

**Institute of Agro-Technology and Rural Sciences affiliated to the University of Colombo - 2011**

1. Financial statements  
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1:1 Qualified Opinion  
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In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the Institute of Agro-Technology and Rural Sciences affiliated to the University of Colombo as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements  
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1:2:1 Accounting Deficiencies  
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Following observations are made.

- (a) Instead of assessing and accounting the lands belonging to the institute, buildings improvement expenditure of Rs.8,935,413 alone in the year 2011 had been shown in the Work-in Progress Account under non-current assets.
- (b) Although the financial statements of the Institute of Agro-Technology and Rural Sciences had been presented for audit on 05 March 2012, the ledger accounts and any evidence relevant to examining them had not been presented. As a result, the draft audit report including accounting deficiencies amounting to Rs.20,104,311 had been issued on 28 September 2012. On the basis of the said report, the financial statements had been withdrawn at the discussion held on 30 November 2012 with me, the accounting deficiencies to the value of Rs.16,247,592 had been rectified and the revised financial statements had been presented on 26 February 2013. As accounting deficiencies to the value of Rs.3,856,719 had been revealed further, the possibility of existence of further such deficiencies in addition to the sample test cannot be ruled out in audit.

## 1:2:2 Unreconciled Control Accounts

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According to the Production Account, presented with the financial statements, the opening and closing value of the stock of raw material amounted to Rs.1,415,352 and Rs.1,337,932 respectively. However, according to the verification reports, the balances amounted to Rs.1,428,170 and Rs.1,205,808 respectively, thus the difference was Rs.12,818 and Rs.132,124 respectively.

## 1:2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Section 99 of Part XIII of the Universities Act, No. 16 of 1978 and Section 24 of the Institute of Agro-Technology and Rural Sciences Ordinance dated 16 October 2008.	Although a fund should be established by the institute, action had not been so taken.
(b) Financial Regulation 371	An advance of Rs.228,275 granted to the Sevanagala Sugar Factory in the year 2011 had not been settled even by 30 March 2013.

## 2. Financial Review

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2:1 Financial Results  
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According to the financial statements presented, the operations of the institute had resulted in a deficit of Rs.5,027,563 for the year ended 31 December 2011 before taking into account the Government grant for recurrent expenditure, and after taking into account the Government grant of Rs.7,000,000 for recurrent and maintenance expenditure, financial results for the year under review had become a surplus of Rs 1,972,439.

3. Operating Review  
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3:1 Management Inefficiencies  
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Action had not been taken to pay the relevant lease rent for lands and buildings which are being used to function the institute at present obtained on long term lease from the Commissioner of Lands, Southern Province at the inception of the Institute and action had not been taken to vest the said assets to the Institute legally even by 31 December 2012.

3:2 Underutilization of Funds and Debit Balances  
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Following observations are made.

- (a) Grants amounting to Rs.2,621,603 received to the Institute for two researches before the year 2011 had remained idle for several years without being utilized for relevant purposes.
- (b) An amount of Rs.100,925 had been spent exceeding the provisions received for the project relevant to National Online Distance Education Service (NODES).

4. Accountability and Good Governance  
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4:1 Presentation of Financial Statements  
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In terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements should be presented to the Auditor General within 60 days from the closure of the financial year. Nevertheless, the accounts relevant to the half year 2008, and the years 2009 and 2010 had been presented only on 26 February 2013.

#### 4:2 Corporate Plan and Action Plan

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Following observations are made.

- (a) In terms of Paragraph 5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, a Corporate Plan had not been prepared to enable effective use and guidance for the operational activities of the Institute.
- (b) An Action Plan had not been prepared for the year 2011. Due to this, the goals and targets expected to be achieved / fulfilled and its financial and physical progress for the year 2011 could not be examined during the course of audit.

#### 4:3 Internal Audit

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Although audit activities should be carried out by the Internal Audit Unit of the University of Colombo, when preparing the audit programme of University, the audit activities of this Institute had not been included.

#### 4:4 Audit Committees

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In terms of Section 7.4.1 of the Circular No. PED/12 dated 02 June 2003, the audit committees had not been established on behalf of the Institute.

#### 4:5 Procurement Plan

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In terms of the Guidelines for Public Enterprises, a Procurement Plan had not been prepared for the year under review by the Institute.

4:6 Budgetary Control  
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It could not be examined in audit that the budget had been made use of as an effective instrument of financial control due to failure in presenting the budget for audit by the institute for the year under review.

4:7 Draft Annual Report  
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In terms of Paragraph 6.5.1 of the Guidelines for Public Enterprises, a copy of the draft annual report had not been presented for audit with financial statements for the year under review.

5. Systems and Controls  
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Weaknesses observed in systems and controls 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) Advances
- (b) Accounting
- (c) Control over Stocks
- (d) Maintenance of Inventory
- (e) Internal Audit