

## Postgraduate Institute of Agriculture - 2010

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### 1. Financial Statements

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#### 1.1 Opinion

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In view of the comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Postgraduate Institute of Agriculture presented for audit for the year ended 31 December 2010.

#### 1.2 Comments on Financial Statements

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##### 1.2.1 Accounting Policies

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The following instances of non compliance were observed.

- (a) An amount equivalent to the annual depreciation had not been identified in the financial statements and debited to the Government grants account as a deferred revenue in accordance with Sri Lanka Accounting Standard 24 in respect of fixed assets totaling Rs.44,775,893 purchased out of Government grants from the year 2005 to 31 December 2010.
- (b) Nine items of fixed assets at a total cost of Rs. 64,561,516 as at 31 December 2010 which had been fully depreciated and shown at zero values but, are being contineuously used had not been revalued and brought to account in accordance with Sri Lanka Accounting Standard 18.
- (c) According to Sri Lanka Accounting Standard 18 and University Grants Commission Circular No. 649 of 05 October 1995, an asset should be depreciated within its life time. Nevertheless, the provision for depreciation had not been so made in respect of fixed assets valued at Rs. 4,226,665 purchased during the year under review.

1.2.2 Accounting Deficiencies  
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The following matters were observed.

- (a) Over statements and under statements during the year under review in the following revenue, expenditure and assets and liability accounts amounted to Rs.3,736,702 and Rs. 1,278,168 respectively.

Account -----	Over statements -----	Under statements -----
Property, Plant and Machinery (Buildings)	2,658,180	-
Provision for Gratuity	319,732	-
Vehicle Licenses and Insurance Charges	49,443	-
Other Covenant Services	21,103	-
Electricity	13,697	-
Other Recurrent Expenditure	-	119,403
Other Recurrent Expenditure	60,000	
Cleaning Service Expenditure	-	55,509
Security Service Expenditure	-	11,001
Fixed Assets	216,092	-
Other Allowances	6,500	-
Stamp Fees	-	5,625
Railway Warrant Charges	9,460	4,290
Library Books	-	13,625
Property, Plant and Machinery (Vehicle)	339,277	-
Depreciation	43,218	-
Overhead Fund	-	459,620
Property, Plant and Machinery	-	609,095
	----- 3,736,702 =====	----- 1,278,168 =====

- (b) The value of 167 units of goods which had been recommended as unusable at the verification of goods had not been written-off from the fixed asset accounts.
- (c) According to Section 99(1) of the Universities Act, all the receipts of the Institute should be credited to the General Fund. Nevertheless, a sum of Rs.2,974,615 received during the year under review had been credited to 03 various Fund accounts and a sum of Rs. 2,352,659 had been spent there from. These transactions had not been shown in the financial statements and only the balances of those accounts as at the end of the year under review had been shown in the balance sheet as other grants.

Nature of Fund	Balance as at 01.01.2010	Receipts	Payments	Balance as at 31.12.2010
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	Rs.	Rs.	Rs.	Rs.
Annual Congress Account	3,268,656	2,449,084	1,417,445	4,300,295
Scholarship Account	7,174,411	318,996	228,200	7,265,207
Publication Account	500,479	206,535	707,014	-
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Total	10,943,546	2,974,615	2,352,659	11,565,502
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- (d) Action had not been taken to eliminate from the stock accounts one item of goods valued at Rs.3,150, 1200 obsolete students hand books valued at Rs.123,264 and 260 books valued at Rs.92,500 aggregating Rs.218,914 which had been recommended as unusable by the board of survey of the year 2010.
- (e) Action had not been taken to compute and pay the ground rent payable to the University of Peradeniya for the period November 2009 to the end of the year under review in respect of private photo copying unit conducted by the Institute. Adjustments in this regard had also not been made in the financial statements.

- (f) Even though expenditure of Rs.54,404 incurred in conducting short term courses and overhead expenses of Rs.67,050 had been adjusted to other recurrent and overhead accounts through the journal entry No.109, adjustments had not been made in the short term courses account.
- (g) It had been decided to recover the consultancy fees of Rs.75,000 paid in the year 2009 to a research coordinator in respect of research works and advances of Rs.50,000 paid due to non performing the activities. Adjustments for the recoverable consultancy fee of Rs.75,000 had not been made. Even though the cash account should have been debited and credited the advance account in settling advances, project account had been debited instead of being debited to the cash account.
- (h) Living allowance of Rs.400,284 sent by a foreign Institute for a student of the Institute had been brought to amount under other expenditure of the year and this amount had also been brought to accounted as revenue.

