

Institute of Agro-Technology and Rural Science affiliated to the University of Colombo - 2013

The audit of financial statements of the Institute for Agro-Technology and Rural Science affiliated to the University of Colombo for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 27 of the University of Colombo Institute for Agro-Technology and Rural Science Ordinance No. 02 of 2008 enacted in terms of Section 18 of the Universities Act, No. 16 of 1978 and Sub-section 107(5) of the Universities Act. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Sub-section 108(1)) of the Universities Act appear in this report.

1.2 Management’s Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgements, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute’s preparation and fair presentation of the financial statements 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 Institute’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

02. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Institute for Agro-Technology and Rural Science Affiliated to the University of Colombo as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) As revealed during the audit test checks, expenditure and accrued expenditure of the year under review had been overstated by Rs.72,167 due to the expenditure of the year 2014 had been accounted as the expenditure of the year 2013.
- (b) Four buildings of 3848 square feet belonging to the Institute had not been assessed and included in the financial statements .

2.2.2 Non – compliance with Laws, Rules , Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc -----	Non-compliance -----
(a) Public Finance Circular No.25 of June 2004	29 A sum of Rs.33,594,075 had been invested without the approval of the Treasury.

- (b) Treasury Circular No.IA/2002/02 of 28 November 2002 A Register of Computer Accessories and Software had not been maintained.

03. Financial Review

3.1 Financial Results

According to the financial statements presented, the working of the Institute for the year ended 31 December 2013 had resulted in a surplus of Rs.6,301,901 as compared with the corresponding surplus of Rs.2,194,894 for the preceding year. The increase of the surplus for the year under review by a sum of Rs.4,107,007 as compared with the preceding year had been due to the increase of Government grants by Rs.3,479,000.

04. Operating Review

4.1 Performance

The following observations are made.

- (a) Thirty five employees recruited on the assignment basis existed as at 31 December 2013 and 11 employees out of them had completed service period over 5 years and the service period had been extended year by year.
- (b) Action had not been taken to maintain an approved staff for all the employees deployed in the Tissue Culture Laboratories and Green-houses who provide direct contribution to produce tissue culture banana plants and the officers who carried out operating and supervision activities .

05. Accountability and Good Governance

5.1 Corporate Plan

Even though the Corporate Plan in terms of Public Enterprises Circular No.PED/12 of 02 June 2003 should be prepared and obtained the approval of the Board of management before the year under review for use in the operations of the Institute effectively and as a guidance, action had not been taken accordingly.

5.2 Action Plan

An Action Plan had not been prepared before the year under review in a manner to assign responsibilities to the officers for the financial and operating performance. As such the objectives and targets expected for achievement in the year 2013 and the financial and physical progress thereof could not be examined in audit.

6. Systems and Controls

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

- (a) Fixed Assets Control
- (b) Accounting for Course Income and Expenditure.
- (c) Advances Control