(g)	The Namalthalawa Agrarian Services Committee had not been taken action to settle the revolving loan balance of Rs.445,802 and the cash shortfall of Rs.93,035, as recorded in the 2003 list of outstanding agrarian bank loans.	No answer provided.	Necessary actions to settle the balances should be taken promptly.
(h)	The Maha-oya Agrarian Services Committee had not been taken actions to settle the revolving loan receivable balance of Rs.634,308 and the revolving fund payable balance of Rs.599,527, which had been carried forward in the financial statements for over 10 years.	That the steps will be taken to settle this revolving loan balances in the future.	Necessary actions to settle the balances should be taken promptly.
(i)	No action had been taken to recover a sum of Rs. 500,226 due since 2011 from a former clerk of the Pallan-oya Agrarian Services Committee.	No answer provided.	Immediate action should be taken to recover the relevant funds.
(j)	The stock of corporate liquid fertilizer worth Rs. 7,801,412 provided by Lanka Fertilizer Company Limited to 05 Agrarian Service Committees in the years 2018 and 2019 had been expired and they had been left to pile up in the committees without any action being taken regarding them.	The relevant fertilizer companies have been informed to remove these stocks. That the steps are being taken to dispose of it in the future.	Immediate actions should be taken to dispose of the expired fertilizer stocks and to initiate necessary action regarding any losses incurred.

(k)	02 tanks that provide irrigation water to 140 acres owned by 66 farmers belonging to the Thambiluvil Agrarian Services Committee have been damaged due to the flood situation that occurred during the year under review and the farmers concerned lost the opportunity to engage in cultivation and earn an income due the District Agrarian Services Office failed to take steps to rehabilitate those tanks.	That this project has been submitted for the plans of the coming year.	Urgent action should be taken to rehabilitate damaged tanks.
(l)	In accordance with Paragraph 4 of the Agrarian Development Assistant Commissioner's (ආ.සං.) letter No. 7/5/6/වි.වි./අ.බ dated 14 June 2006 regarding 11 Agrarian Services Committees, although the annual acreage tax payments should be fully collected by the 31 March of the year, acreage tax amounting to Rs. 5,625,610 relating to previous years remained outstanding as of 31 December of the year under review.	That the steps are being taken to recover it in the coming year.	Necessary actions should be taken to recover the outstanding acreage tax amounts due from previous years.

3.2 Idle or Under-utilized Property, Plant and Equipment

	Audit Observations	Comments of the Management	Recommendation
(a)	10 paddy transplants machines valued at Rs. 10,000,000, which had been received by 03 Agrarian Services Committees in 2021, remained in storage unused for a period of approximately 03 years by the end of the year under review.	A model paddy cultivation was carried out using planting machines received under World Bank assistance, it has been determined that cultivation using these machines is unprofitable due to the wide plant spacing they entail; consequently, farmers in the area are reluctant to use them, rendering the machines useless.	Appropriate actions should be taken to utilize those machines.
(b)	It was observed that 17 vehicles and machinery owned by the Dehiattakandiya Agrarian Services Committee had been unused over a period of 02 to 07 years at the end of the year under review and the	Although the Board of Survey had been recommended that this machinery be auctioned, approval has not yet been	Necessary actions should be taken to repair and utilize the assets, or to auction them if that is not