### 1.2.3 Unexplained Differences

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According to the financial statements a sum of Rs.166,131 receivable from the University of Peradeniya prior to the year 2000, had been written-off against the profit of the year under review without being identified and got it back.

### 1.2.4 Accounts Receivable

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The following matters were observed.

- (a) Ad-hoc sub-imprest of Rs.5,000 remaining since the year 1993 had not been settled even up to the end of the year under review.

(b) Action had not been taken in terms of Financial Regulation 188 in respect of 06 cheques valued at Rs.10,230 deposited but not realized and remained in the Bank of Ceylon, Current account Peradeniya for a period from 2003 to month of July 2010 and 02 cheques and 12 money orders valued at Rs. 6,240 deposited but not realized as per the bank reconciliation for the month of August 2010 and remained in the Peoples Bank current account Peradeniya.

(c) Action had not been taken to recover the salary advance of Rs. 1,500 paid in January 2010 and distress loan balance of Rs. 10,580 due from an officer transferred out even by May 2011.

#### 1.2.5 Lack of Evidence for Audit

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The following items of accounts could not be satisfactorily vouched or accepted in audit due to non-availability of evidence indicated against each item.

Item	Value	Evidence not made available
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	Rs.	
Fixed Assets	122,081,134	Register of fixed assets and schedules
Science deposits	4,710,982	} Deposit Registers
Library deposits	8,879,849	
Tender deposits	139,795	

## 1.2.6 Non-compliance with Laws, Rules, Regulations and Management Decisions.

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The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc. -----	Non-compliance -----
(a) Universities Act No. 16 of 1978 ----- Section 45	A sum of Rs. 120,000 had been paid at Rs.20,000 per men sum to the Information Technology Centre without the approval of the Vice Chancellor.
(b) Financial Regulations (FR) -----	
(i) FR 115	A sum of Rs. 169,450 had been paid in 06 instances relating to the previous year's payment without obtaining proper authority.
(ii) F.R.135, 136 and 137	Financial authorities had not been delegated to 21 officers of the Institute annually.
(iii) F.R. 371	(i) Although the maximum amount payable as ad-hoc sub-imprest is Rs. 20,000 it was observed that there had been 10 instances where advances ranging from Rs. 25,000 to Rs.95,200 had been granted.  (ii) Although ad-hoc sub-imprest could be granted only for specific purposes, advances of Rs. 33,987 given in 06 instances had been settled after retains in hand for 04 to 30 days.

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| (iv) F.R. 756   | Board of survey reports had not been submitted in respect of library books valued at Rs.32,709,466.   |
| (v) F.R. 1645   | Even though all the details of vehicles should be stated in the vehicle log books, such details had not been included in vehicle log books of 02 vehicles.  |
| (vi) F.R. 1646  | Daily running charts along with the monthly summaries of 04 vehicles of the Institute had not been forwarded to the Auditor General up to the year 2010.  |
| (c) Treasury Circular No. IAI/2002/02 Dated 28 November 2002  | A register of Fixed Assets had not been maintained in respect of computers.   |
| (d) Paragraph 5.4.12 of Circular No. 10 dated 25 January 2006 of the Chairman of the Procurement Agency | Even though details of Value Added Tax should be informed to the Commissioner General of Inland Revenue with a copy to the Auditor General, action had not been taken accordingly in respect of Tax amounting to Rs. 97,502 paid in 12 instances. |
| (e) Establishments Code of the Democratic Socialist Republic of Sri Lanka<br>-----                      |   |
| (i) Section 8.1.2 of Chapter XIV  | Even though the prior approval of the Head of the Institute should be obtained for motor car mileage, action had not been taken in respect of motor car mileage of Rs. 189,057 obtained in 20 instances.  |

(ii) Section 28.6

If traveling claims are not submitted within 30 days after the completion of the journey, penalty should be charged. Nevertheless demurrage fees of Rs.19,311 in respect of travelling claims submitted for Rs. 155,995 in 13 instances had not been recovered.

