Postgraduate Institute of Agriculture - 2023

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Postgraduate Institute of Agriculture for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 Finance Act No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2023, 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 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 unqualified 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 Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

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

As per 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 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 Institute’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 Institute 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 Institute, 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 Institute has performed according to its powers, functions and duties ; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Non-compliance with laws, rules, regulations, and management decisions.

	Reference to laws, rules, regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a)	Section 11 of the Finance Act No. 38 of 1971.	All excess funds of the institute amounting to Rs. 80,000,000 had been invested without obtaining prior approval from the relevant minister in charge of the subject and the Minister of Finance during the year under review.	Due to the practical difficulties in making fixed deposit investments with the approval of the Minister of Finance, the investment was made with the approval of the governing board of the institute.	Action should be taken in accordance with the provisions of the Finance Act.
(b)	Guidelines on Advance Personal Income Tax (APIT) No. SEC/2023/E/01 dated 29 March 2023 of the Department of Inland Revenue.	The amount of Advance Personal Income Tax (APIT) that should have been paid to the Department of Inland Revenue on behalf of 114 board members and visiting lecturers was Rs. 5,199,310 for the period from 01 April 2023 to 31 December 2023. However, due to an erroneous calculation, only Rs. 573,323 was paid, resulting in an underpayment of Rs. 4,625,987 to the Department of Inland Revenue in tax.	This problematic situation has now been resolved by the Board of Directors, and the visiting lecturers have been classified as independent service providers. Accordingly, action has been taken to recover a tax rate of 5% applicable to that service from them.	Action should be taken in compliance with laws, rules and regulations.
(c)	Circulars			
	i Section 3.2 of the Public Enterprise Circular No.	Although the annual report, including performance for the previous year, should be presented to Parliament within 5 months of the end of the financial year along with the	The annual report for the year 2022 has been submitted to Parliament for tabling on 04 March 2024.	Action should be taken in accordance with the instructions in the circular..

	PE/01/2021 dated 16 November 2021.	audit report, the annual report for the previous year had not been submitted to Parliament till the end of the reviewed year.		
ii	University Grants Commission Circular No. 15/2018 dated 26 November 2018.	Without obtaining approval from the Department of Public Enterprises and the General Treasury, an amount of Rs. 717,000 had been paid to the National Insurance Trust Fund as a contribution to an employee welfare scheme known as the Employee Aggrahara Insurance Scheme, from August 2020 to December 2023.	According to the University Grants Commission Circular No. 15/2018 dated 26 November 2018, the institute’s contributions to the Employee Aggrahara Insurance Scheme were made with the approval of the board of management.	Action should be taken in accordance with the instructions in the circular.
(d)	University Grants Commission Letter No. UGC/L/2020 dated 18 May 2018.	Although it had been specified that the board of management of all postgraduate institutes should be limited to a maximum of 11 members, without taking actions accordingly, a board of management consisting of 35 members had been appointed. As a result, an additional cost of Rs. 2,164,263 was incurred for 37 meetings due to the participation of more than 11 members per meeting of the board of management during the period from 2019 to 31 December 2023.	This matter will be presented for approval to the Council of the University of Peradeniya and the University Grants Commission, and necessary actions will be taken accordingly.	Action should be taken in accordance with the terms in the circular.

2. Financial Review

2.1 Financial Results

The operational surplus for the reviewed year amounted to Rs. 92,669,656, compared to corresponding surplus of Rs. 93,665,087 for the preceding year. This resulted in a deterioration of Rs. 995,431 in financial results. The main reason for this deterioration was the absence of recurrent grants in comparison to the year 2022.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	In the investment in fixed deposits, due to not calling for price quotations from financial institutions regarding interest rates and the absence of prudent management of fluctuations in market interest rates, coupled with automatic updates from the same bank itself, the institute missed out on interest income of approximately Rs. 38,362,216 during the 2022/2023 year.	In the matuarity of investments, the institute has consistently made efforts to obtain price quotations from state banks and to invest under the highest possible interest rates.	Investments should be made in a manner that ensures maximum benefits.
(b)	According to Financial Committee Decision No. 42 dated July 28, 2017, it was determined that lecture fees not claimed by lecturers within a two-year period should be considered as income for the institute. However, unsettled lecture fees amounting to Rs. 8,585,513 for the 2015/2016 years had not been accounted for as income, despite the lapse of more than 08 years.	According to Financial Committee Decision No. 42 dated 28 July 2017, lecture fees not claimed by December 31 of the years 2017 and 2018, which exceeded a two-year period, were to be recognized as income for the institute.	Action should be taken in accordance with the Financial Committee decision.
(c)	No students had been registered for 06 postgraduate and diploma programmes that were to be implemented during the period from 2020 to 2023 according to the annual action plans.	Although promotional programmes were implemented to cover all postgraduate programmes in the institute, there have been increase and decrease in demand for some programmes on time.	Efforts should be made to enroll students to the maximum capacity for all programmes.

3.2. Operating Inefficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	Due to the lack of proportional revision of fees charged by the institute's holyday resort facility since 2014 relative to expenses, the expenditure for the past five	Efforts will be made to explore ways to further increase the revenue generated from this facility.	Efforts should be made to increase revenue in relation to expenses.

	Audit Observation	Comment of the Management	Recommendation
	years amounted to Rs. 6,464,284, exceeding the income earned of Rs. 1,816,495.		
(b)	A contract had been entered into with a private company on 14 August 2017, for the installation of an accounting computer system at a cost of Rs. 2,100,000, with an advance payment of Rs. 1,050,000 made. However, despite more than six years having passed since the end of the contract period, the computer system had not been installed.	Every possible step will be taken to ensure that this accounting system is installed and put into use by the end of 2024.	The computer system should be completed and put into use.

3.3 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
Due to the failure to follow a formal transfer policy, 26 officials had been employed in the same station for periods ranging from 6 to 39 years.	All postgraduate institutions should establish a procedure with the University Grants Commission to develop and implement the most appropriate method based on policy decisions.	Officials should be assigned to stations in accordance with a formal transfer policy.