

**1.1 Qualified Opinion**

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The audit of the financial statements of the Sri Lanka Council for Agricultural Research Policy for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in net assets 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 report to Parliament appear in this report.

In my opinion, except for the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Council as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in Paragraph 1.5 of this report.

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 qualified opinion.

**1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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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 Council'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 Council or to cease operations, or has no realistic alternative but to do so.

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

As per Sub-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 Scope of Audit (Auditor's Responsibilities for the Audit of the Financial Statements)**

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

## 1.5 Financial Statements

### 1.5.1 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though 04 motor vehicles costing Rs.26,321,295 that had been fully depreciated as at the end of the year under review were further in use, action had not been taken to revalue the useful life of those vehicles in accordance with the Sri Lanka Public Sector Accounting Standards 03 and state their fair value in the financial statements.	A committee has been appointed to revalue the assets owned by the Council and it was noted down to make adjustments in the financial statements once the above committee report is received.	Action should be taken to revalue the useful life of those vehicles and state in the financial statements.
(b) Advance of Rs.2,460,000 paid to the Building Department during the year under review for the construction of new section to the building in which the Agriculture Research Policy Council is maintained had been stated as work -in-progress in the statement of financial position under the non-current assets instead of being stated under the current assets.	Agree. It was noted down to make corrections.	Action should be taken to account for accurately by considering the nature of the expenditure.
(c) As the sums totalling Rs.473,770 comprising course fees paid by the Council for the officers who proceeded abroad for studies, bank	Agree. It was noted down to make corrections.	Action should be taken to account for accurately.

charges recovered thereon by the bank and the commission had not been adjusted to the expenditure of the year under review, the surplus of the year under review had been overstated by that amount.

**2. Financial Review**

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**2.1 Financial Results**

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The operations of the Council for the year under review had resulted in a surplus of Rs.595,779 as compared with the corresponding surplus of Rs.26,420,268 for the preceding year, thus observing a deterioration of Rs.25,824,489 of the financial results. The above deterioration was mainly due to the increase in the operating expenditure by Rs.85,428,844 or 133 per cent.

**3. Operating Review**

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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(a) The Council had identified the significance of focusing its attention on the organic farming and introduced 07 priority fields in which researches to be increased to the research institutions in Sri Lanka. Nevertheless, no researches had been conducted since year 2017 regarding the quality of the organic foods currently available in the market.	The National Committee on Organic Farming conducted a workshop by inviting all the research institutions involved in the field of agriculture and introduced the Priority Declaration to all the researchers participated in the workshop. The Priority Declaration was free delivered to the libraries of all the institutions. Even though the Council do not handle agriculture policies, these researches are done by <ul style="list-style-type: none"> <li>• the Export Development Institute,</li> <li>• Industrial Technology Institute and</li> <li>• National</li> </ul>	Since these priorities are introduced to the 24 research institutions, those institutions too should take steps to conduct these researches.

universities have carried out projects in this field.

- (b) Even though information such as number of researches conducted in the agricultural research institutions, provisions for researches, cadre information including the Research Officer, Scientist and the other staff and the physical assets of the Council had been collected up to the year under review, the data system-Information for Agricultural Research Managers had not been updated after the year 2016 and the publications to be issued annually including the above information had not been issued after the year 2010.
- Collection of data from 18 institutions has been completed to update the system for the year 2018. Having filtered the data thus collected, not it is in the final stage of entering in a single data system. Once the data entering process is completed, the system will be updated by the month of July. In the normal course, data relating to the preceding year is collected during the current year. Accordingly, data relating to the year 2019 is collected in the year 2020. Therefore, data relating to the year 2019 is already being collected. The main objective of the programme is to collect data and manage the system. In addition, printing of publications was in progress up to the year 2010 to facilitate the dissemination of information. As facilities have been provided to obtain the system through the Internet, there is no need to print publications.
- Action should be taken to update the system and issue publications as per the Annual Action Plan.
- (c) According to the Memorandums of Understanding entered into between the Agricultural Research Council, Bangladesh, Agricultural Research Council, Malaysia, and the Agricultural Research Policy Council in the years 2011 and 2016,
- The short term training course on “Improvement of Spices Varieties and Spices Production Technology” organized by the Export Agriculture Department of Sri Lanka
- Action should be taken to identify the training opportunities and direct the officer therefor in terms of the Action Plan.

