

Sri Lanka Council for Agriculture Research Policy – 2017

The audit of financial statements of Sri Lanka Council for Agriculture Research Policy for the year then ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 18(3) of Sri Lanka Council for Agricultural Research Policy Act No.47 of 1987. My comments and observations which I consider should be published with the Annual Report of the Council in terms of Section 14(2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was issued to the Chairman of the Council on 30 May 2018.

1.2 Management’s Responsibility for the Financial Statements

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 audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000- 1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustment might have been found necessary in respect of the recorded or unrecorded items and the elements making up the statements of financial position, statement of comprehensive income and statement of changes in equity and cash flow statement.

2. Financial Statements

2.1 Disclaimer Opinion

Because of significant matters described in paragraph 2.2 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.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

(a) Sri Lanka Public Sector Accounting Standard 01

Eventhough assets and liabilities should not be set-off unless requested or permitted by Sri Lanka Public Sector Accounting Standard as per the paragraph 48 of the

Standard, balance of Rs. 144,452 payable to the Research Institutions and receivable balance of Rs. 46,217 had been set-off against and net balance of Rs. 98,235 had been shown in the statement of financial position as at 31 December 2017.

(b) Sri Lanka Public Sector Accounting Standard 02

Eventhough Treasury Grant of Rs. 10,801,000 received for research during the year and research expenses of Rs. 11,277,588 required to be shown under the operating activities in the cash flow statements as per the Section 22 (c) of the Sri Lanka Public Sector Accounting Standard 02, had been shown under the investment activities.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Value of donation had been overstated by Rs. 114,697 and accumulated excess had been understated by same amount during the year under review, due to donations received for equipment had not been depreciated since year 2015.
- (b) Cost of building Rs. 449,480 and depreciation for the year Rs.2,809 had been overstated as at 31 December for the year under review, due to recurrent expenses of painting and rehabilitation expenses incurred for the building amounting Rs. 449,480 had been accounted as capital expenses in the current year.
- (c) Loss on disposal of fixed asset Rs. 157,949 for the year under review had been shown as Rs. 161,854 in the comprehensive income statement.
- (d) Allocation had not been made for the audit fees in the financial statements for the year under review.

2.2.3 Lack of Evidence for Audit

Capital grant received from the General Treasury for research had been shown as negative balance of Rs. 5,856,588 in the statements of financial position as at 31 December 2017 and accuracy of the balance could not be verified in audit.

2.2.4 Unexplained Difference

According to the financial statements as at 31 December of the year under review, differences of Rs. 49,992 and Rs. 99,981 had been observed in reconciliation of opening and closing distress loan balances with balances of distress loan register respectively and reason thereon had not been explained.

2.3 Accounts Receivable and Payable

Eventhough unsettled research imprest of Rs. 650,131 and unsettled advances negative balance of Rs. 21,564 as at 31 December 2017 had been brought forward since 2015, action had not been taken to identify the balances and settled.

2.4 Non-compliances with Law, Rules, Regulations and Management Decisions

According to the Public Finance Circular No. 03/2015 of 14 July 2015, eventhough it is required to settle the ad-hoc sub imprest immediately after completing the works, advances of Rs. 31,963 given in the year 2014 had not been settled even as at 31 December of the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements furnished, the financial result of the Council for the year ended 31 December 2017 was a surplus of Rs. 5,432,734 as compared with the corresponding surplus of Rs. 2,434,932 for the preceding year, thus indicating a improvement of Rs. 2,997,802 in the financial result in the year under review as compared with the preceding year. Eventhough administration expenses had been increases by Rs. 6,262,761 during the year under review as compared with preceding year, increase in Government Grant by Rs. 10,250,000 was the main reasons for this improvement.

In analyzing financial results of 04 preceding years and in the year under review, eventhough a net loss had been indicated in the years 2013 and 2014, a net profit had been indicated in the following years and it was Rs.3,594,269 in the year 2015 and it had been deceased up to Rs. 2,434,932 in the year 2016. However, net profit of the year under review had been increased up to Rs. 5,437,734 again. However, in adjusting personnel emoluments and depreciation on non- current assets to the financial result, the contribution of the Institution had been continuously improved from Rs. 24,507,650 to Rs.34,399,045 since year 2013 to year 2017.

4. Operating Review

4.1 Performance

4.1.1 Activity and Review

The following observations are made.

- (a) According to the Sri Lanka Council for Agriculture Research Policy Act No. 47 of 1987, allocation of Rs. 10,801,000 had been made for 13 research programmes in the action plan prepared for the achievement of main functions of the Council. However, physical progress of research programmes such as agricultural research priorities, identifying agricultural data information and preparation of journal, relationship between national and international level research institution had been remained at 37 per cent, 21 per cent and 8 per cent respectively.
- (b) Eventhough it was schedule to settle the problems and weakness of the computer software introduced by the Institution for research by observing 20 external institutions under the INFORM- 2017 annual training workshop in the annual action plan of the year, action had not been taken accordingly and awareness had only been made by calling a meeting for officers of those institutions.

4.2 Operating Review

According to the decision of the Cabinet of Ministers, it had been scheduled to award foreign Post Graduate Degrees for the National Agricultural Researchers by spending Rs. 300 million per year in next 05 years period by the Council. A foreign tour had been made by Secretary of the Ministry, 6 officers including Chairman and Secretary of the Council by spending Rs. 4,341,358 to select university thereon.

4.3 Matters in Contentious Nature

Appointment had been given for two professors for the posts of review committee of two institutions which review externally without considering the position of the case implementing in the Criminal Investigation Department in connection with the financial allegation of the project implemented by the Council in the year 2012 and allowances aggregating Rs. 95,000 had been paid by the Council.

4.4 Ideal and Underutilized Assets

Action had not been taken to utilize 04 tyres valued at Rs. 116,150 procured on 31 December 2016 even as at 31 December 2017.

4.5 Personal Management

A senior Scientist had been appointed to cover the post of Accountant instead of being recruit qualified officer for such post.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goal

Every public institution should act in compliance with the Circular, No. NP/SP/SDG/17 issued by the Secretary to the Ministry of National Policies and Economic Affairs dated 14 August 2017 and the 2030 Agenda of the United Nation. Accordingly targets such as get rid of hunger and climate changes and reduction of its effects had been assigned to the Council by the Ministry and works had been assigned to collect information by conducting awareness programmes for research officers during the year under review.

6. Accountability and Good Governance

6.1 Procurements

The following observations are made.

- (a) Two officers who participate for the foreign training had been appointed as members of the procurement committee held to procure air tickets valued at Rs. 171,600 contrary to the ethics of procurement mention in the paragraph 1.4.3 of the Government Procurement Guidelines.
- (b) Eventhough at least one member required to be a specialist on the respective procurement in a Technical Evaluation Committee as per the paragraph 2.8.1 (b) of the Government Procurement Guidelines, a specialist had not been appointed to take part at the Technical Evaluation Committee for procurement of computers and accessories valued at Rs.2,513,120 during the year under review by the Council.

6.2 Budgetary Control

Variances ranging from 19 per cent to 100 per cent were observed in comparing the expenditure of 39 budgeted items with actual expenditure of the year under review. Thus indicate that the budget had not been used as an effective instrument of management control.

7. Systems and Controls

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

Areas of Systems and Controls

Observations

(a) Accounting

Deficiencies in Accounting

(b) Assets Management

Procurements are made without considering the requirements.

(c) Procurement Management

Non-compliances with Procurement Guidelines

(d) Budgetary Control

Budget had not been prepared according to the action plan in implementing programmes and projects.