

Pulses and Cereals Research and Production Authority - 2019

1.1 Unqualified Opinion

The audit of the financial statements of the Pulses and Cereals Research and Production Authority (under liquidation) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in net assets/equity and receipts and payments accounts for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) 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 Finance Act No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Authority (under liquidation) as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Unqualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Authority is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Authority.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Institute
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

2. Financial Review

2.1 Financial Results

The operations of the Authority for the year under review had resulted in a deficit of Rs.26,500 as compared with the corresponding deficit of Rs. 20,384 the for the preceding year, thus observing a deterioration of the financial result by Rs.6,116. This result was mainly due to increase in the audit fees during the year under review as compared with the preceding year.

3. Operating Review

3.1 Management Inefficiencies

| Audit Observation | Comments of the Management | Recommendation |
|--|---|--|
| Even though approval of the Cabinet of Ministers had been received for the liquidation by the Cabinet PaperNo.13/0361/536/005 dated 04 April 2013, those directives had not been implemented even by 30 June 2020. | All the liabilities have been settled by now and as the liquidation of this institution has been completed, steps have been taken to inform the public through the Government Gazette that the institution will be liquidated and closed down in terms of Section 21 (2) of the Finance Act No. 38 of 1971. | Action should be taken to expedite the liquidation of the Fund.. |

3.2 Operating Inefficiencies

| Audit Observation | Comments of the Management | Recommendation |
|--|---|--|
| As liquidation activities had been delayed, remuneration of Rs.60,000 payable to the liquidator from the year 2014 to 2019 and salary of the supporting staff amounting to | It has been informed that as it was necessary to prepare annual financial statements, answering audit queries and to carry out other tasks until the liquidation process is | Action should be taken to expedite the liquidation activities. |

Rs.51,000 had become a fruitless expenditure as at 31 December 2019.

completed, the liquidator and only one officer of the support staff were paid Rs. 60,000 from the year 2014 to 2019, as per the decision of the Cabinet meeting held on 08 January 2020.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

| Audit Observation | Comments of the Management | Recommendation |
|---|---|---|
| <p>In terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, financial statements should be furnished to Parliament within 60 days from the close of the year of accounts. Nevertheless, financial statements for the year under review had been presented on 16 June 2020, after a delay of 108 days.</p> | <p>Accepted. It has been informed that the submission of financial statements to the audit had been delayed due to the Covid 19 epidemic situation.</p> | <p>Action should be taken to present financial statements in terms of the circular.</p> |