

## **Postgraduate Institute of Agriculture – 2011**

-----

### 1. Financial statements

-----

#### 1:1 Disclaimer of Opinion

-----

Because of the significant of the matters described in paragraphs 1.2.1, 1.2.2 and 1.2.3 of this report, I have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly I do not express an opinion on these financial statements.

#### 1:2 Comments on Financial Statements

-----

##### 1:2:1 Sri Lanka Accounting Standards

-----

Contrary to Sri Lanka Accounting Standard No. 05, a stock of 1,682 books valued at Rs.777,777 which do not fall under stores items had been inappropriately brought to account under the stocks while 115 books valued at Rs.771,683 had not been brought to account in the financial statements.

##### 1:2:2 Accounting Deficiencies

-----

The following matters were observed.

- (a) A sum of Rs.97,276 spent by the Institute for the settlement of academic expenses of a foreign student had been reimbursed during the year under review. That amount had been adjusted to the General Reserve Account instead of being adjusted to the relevant expenditure account.
- (b) A sum of Rs.131,775 had been paid for the reimbursement of the expenses of 05 students who proceeded abroad on 20 October 2010 to participate in a seminar held in Thailand. That amount had been considered as an expenditure of the year and inappropriately debited to the Academic Research and Publications Account thus overstating the expenditure for the year by that amount.

- (c) An Electrical Superintendent attached to the University of Peradeniya had served the Institute and a sum of Rs.14,000 being the charge for the period April 2010 to June 2011 had been debited to the Private Special Services Account. The sum of Rs.9,000 relating to the period April to December 2010 included in that amount had been brought to account as expenditure for the year, thus overstating the expenditure for the year by that amount. A sum of Rs. 31,740 had been paid for the renewal of the annual agreement for servicing photocopiers during the period August 2011 to July 2012 and the sum of Rs.18,515 in respect of the ensuing year included therein had been brought to account as expenditure of the year.
- (d) Even though provision for co-ordinating work of a Project implemented in the year 2010 had been made in the accounts for that year, a sum of Rs.12,000 spent in that connection had been brought to account as expenditure of the year, thus overstating the expenditure for the year by that amount.
- (e) The expenditure on toner issued from the main stores on 09 February 2010 amounting to Rs.6,000 had been inappropriately brought to account as expenditure of the year under the supply of chemicals.
- (f) Twelve ceiling fans purchased at a cost of Rs.66,380 had been brought to account under other supplies instead of being brought to account under the fixed assets.
- (g) A sum of Rs.60,000 paid in the year under review to a Professor of the University of Ruhuna for the conduct of seminars in 03 days in the preceding years had been debited to the Seminars Account as expenditure of the year.
- (h) A sum of Rs.25,452 paid to a Professor for December 2010 had been brought to account as expenditure of the year thus overstating the expenditure on salaries for the year by that amount.
- (i) Even though the allocation made for external lecture fees of the preceding year amounted to Rs.1,117,550, the expenditure incurred in that connection in the year under review amounted to Rs.3,985,475 and the balance had been charged to the External Lecture Fees Account. Thus the expenditure on lecture fees had been overstated by a sum of Rs.2,867,925.

- (j) According to the registers maintained by the University of Peradeiya, the expenditure payable by the end of the year under review for the water and electricity consumed by the Institute amounted to Rs.442,012 while the value brought to account under that amounted to Rs.287,128. Thus the expenditure had been understated by a sum of Rs.154,884.

1:2:3 Lack of Evidence for Audit

-----

The evidence indicated against the following items of account had not been submitted to audit.

Item of Accounts	Amount	Evidence not made available
-----	-----	-----
	Rs.	
Fixed Assets	121,319,780	Register of Fixed Assets and Schedules
Library Books	<u>33,387,254</u> <u>154,707,034</u>	Board of Survey Reports

1:2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

-----

The following non-compliances were observed during the course of audit.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
-----	-----
(a) Finance Act, No. 38 of 1971 Section 8(3)	The budgeted statement of Income and Expenditure, Cash Flow Statement, Estimate of Capital Expenditure for the year under review, the budgeted Balance Sheet as at 31 December 2011 had not been presented with the Annual Budget.

(b) Financial Regulations of the  
Democratic Socialist Republic  
of Sri Lanka

- 
- i. Financial Regulation 188
- Action had not been taken on 06 cheques valued at Rs.10,230 deposited in the Current Account with the Bank of Ceylon Peradeniya Branch from the year 2003 to July 2010 but not realized and 02 cheques and 15 Money Orders valued at Rs.7,440 deposited in the Current Account with the People's Bank, Peradeniya Branch and included in the Bank Reconciliation for December 2011 as unrealized.
- ii. Financial Regulation 371
- i. An advance of Rs.10,000 granted to a Lecturer on 28 February 2011 had been settled after 03 months without being used.
- ii. Even though ad hoc sub-impressts could be granted only to staff officers, a sum of Rs.13,870 had been paid to a student following postgraduate courses.
- iii. Financial Regulation 371(5)
- Even though the ad hoc sub-impressts should be settled immediately after the completion of the purpose, 02 advances amounting to Rs.221,092 granted in the year under review had not been settled even by the end of the year.
- iv. Financial Regulation 571
- Even though deposits older than 02 years should either be credited to revenue or settled by taking a proper course of action, such action had not been taken to settle contract deposits amounting to Rs.118,003.