	committee had not focused on auctioning off unusable vehicles and machinery, or on repairing and utilizing vehicles and machinery that could be repaired.	received.	possible.
(c)	30 water pumps provided by the District Office to 04 Agrarian Services Committees during the year 2004 remained unused and idle as of the date of the audit.	That an application has been made to auction it.	Responsible persons for the utilize assets effectively and to keep them idle should be identified, and necessary action should be taken.
(d)	08 items of software and equipment, with a total value of Rs. 444,405, purchased by 02 Agrarian Services Committees and 02 Agrarian Banks during the years 2023 and 2024, remained idle and unused.	That the software required operating this equipment has not yet been received by the centers, but there is an expectation to put it into use as soon as it is received.	Action should be taken to utilize assets effectively.
(e)	A hand tractor valued at Rs. 647,000, owned by the Malwatta Agrarian Services Committee, had remained idle and unused for over 05 years.	That an application has been made to auction the hand tractor.	Necessary actions should be taken to properly utilize assets or, if that is not possible, to dispose of them.
(f)	15 compost shredding machines had been remained idle and unused since 2022 by the 15 Agrarian Services Committees.	That the arrangements are being made to hand over to the relevant institution.	Necessary actions should be taken to utilize assets effectively.
(g)	Machinery and equipment valued at Rs.859,907, which had been provided to the Agrarian Services Bank by 02 Agrarian Services Committees during the years 2010 and 2024, remained idle and unused as of 31 December of the year under review.	No answer provided.	Necessary actions should be taken to utilize assets effectively.
(h)	15 sets of computer equipment worth Rs.4,216,920, purchased in 2024 by 15 Agrarian Service Committees with the aim of enhancing the efficiency of Agrarian Service Committees and cultivation banks, remained idle and unused.	That the steps are being taken to put into use in the future.	- Do -

3.3 Human Resource Management

	Audit Observations	Comments of the Management	Recommendation
(a)	There are 37 vacancies for the position of Development Officer, comprising 34 officers from 14 Agrarian Service Committees and 03 officers from the district office, there was a surplus of 30 development officers at the 13 Agrarian Services Committees.	Since the majority of the officers identified as excess belong to the Tamil medium, it is not possible to assign them to duties in Sinhala-medium Agrarian Service Committees where vacancies exist.	Action should be taken to fill vacancies and to assign excess officers to other institutions.
(b)	There are 25 vacancies for the post of Center Management Service Officer, comprising 22 officers from 19 Agrarian Service Committees and 03 officers from the district office and there was a surplus of 02 Centre Management Service Officers at the Karaitivu Agrarian Services Committee.	That the steps will be taken to fill these vacancies in the future.	It should be utilized to fill staff vacancies and should also be utilized to fill vacancies.
(c)	There are 89 vacancies for the post of Agricultural Research and Production Assistant in 21 Agrarian Service Committees, there was a surplus of 05 officers at the 03 Agrarian Services Committees.	That the steps will be taken to fill these vacancies in the future.	- Do -

4. Agrarian Banks

	Audit Observations	Comments of the Management	Recommendation
(a)	In accordance with Section 1.6 of the Department of Agrarian Development Circular No. 2012/04 dated 29 February 2012, although every Agrarian Services Committee is required to systematically maintain farmer banks in order to improve the living standards of the rural farming community, 07 Agrarian Services Committees collected deposits from the farming community after 2009 but did not issue any loans.	That the steps are being taken to make it active level in the future.	Actions should be taken to make the Farmers' Bank to active level for granting loans to provide relief to farmers in accordance with the circular.

(b)	In accordance with paragraph 2.6.2 (vii) of the Agrarian Development Department Circular No. 2012/04 dated 29 February 2012 of the Commissioner General of Agrarian Development, although steps should be taken to recover the loans issued to farmers in the division in a timely manner, due to the failure of Agriculture Research and Production Assistants to carry out necessary actions, overdue loan and interest payments amounting to Rs.17,774,675 relating to 18 Agrarian Services Committees for the period from the 1999 Yala season to the 2024 Yala season had not been recovered.	That the steps will be taken to recover the outstanding loans.	Immediate action should be taken to recover overdue loans.
(c)	No action had been taken to settle the outstanding revolving loan balance of Rs. 634,308 and the payable revolving fund balance of Rs. 599,527, which have been carried forward in the financial statements of the Maha-oya Agrarian Bank for over 10 years.	Steps will be taken to resolve this in the future.	Necessary actions should be taken promptly to settle the outstanding balances of revolving fund loans.