(f) Circular No.422 of the University Grants Commission

Allowances of Rs.199,772 had been paid to the 4 lecturers in the faculty of Agriculture of the University of Peradeniya without the approval of the Vice-chancellor and the Council.

(g) Public Administration Circular No. 41/90 of 10.10.1990

Even though the fuel combustion of vehicles should be tested once in every 06 month, this requirement had not been complied with in regard to 04 vehicles belonging to the Institute. As a result, running charts had been balanced indicating the number of kilo meters performed per liter ranging from 5.26 km to 25.12 km.

### 1.2.7 Transactions not supported by Adequate Authority

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The following observations are made.

(a) The second and the third language proficiency allowances amounting to Rs.1,118,472 had been paid since the year 1996 to the end of the year under review on the circular instructions issued by the University Grants Commission, contrary to the provisions in the Public Enterprises Circular No. PE/1/774/11 (B) dated 10 March 1978.



(b) According to the Circular Letter No. PD/I/NS/DL/GS/A 078 dated 18 July 2003 of the Director General of Budgets, the academic allowance should not be taken in to consideration in computing contributions to the Employees Provident Fund and the Employees Trust Fund. Contrary to this, contributions amounting to Rs. 466,147 had been paid to two officers in respect of academic allowances amounting to Rs.2,589,719 from the year 2001 to 2010.

(c) Bonus amounting to Rs. 216,050 at 10% had been paid during the year under review to visiting lectures for releasing early results on a decision No. 150.2.1 dated 24 November 2004 taken by the Board of Management by overriding the University Grants Commission Circular No.837 dated 29 November 2003.

## 2. Financial and Operating Review

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### 2.1 Financial Review

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#### 2.1.1 Financial Results

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According to the financial statements presented, the working of the Institute for the year ended 31 December 2010 had resulted in a surplus of Rs.1,770,860 before taking into account the Government grants for recurrent expenditure and after taking into account the Government grant of Rs.18,000,000 for recurrent expenditure, the surplus had increased to Rs.19,770,860. The deficit for the preceding year amounted to Rs.6,514,710 before taking into account the Government grant for recurrent expenditure and after taking into account the Government grants of Rs.14,200,000 for recurrent expenditure, it had converted in to a surplus of Rs.7,685,290.

## 2.1.2 Transactions of Contentious Nature

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Although payments had been made to the lecturers of the academic staff of the University of Peradeniya for conducting visiting lecturers at this Institute, there was no evidence to ensure whether the prior approval of the authorities of the University of Peradeniya had been obtained in terms of Section 1.2 and 1.3 of Chapter XIX of the Establishments Code for Universities in that connection. The royalty of Rs.138,840 payable on visiting lecture fees had also not been recovered in terms of Section 2.3 of Chapter IX of the Establishments Code.

## 2.2 Operating Review

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### 2.2.1 Performance

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The following observations are made.

- (a) 1651 post graduate students were studying during the year under review and the cost per student as compared with the expenditure incurred during the year amounted to Rs. 31,402 and it was Rs. 25,709 during the preceding year.
- (b) Even though the main objective of the Institute was to conduct research works, any expenditure whatsoever had not been incurred in respect of research works during the past 5 years.
- (c) Although the final progress report should be sent by 16 October 2009 in respect of grants amounting to Rs.7,977,611 given for a research work under the United Nations Organization during the year 2008, the research work had not been completed even by May 2011 though a sum of Rs.7,715,300 had been spent by December 2010.

- (d) A news paper advertisement had been published by spending a sum of Rs.34,776 for the establishment of a Student Digital Identity card system in respect of 4000 students. An agreement had been entered into in this regard on 18 May 2009 with a private Institution for Rs.1,080,460 by agreeing to supply identity cards within 03 months. Identity cards had been issued only to 1064 students by May 2011. Action had not been taken to recover penalties amounting to Rs. 1,515,525 for the delayed period in terms of the said agreement.
- (e) Floor area of 1,358 square feet of the main building of the Institute had been given to an outside individual from the year 2001 to run a canteen on rent basis without an agreement. Out of the monthly rent income, a sum of Rs.3,000 had been given to the officers' welfare society and a monthly rental of Rs. 1,000 only had been recovered by the Institute. Similarly, any charges for the supply of water and electricity for the canteen had not been recovered and 37 items of fixed assets had been provided for its use and equipment valued at Rs.126,450 had also been supplied during the year under review.
- (f) 2824 students had been registered by the Institute for Post Graduate Courses during the period from 2005 to 2010 and number of students who had not completed the course during that period was 56 % or 1584 of the registered students.