- (v) Financial Regulation 880 Even though the officers in charge of Government cash, revenue, goods, etc. as well as those certifying vouchers and signing cheques should furnish adequate security, the Director, the Assistant Registrar, the Senior Bursar, the Cashier, Storekeeper, etc. had not furnished security.
- (c) Treasury Circular No. 1A1/2002/02 of 28 November 2002 A Register of Fixed Assets for Computers had not been maintained.
- (d) Establishments Code for Universities  
-----  
Section 8 of Chapter IX Even though the monthly overtime should not exceed 35 per cent of the monthly consolidated salary, contrary to that 13 employees had been paid a sum of Rs.87,397 in excess of that limit in 49 instances.
- (e) Circular No. PED/12 dated 02 June 2003 of the Director General of Public Enterprises  
-----
- i. Section 7.4.5 A Board of Survey of the fixed assets had not been conducted.
- ii. Section 8.3.5 Even though the monthly fuel limit of the Director is 180 litres for a petrol motor vehicle fuel exceeding that limit by 168 litres had been obtained in 03 months.
- iii. Section 8.8 Even though authority should be delegated to officers by obtaining the approval of the Board, authority had not been delegated to 47 officers.

- (f) Public Administration Circular No. 41/90 of 10 October 1990. Even though the fuel consumption of motor vehicles should be tested once in 06 months, such tests had not been carried out on 04 motor vehicles of the Institute. As such fuel consumption had been done by introducing different quantities.
- (g) Section 18 of the Postgraduate Institute of Agriculture Ordinance Even though there was no provision for incurring expenditure on the Welfare of the Officers of the Institute a sum of Rs.34,000 had been spent in 03 instances in the year under review for such activities.

2. Financial Review

2:1 Financial Results

-----

According to the financial statements presented, the working of the Institute during the year ended 31 December 2011 had resulted in a deficit of Rs.5,369,318 before taking into account the Government grants for recurrent expenditure. After taking into account the Government grant of Rs.22,585,072 received for recurrent expenditure, that deficit had improved to a surplus of Rs.17,215,754. The surplus for the preceding year before taking into account the Government grant for recurrent expenditure amounted to Rs.1,770,860 and after taking into account the Government grant of Rs.18,000,000 for recurrent expenditure, it has improved to a surplus of Rs.19,770,860.

2:2 Transactions not supported by Adequate Authority

-----

The following matters were observed.

- (a) A sum of Rs.1,193,432 had been paid as Proficiency Allowances on Second and Third Languages from the year 1996 up to the end of the year under review based on the instructions of a circular issued by the University Grants Commission contrary to the provisions in the Public Enterprises Circular No. PE/1/774/11(b) dated 10 March 1978.

- (b) According to the Circular Letter No. PD/1/NS/DL/GS/A078 dated 18 July 2003 of the Director General of National Budget, the academic allowance should not be taken into consideration for the calculation of contributions to the Employees' Provident Fund and the Employees' Trust Fund. Nevertheless, a sum of Rs.490,403 had been overpaid as contribution on academic allowances amounting to Rs.2,724,475 during the years 2001 to 2011.
- (c) Bonus of 10 per cent amounting to Rs.156,375 had been paid to the External Lecturers during the year under review for expediting the release of results based on the Board of Management decision No. 150.2.1 dated 24 November 2004 which contravened the University Grants Commission Circular No. 837 of 29 November 2003.

3. Operating Review

-----

3:1 Performance

-----

The following observations are made.

- (a) The number of postgraduate students who were engaged in academic activities in the year under review had been 1,255 and in relation to the expenditure incurred thereon, the cost per student amounted to Rs.41,669 and that in the preceding year had been Rs.31,402.
- (b) Even though carrying out researches is a main objective of the Institute, only 21 students had been attached to 07 researches for which no internal research expenditure had been incurred in 05 preceding years. Nevertheless, 07 external researches valued at Rs.15,298,947 had been carried out in the year under review. As such, all the researches released through the annual conference held in the year under review at a cost of Rs.1,780,695 had been limited to the results of external researches.

3:2 Underutilization of Funds

-----  
Even though no allocation had been made for research work, only 07 external researches had been carried out in the year. Seven researches costing Rs.1,008,769 relating to the years 2004 to 2011 remained without being used.

3:3 Idle and Underutilised Assets

-----  
The following observations are made.

- (a) Action had not been taken either to make adjustments in the accounts or for the disposal of 09 unusable computer tables and 28 computer accessories.
- (b) Out of the Students Manuals purchased in the year 2003 to 2008, a stock of 1,200 books valued at Rs.123,264 remained idle up to the end of the year under review.
- (c) Even though a computer software had been purchased for Rs.49,000, that software remained without being used even up to June 2012.