it had been stated in the Action Plan, 2019 to direct 10 officers for short term foreign trainings under the exchange of instructors and scientists in the field of agriculture. Nevertheless, the Council had not taken steps to identify such training opportunities and direct the officers for such trainings.

was scheduled to be conducted for a team of scientist recommended by the Agricultural Research Policy Council, Bangladesh for the year 2019. Although this programme was due to be conducted within second week of November, 2019 as agreed with the Agricultural Research Policy Council, Bangladesh, since the presidential election was fixed on 16 November 2019, the officers involved in providing accommodations, and the workshop had been attached to the election duties and therefore, this training programme was postponed up to the year 2020.

(d) Although it had been state that the researches who receive trainings under the programme for directing to the foreign postgraduate degrees should select the topic of their researches focusing attention on the issues currently being faced and the issues that may probably be faced in future in the agricultural field in Sri Lanka, the number of officers who had selected the fields of agriculture mechanization and organic farming identified as to be developed for the advancement of the agriculture field in Sri Lanka for their post graduate degree remained at a minimum level. However, the Council had not made planned arrangements to improve this condition.

The reasons for the selection of lesser number of scholarship holders for the field pointed out by the audit are as follows.

- Field identified by the institutions for trainings.
- Number of researches recommended by the institutions.
- Requirement of selecting the scholarship holders as per Establishments Code.

Action should be taken to determine such specific fields as per the Cabinet decision and to inform the officers in writing to select their research topic in accordance therewith, and to take suitable measures by identifying the potentialities and weaknesses found in the existing field.

- (e) Even though plans had been drawn to provide funds for 06 projects including 02 projects selected from among the research proposals called for from the agricultural institutions in the year 2019 and 04 projects continued from the preceding years, funds had been provided only for 03 unfinished researches of the Tea Research Institute that had been initiated in the years 2017 and 2018 and for 01 research of the Department of Agriculture. The officers of the Council had not had not taken action to evaluate physical performance of each of the above projects and no new proposals had been identified relating to the year under review.
- Reports with more details in this regard have been called for from those institutions and action will be taken to submit such details to audit expeditiously.
- Appropriate steps should be taken to initiate new projects, complete the existing projects on time and to evaluate the physical progress.
- (f) As action had not been taken to recruit Research Officers for the existing 11 research institutions, the number of researches carried out in the four research field of floriculture, forestation, agricultural mechanization and natural resources management had decreased by 378 in the year 2019 as compared with the year 2017.
- As the number of Research Officers served in the institutions belonging to the national committees stated being less and it was necessary to pay attention of the remaining Research Officers on the essential daily works of those sections, the number of researched conducted during the year 2018 and 2019 had decreased as compared with the year 2017. This situation may come into normalcy with the recruitment of Research Officers in the future. Further, the limit of provision as well had given rise to this situation.
- Action should be taken to recruit Research Officers and increase provisions and thereby, increase the number of researches.
- (g) Without being taken action to recover a sum of Rs.659,131 to be settled to the Policy Council from
- Efforts were made to correct it and action will be taken to make the
- Action should be taken to recover the dues from the

the amount granted to four research institutions and two universities for research activities, it had been carried forward in the accounts from the year 2006. relevant corrections and adjust in the financial statements in future. relevant parties.

- (h) Without being settled a sum of Rs.192,890 deposited by several private institutions in respect of providing of services during the period from 2016 to 2018, it had been carried forward in the accounts. In the normal course, these deposits are released at the requests of the relevant institutions. However, due to not making requests from the relevant institutions up to date, these balances have been continuously shown in the financial statements as payable deposits. However, action will be taken to settle this amount in future. Action should be taken to release the relevant amount on making written information.

### 3.1 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
As action had not been taken to fill the vacancies existed within the 36 posts of the approved cadre over a several years, 05 key posts of the Council, the Senior Scientists, Senior Research Officer, Accountant, Administrative Officer and the Librarian had been in vacant.	Action will be taken to make recruitments for the relevant posts on receipt of the approval.	Action should be taken to obtain approval expeditiously for making recruitments.