

Postgraduate Institute of Agriculture - 2012

1. Financial Statements

1.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 1.2.4 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

1.2 Comments on Financial Statements

1.2.1 Sri Lanka Accounting Standards

Action had not been taken to revalue and include in the financial statements 05 items of fixed assets costing Rs.73,532,817 which had been reduced to zero value after deducting depreciation in terms of Sri Lanka Accounting Standard No. 16 and being used.

1.2.2 Accounting Deficiencies

The following observations are made.

- (a) Prior to accounting for the value of modernization of a building the advance of Rs.267,937 paid for consultancy service thereon had been brought to account as fixed assets in the financial statements.
- (b) A sum of Rs.175,000 paid in the year under review for name boards had been brought to account in the financial statements as other expenditure instead of being brought to account under the capital expenditure.
- (c) Even though the course fees receivable according to the number of students registered in the year 2012 amounted to Rs.31,364,000, it had been shown in the financial statements as Rs.30,758,250. Accordingly the course fees for the year had been understated by a sum of Rs.605,750.

- (d) The motor vehicles costing Rs.2,589,277 as at 03 March 2008 had been revalued as Rs.2,250,000 and the difference between the two values amounting to Rs.339,277 had been adjusted to the Motor Vehicles Account in the year 2011. Nevertheless, action had not been taken to eliminate from accounts the accumulated depreciation on the motor vehicles as at that date amounting to Rs.2,429,548.
- (e) The course fees and registration fees receivable from the year 2007 to the year 2011 amounting to Rs.57,343,541 had been omitted in the accounts.

1.2.3 Unexplained Differences

Even though the value of fixed assets purchased in the year under review amounted to Rs.12,013,000, the value of fixed assets purchased in the year as shown in the Schedule furnished with the financial statements amounted to Rs.12,575,683 thus revealing a difference of Rs.562,683.

1.2.4 Lack of Evidence for Audit

The evidence indicated against the following items of account shown in the financial statements had not been furnished to audit.

Item	Value	Evidence not made available
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	Rs.	
Lands and Buildings	65,308,307	Register of Fixed Assets, Schedules and Board of Survey Reports.
Furniture and Fittings	1,580,328	- do -
Office Equipment	7,262,331	- do -
Motor Vehicles	14,495,000	- do -
Library Books and Periodicals	33,702,296	- do -
Laboratory and Teaching Equipment	44,488,869	- do -

Total	166,837,131	
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1.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) Section 11 of the Finance Act, No. 38 of 1971.	Even though money should be invested with the approval of the relevant Minister given with the concurrence of the Minister of Finance, action accordingly had not been taken in connection with the investment of Rs.62,200,000 made by the end of the year under review.
(b) Financial Regulation 188 of the Democratic Socialist Republic of Sri Lanka.	Action in terms of the Financial Regulation had not been on 14 cheques valued at Rs.17,070 deposited but remaining unrealized as appearing in the Bank Reconciliation prepared as at 31 December 2012.
(c) Establishments Code of the Democratic Socialist Republic of Sri Lanka Chapter xiv Sections 28.5 and 28.6	Penalty for delay amounting to Rs.16,856 had not been recovered from 14 travelling claims submitted after delay over 30 days.
(d) Circulars -----	
(i) Public Enterprises Circular No. PED/12 of 02 June 2003 Section 7.4.2	A Senior Management Committee had not been established.
(ii) Public Administration Circular No. 41/90 of 10 October 1990/ Establishment Code for Universities Chapter XXVII Section 8	Even though the fuel consumption of motor vehicles should be tested once in every 06 months, such tests had not been done on 04 motor vehicles of the Institute over periods ranging from 03 years to 16 years.

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| (iii) Public Enterprises Circular No. 95(02) of 14 June 1994 and Ministry of Finance Circular No. PE1/174/ 1-2003 of 29 January 2003. | Payment of allowances for working in the Institutions under the University should be made with the approval obtained from the Cabinet of Ministers or the Ministry of Public Administration or the Treasury. Nevertheless, the Short Term Courses Co-ordination Allowance and Lecture and Practical Test fees in respect of the year 2012 amounting to Rs.417,000 had been paid in 13 instances without obtaining such approval. |
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1.2.6 Transactions not Supported by Adequate Authority

The following observations are made.

- (a) A sum of Rs.1,275,179 had been paid as second and third languages proficiency allowances since the year 1996 on the instructions of a circular issued by the University Grants Commission contrary to the provisions of the Public Enterprises Circular No. PE 1/174/11(b) of 10 March 1978.
- (b) According to the provisions in paragraph 02 of the Public Enterprises Circular No.PED/58(2) of 15 September 2011, a sum of Rs.1,000 can be paid to the members other than the Executive Director who participate in the meetings of the Board of Management. Contrary to those provisions, 09 Secretaries of Academic Board had been paid a sum of Rs.324,000 at the rate of Rs.1,000 per month since the year 2010 up to the end of the year under review for 09 Academic Boards.

