

Sugar Cane Research Institute

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sugar Cane Research Institute had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards give a true and fair view of the state of affairs of the Sugar Cane Research Institute as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Accounting Deficiencies

The following accounting deficiencies were observed.

The interest on Treasury Bills and fixed deposits relating to the year 2011 amounting to Rs.6,472,579 and Rs.1,381,022 respectively totalling Rs.7,853,601 had been shown in the financial statements for the year 2010 under the deferred liabilities and the interest income recoverable.

1:3 Accounts Receivable and Payable

1:3:1 Accounts Receivable

Debtors amounting to Rs.1,815,445 had been in existence over a period exceeding one year while the debtors balance of Rs.5,100 had been brought forward over a period exceeding 05 years.

1:3:2 Accounts Payable

Even though the sum of Rs.2,700,020 payable to the Sri Lanka Sugar Corporation is older than 05 years action had not been taken to settle that debt.

1:4 Lack of Documentary Evidence for Audit

The accuracy of the debtors and creditors balances amounting to Rs.4,820,545 and Rs.4,278,440 respectively could not be established in audit due to the non - receipt of confirmation of balances.

1:5 Non-compliance with Laws, Rules and Regulations

A sum of Rs.32,000,113 out of the funds of the Institute had been invested in fixed deposits by the end of the year under review without obtaining the approval of the Treasury in terms of Section 11 of the Finance Act, No. 38 of 1971 and the Public Enterprises Circular No. 33 of 09 December 2005.

2. Financial and Operating Review

2:1 Financial Review

According to the accounts presented, the operations of the Institute for the year ended 31 December 2010 had resulted in a surplus of Rs.29,929,279 as compared with the surplus of Rs.24,987,470 for the preceding year thus indicating an improvement of Rs.4,941,809. The increase in the cess income by Rs.13,022,567 in the year 2010 as compared with year 2009 had been the main reason for the improvement of the financial result in the year under review.

2:2 Transactions of Contentious Nature

The following observations are made.

- (a) Even though the Institute had carried out development works on the land 05 acres in extent at Siyambalanduwa, action had not been taken even up to the end of the year under review to secure in legal ownership of the land in the name of the Institute.
- (b) The approval of the Treasury had been received for the purchase of a motor vehicle and a bus by utilizing Rs. 3 million and Rs. 3.5 million respectively out of the provisions for the year 2010. Disregarding such approval, the above motor vehicles had been purchase for Rs. 5 million and Rs.7.9 million respectively thus spending Rs. 6.4 million exceeding the limit of expenditure.

2:3 Idle and Underutilized Assets

The Meerut oven constructed at a cost of Rs. 2 million had been idling without being used. Instead, the traditional oven had been used for the manufacture of sugar cane jaggery.

2:4 Production and Import of Sugar

One of the major objectives of the establishment of the Sugar Cane Research Institute is the enhancement of the productivity of Sugar Cane production through the conduct of research on the farming and cultivation of sugar cane and the manufacture of the certain product from it. Whether such objective had been achieved during the year under review had been a questionable issue. An analysis of the data on the local production of sugar and the import of sugar during the past 11 years is given below.

Year	Local Production of Sugar	Quantity of Sugar imported	Total Quantity of Sugar	Local Production of Sugar as the Percentage of the Total Quantity of Sugar
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	Metric Tons	Metric Tons	Metric Tons	%
2000	48,000	562,000	610,000	7.87%
2001	64,000	420,000	484,000	13.22
2002	39,000	554,000	593,000	6.58
2003	54,000	509,000	563,000	9.59
2004	60,000	438,000	498,000	12.05
2005	54,000	418,000	472,000	11.44
2006	56,000	525,000	581,000	9.64
2007	30,000	481,000	511,000	6.24
2008	39,000	575,000	614,000	6.35
2009	32,000	467,000	499,000	6.41
2010	31,500	559,000	590,500	5.33

According to the above data the local production of sugar contributes only about 7 per cent of the overall sugar requirements of the country despite the existence of the sugar industry of Sri Lanka over a period exceeding 04 decades.

2:5 Implementation of Projects

- (a) Even though a sum of Rs.25,000,000 had been allocated for the construction of an auditorium in the year under review, that project had been totally abandoned.
- (b) The financial performance of the following projects implemented by the Institute in the year under review had been at a very low level. Details appear below.

Project	Budgetary Allocation	Actual Income / Expenditure as at 31 December 2010	Financial Performance
	Rs.	Rs.	%
Sale of Sugar Cane Seedlings and Cane	1,500,000	487,585	33
Infrastructure facilities and Development Projects			
Research Materials	6,585,000	3,234,853	49
Fertilizer			
Other			
Training of Staff	500,000	70,564	14

3. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Chairman of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Staff
- (c) Implementation of Projects
- (d) Utilization of Assets