### 2.2.2 Underutilization of Funds

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The following matters were observed.

- (a) The expenditure not incurred relating to 20 research projects which are being carried forward from several years but not completed as at 31 December 2010 amounted to Rs.1,654,669.

- (b) Sums of Rs. 20,000 and Rs.581,593 relating to 02 projects for which any expenditure had not been incurred in the year 2005 and 2006 respectively in respect of external researches and a sum of Rs.300,000 received under other grants in the year 2005 had not been utilized even as at the end of the year under review.
- (c) The lap top computer valued at Rs.196,000 supplied to the Institute in the year 2006 through the National Centre for Organic Agriculture (NCOA) under Post Graduate Institute of Agriculture was not in working condition and this asset was lying idle even as at the date of audit.

### 2.2.3 Uneconomic Transactions

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- (a) According to the Universities Act No.16 of 1978 and the Post Graduate Institute of Agriculture Ordinance N0. 09 of 1979, there are no provisions to establish any type of Center under the Postgraduate Institute of Agriculture. Nevertheless, 02 Centers in the name of the National Centre for Organic Agriculture (NCOA) and the Centre for Renewable Energy sources (CRES) had been established since the year 2008 to carryout project activities.
- (b) A sum of Rs. 800,000 had been spent for two lecturers of the University of Peradeniya in respect of visiting lecture fees of the Centre for Renewable Energy sources without the approval of the council and Board of Management. Further, two lecturers of the University of Peradeniya had been appointed as Directors of the above centre and paid a sum of Rs. 1,126,000 as Director's Allowance.
- (c) An outside person had been recruited for coordinating the activities of Crossing Boundaries Project conducted by a foreign grant when relevant authority is not delegated to the Director of the Post Graduate Institute of Agriculture by the Board of management and a sum of Rs.720,000 had been paid at a monthly rate of Rs.80,000 as salaries for the period April to December 2010 in terms of Section 1.2.8 of Chapter iii of the Establishments Code of University.

#### 2.2.4 Identified Losses -----

According to Section 7(iii) of the Agreement for Research Projects of the Council for Agricultural Research Policy of Sri Lanka, the fixed assets belong to the project should be vested in the relevant Institute after the completion of the research work. Nevertheless, fixed assets valued at Rs.1,415,374 relating to 04 projects of which research work had been completed had not been vested in the Institute even by December 2010.

#### 2.2.5 Cadre -----

Number of vacant posts in the academic staff was 09. Visiting lecture fees of Rs.13,883,972 had been paid during the year under review without taking action to fill those vacant posts.

#### 2.2.6 Corporate Plan and Action Plan -----

A Corporate Plan and an Annual Action Plan had not been prepared and got the approval of the Board of Management. Even though an updated corporate plan should be prepared at least 15 days before beginning of every financial year in accordance with the Circular No. PED/47 dated 18 December 2007 of the Director General of Public Enterprises, such plans had not been prepared for the year under review.

#### 2.2.7 Budgetary Control -----

The following matters were observed in the examination of income and expenditure shown in the budget and the actual income and expenditure.

- (a) Increase of estimated revenue relating to 15 revenue items amounted to Rs.18,490,001 and its percentage ranged from 12% to 275%. The estimated revenue deficit relating to 02 revenue items was Rs.133,995 and the percentage thereon ranged from 21 % to 64 %. As such, was observed that the budget had not been made use of as an effective instrument of financial management control.

(b) It is the responsibility of the Accounting Officers to prepare as far as possible the accurate and complete annual budgets in terms of Financial Regulation 50(ii). Nevertheless, there had been a saving of Rs. 20,963,328 representing 16% to 100% relating to 24 expenditure items while there had been a sum of Rs. 1,328,687 exceeding the budget relating to 07 expenditure items which represented 16% to 129%.

### 3. Systems and Controls

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

- (a) Accounting
- (b) Fixed Assets
- (c) Settlement of Advances
- (d) Purchases
- (e) Researches and Grants activities
- (f) Conduct of Boards of Survey
- (g) Conducting Short-term Courses
- (h) Budgetary Control