3:4 Uneconomic Transactions

-----  
The following observations are made.

- (a) Despite the unavailability of provisions in the Universities Act, No. 16 of 1978 and the Postgraduate Institute of Agriculture Ordinance, No. 9 of 1979 for the Institute to establish any centre whatsoever, two Lecturers and a Programme Co-ordinator of the University of Peradeniya had been recruited without the approval of the Board of Management and had paid allowances amounting to Rs.1,608,000 in the years 2008 to 2010 and established two Centres called National Center for Organic Agriculture and Centre for Renewable Energy Sources for them to carry out project work. Those two Centres were not in working condition even by the end of the year under review. A grant of Rs.2,867,220 made to these Centres 03 years ago for consultancy services, resources persons allowances, conduct of workshops and opening a website had not been utilized for the intended purposes.



- (b) A sum of Rs.300,000 had been received from a private institution by October 2009 without the approval of the Board of Management for the proposal for the construction of a Model Carbonic Farm at an estimated cost of Rs.1,800,000. That activity had not been commenced even by June 2012.

### 3:5 Identified Losses

-----

The following observations are made.

- (a) A surcharge amounting to Rs.33,635 imposed due to the delay in the payment of the gratuity to a library employee of the Faculty who had retired on 27 September 2008 had been paid to the Assistant Commissioner of Labour on 18 June 2011 on the recommendations of the Finance Committee. That amount had been inappropriately debited to the Retirement Gratuity Account without taking action in terms of Financial Regulation 119 for the recovery of the surcharge from the officer responsible.
- (b) According to clause 7(111) of the agreement for the Research Projects of the Council for Agricultural Research Policy of Sri Lanka, on the completion of this research work, the fixed assets of Projects should be transferred to the Institute. Nevertheless, action had not been taken even up to December 2011 for taking over the assets of 04 completed projects valued at Rs.1,415,374.

### 3:6 Delayed Projects

-----

Even though an electronic identity card system had been installed at a cost of Rs.216,092 as a security system for the identification of students entering the Computer Training Centre of the Institute, that had not been in operation up to the date of audit inspection in June 2012.

3:7 Staff Administration  
-----

The following observations are made.

- (a) There were 10 vacancies in the academic and non-academic staff. Instead of taking action to fill those posts, external lecturers had been recruited for the delivery of lectures of the Institution and had paid a sum of Rs.7,308,925 as external lecture fees in the year under review.
- (b) A Human Resources Budget had not been prepared in terms of Section 9 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

3:8 Failure to Build up a Fund for Provision for Employees' Gratuity  
-----

Action had not been taken to invest effectively the provision of Rs.8,069,831 made for the payment of employees' gratuity.

4. Accountability and Good Governance  
-----

4:1 Academic Committees  
-----

In terms of Sub-section 14(7) of the Postgraduate Institute of Agriculture Ordinance, at least 06 meetings should be held for each year by the Boards of the Institute. Nevertheless, between 03-05 meetings only had been held by 11 Boards of the Institute.

4:2 Procurement Plan  
-----

The following matters were observed.

- (a) Even though fixed assets valued at Rs.736,714 had been purchased in the year under review, the Procurement Plan to be prepared in terms of Section 4.2 of the Government Procurement Guidelines and Section 4.2.1 of the Procurement Manual had not been prepared.

- (b) The Procurement Time Schedules had not been prepared in terms of Section 4.2.2 of the Government Procurement Guidelines.

#### 4:3 Budgetary Control

-----

The following observations are made.

- (a) The income collected in excess of the estimated income of 08 items of income amounted to Rs.10,764,090 and the percentages ranged between 0.87 per cent and 575 per cent.
- (b) The collection of income under 10 items of income amounting to Rs.13,798,118 had not reached the estimated income and the percentages ranged between 16 per cent and 88 per cent.
- (c) According to Financial Regulation 50(11) the Accounting Officers should ensure that the annual estimates had prepared correctly and completely as far as possible. Nevertheless, the savings under 30 items of expenditure amounted to Rs.20,083,444 and the percentages ranged between 9 per cent and 98 per cent.
- (d) The expenditure incurred exceeding the estimated provisions of 17 items of expenditure amounted to Rs.3,649,839 and the percentages ranged between 1 per cent to 159 per cent.

#### 4:4 Tabling of Annual Reports

-----

The following matters were observed.

- (a) The Annual Report furnished in terms of Section 6.3.1 of the Circular No. PED/12 of 02 June 2003 of the Director General of Public Enterprises did not include the audited financial statements and according to the student information included in the Annual Report the number of students had been understated by 3,903.

- (b) According to the Annual Report prepared for the year 2010, it was stated that the courses on Crop Simulation Modeling and Customer Driven food Product Development had been commenced. Nevertheless, those courses had not been commenced even by the year 2012.

5. Systems and Controls

-----

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

- (a) Accounting
- (b) Fixed Assets
- (c) Advances
- (d) Purchases
- (e) Activities relating to Researches and Grants
- (f) Use of Library Books
- (g) Conduct of Short Term Courses