

Post Graduate institute of Agri-culture - 2020

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Post Graduate Institute of Agri-culture for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, Statement of changes in Equity and Cash flow statement for the year then ended, and Notes to the financial statements, including a summary of significant accounting policies, 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 the Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with the 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 Institution'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 institution or to cease operations, or has no realistic alternative but to do so.

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

As per the Section 16(1) of the National Audit Act No. 19 of 2018, the Institute 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 institute.

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 the 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 institution'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 Institution'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 Institution 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 Institution, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the institute has complied with applicable written law, or other general or special directions issued by the governing body of the institute
- Whether the institution has performed according to its powers, functions and duties; and
- Whether the resources of the institution had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Accounts Receivable and Payable

Payables

Audit Issue	Management Comment	Recommendation
Although the amount of Rs. 849,307 stated as expense payables under the Ghana project has been over for 05 years, no action has been taken to settle it by the end of the year under review.	Final decision has not been made as of December 31, 2020, and efforts are being made to contact Yoshua Tech institute through the relevant embassy.	Action should be taken to settle the balances that need to be settled.

1.6 Non-compliance with Laws, Rules and Regulations

The following observations are made.

Reference to Laws, Rules and Regulations	Non-compliance	Management Comment	Recommendation
(a) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial regulation 757	An annual board of survey is required to conduct once a year, but no board of surveys was conducted for the library of the Postgraduate Institute of Agriculture after 2016.	At present, the library book registry is up to 98 percent updated and board of surveys can be conducted annually as needed in the coming years.	Financial regulations should be complied with.
(b) Section XI of the Finance Act No. 38	Although the excess cash in the institution	Due to the practical difficulties of investing	The provisions of the Finance Act and

of 1971 and paragraph 8.2.2 of the Public Enterprise Circular No. PED / 02 dated 02 June 2003. can be invested subject to the approval of the Minister of Finance, without such an approval, Rs.85,000,000 had been invested in two fixed deposits and Rs.4,000,000 in two demand deposits. the year end surplus on the due date when it is invested after obtaining the approval, the Investments were made subject to the approvals of the institution and submitted to the Minister of Finance for approval. Circulars should be complied with.

1.7 Cash Management

Audit Issue

Despite the recurrent and capital grants are funded by the Treasury, there was a fixed deposit balance of Rs.628,407,413 as at 31st December of the year under review due to the investment of excess funds. Then, the management had not focused on reducing the postgraduate course fees and giving more students the opportunity to pursue degrees.

Management Comment

Under recurrent expenditure, only funds are provided for salaries and wages and a small provision is made for capital expenditure. Course fees cannot be deducted as about 20 Percent of the total proceeds of the course and all other receivables, including fixed deposit interest income, need to be used to cover all other recurrent and capital expenditures.

Recommendation

All funds should be utilized optimally to enhance the performance of the institution.

2. Financial Review

Financial Result

The operating result of the year under review amounted to a surplus of Rs. 63,559,843 and the corresponding surplus in the preceding year amounted to Rs.61,357,388. Therefore an improvement amounting to Rs.2,202,455 of the financial result was observed. This improvement was mainly due to decrease in recurrent expenditure.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>Students who completed the Postgraduate degree had submitted 125 research papers to the institute. No action has been taken to publish these papers through nationally or internationally recognized publications or to commercialize selected papers or to use them for the betterment of the institution or country by following the accepted procedures relating to the innovation in Sri Lanka.</p>	<p>The research papers are presented at the annual congressional conference held by the institute and Selected works by a review board at the conference will be published on the Tropical Agriculture Reach journal and will be published as a book. All research papers from the annual conference will be distributed to leading public and private institutions, and students will have the opportunity to interact with them via email. And also the information on student research will be provided to all relevant institutions by PGIA newsletters published bi-annually.</p>	<p>Research works should be published nationally or internationally or used for the betterment of the country through commercialization or innovation.</p>

3.2 Under -utilization of Funds

The following observations are made

Audit Issue	Management Comment	Recommendation
<p>(a) Due to non-utilization of Funds provided as research grants for conducting research activities optimally for the relevant functions, An amount of Rs.17,623,244 had been idle.</p>	<p>Although the research work could not be carried out as planned due to the Covid 19 epidemic, the research receipts for the year 2020 were Rs.12, 828,901 and the expenditure was Rs.8, 965,662.</p>	<p>Research funds should be utilized efficiently in accordance with the prescribed conditions.</p>

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| (b) | Out of the Rs.354,201 received for research activities from the Ministry of Plantation Industries, no expenditure was incurred during the year under review. | The fund could not be used due to the close down of the university in the face the Covid 19 disease spread and inability to engage in research activities contrary to health care practices. | Funds should be utilized in an optimal and efficient manner for the relevant purposes. |
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3.3 Procurement Management

The following observations are made.

Audit Issue	Management Comment	Recommendation	
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(a)	According to the Annual Procurement Plan, procurement activities related to 05 purchases worth Rs.2,868,500 had not been implemented during the year under review.	Due to the close down of the country in case of the Covid-19 epidemic in 2020, some of the tasks mentioned in the procurement plan could not be implemented.	Procurement should be done within the planned time frame.
(b)	An agreement of Rs.2,100,000 had been entered with a private company for the installation of an accounting computer system, and An advance of Rs.1,500,000 had been paid, but the computer system had not been installed even more than two years had elapsed since the end of the contract period.	Its work is currently in its final stages and action has been taken to update the agreement with the Company which stated that it will be completed by December 31, 2021.	Action should be made to complete the contract on time under proper supervision and control.
(c)	By the end of the year under review, the student registration fee of Rs.11, 160,670 and the course fee of Rs.17,432,712 were due for a period of 03 to 10 years.	Since a certain percentage of students who complete the maximum period of each year drop out of the course, the amount of arrears owed by them is shown as arrears Course fees, but there is no room for arrears of course fees from any student graduated, and the internal control system for that is strictly enforced. The methodology for determining the amount of arrears of course fees has changed by now and these amount should be adjusted accordingly.	All income due for relevant period should be recovered.

- (d) Although, a period of 01 to 08 months have elapsed since the date to be completed the procurement process of 13 items worth Rs.6,877,996 which are expected to be completed during the year under review, Those purchases had not been finalized. Due to the close down of the country in case of the Covid-19 epidemic in 2020, some of the tasks mentioned in the procurement plan could not be implemented and could not be completed during the year as all supply lines around the world were disrupted due to the epidemic. Procurement should be completed within the planned period.

3.4 Defects in Contract Administration

Audit Issue	Management Comment	Recommendation
<p>04 construction projects worth Rs.31,107,047 expected to be completed during the year under review had not been implemented.</p>	<p>Preliminary procurement work for the construction had begun and bids had been called from suppliers, but the expected targets could not be met in the face of Covid 19 epidemic.</p>	<p>All construction work should be completed within the expected time frame.</p>