2. Financial Review

Financial Results

According to the financial statements presented, the working of the Institute during the year ended 31 December 2012 had resulted in a surplus of Rs.5,871,268 before taking into account the Government grant for recurrent expenditure and after taking into account the Government grant of Rs.15,400,000 received for recurrent expenditure, that had improved to a surplus of Rs.21,271,268. The deficit for the preceding year before taking into account the Government grant for recurrent expenditure amounted to Rs.5,369,318 and after taking into account the Government grant of Rs.22,585,072 received for recurrent expenditure, that had improved to a surplus of Rs.17,215,754. The financial results for the year under review after taking

into account the Government grants for recurrent expenditure as compared with the preceding year indicated an increase of Rs.4,055,514 in the surplus.

3. Operating Review

3.1 Management Inefficiencies

The title to the land on which the Postgraduate Institute of Agriculture established in the year 1975 is situated belongs to the University of Peradeniya. Even though buildings costing Rs.65,308,307 had been constructed on that land by 31 December 2012, action had not been taken to effect legal transfer of the title of the land.

3.2 Operating Inefficiencies

According to the recommendation made by the Technical Evaluation Committee appointed on 13 March 2012 for the purchase of motor vehicles, a decision had been taken for the purchase of a van for Rs.7,950,000 from a private institution. That van had been purchased for Rs.8,350,000 in accordance with another recommendation of the Technical Evaluation Committee obtained before the expiry of the validity period of quotation of the supplier. In consequence of such purchase a sum of Rs.400,000 exceeding the agreed price had been paid.

3.3 Transactions of Contentious Nature

A sum of Rs.29,643 had been obtained by approving 02 vouchers for the reimbursement of the monthly fuel expenses of the motor vehicle used by the Director of the Institute.

3.4 Underutilisation of Funds

A sum of Rs.653,318 received by the Institute by 01 January 2010 for 03 external researches remained idle without being used.

3.5 Delayed Projects

Even though a sum of Rs.542,911 comprising an advance of Rs.216,092 paid on 07 June 2010 and a part payment thereon amounting to Rs.326,819 made on 31 December 2012 had been paid for the installation of an electronic identify card system for the identification of the students entering the Computer Training Centre of the Institute and for recording the times of arrival and departure of the staff of the Institute, that system had not been installed even by April 2013.

3.6 Staff Administration

The following observations are made.

- (a) The number of vacancies in academic staff had been 08 and a sum of Rs.15,246,638 had been paid in the year under review to the External Lecturers recruited without taking action for filling those vacancies.
- (b) A human resources budget had not been prepared in terms of Section 9 of the Public Enterprises circular No. PED/12 of 02 June 2003.

4. Accountability and Good Governance

4.1 Procurement Plan

Even though fixed assets valued at Rs.12,589,380 had been purchased in the year under review, a Procurement Plan had not been prepared in terms of the Guideline 4.2 of the Government Procurement Guidelines.

4.2 Academic Committees

In terms of Sub-section 14(7) of the Postgraduate Institute of Agriculture Ordinance at least 06 meetings of the Academic Committees should be held in each year. Nevertheless, 07 Academic Committees functioning in the Institute had held only 03 to 05 meetings.

4.3 Internal Audit

An internal audit had not been done in the year under review.

4.4 Audit Committee

The Audit Committee had not submitted its decisions to the Board of Directors in terms of Section 7.4.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003. The following matters had not been included in its scope by the Audit Committee.

- (a) Determining the responsibilities of the Internal Audit Unit and review of the Annual Audit Plan.

- (b) Review and evaluation of the internal control systems relating to all activities in operation in the Institute.
- (c) Report on observations for inclusion in the Annual Report.
- (d) Review of the proposals/ guidance submitted to the Committee on Public Enterprises.
- (e) Review and follow up action on Internal/ External Audit Reports and Management Letters.

4.5 Budgetary Control

The following observations are made.

- (a) According to Section 5.2.4 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the approval of the Board of Management for the draft budget should be obtained 03 months before the commencement of the financial year. Nevertheless, the approval the draft budget for the year under review had been obtained only on 30 March 2012.
- (b) The expenditure incurred under 12 objects had exceeded the provision made under those 12 Objects in the Expenditure Estimate of the budget prepared for the year under review by a sum of Rs.2,294,209. In addition a sum of Rs.395,858 had been spent on 02 Objects not included in the budget. The provision of Rs.950,000 made under 02 Objects had been saved, without incurring expenditure. A reconciliation of the budgeted income and the actual income revealed that the income of 12 items had fallen short by Rs.9,252,404. Income exceeding the budgeted income of 09 items by Rs.13,390,089 had been collected. Accordingly, the budget prepared by the Institute had not been made use of as an effective instrument of financial control.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director from time to time by my reports. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Fixed Assets Control
- (c) Payments and Advances Control
- (d) Use of Library Books