

Postgraduate Institute of Agriculture - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Postgraduate Institute of Agriculture for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2021, 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 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 qualified 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 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 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 and Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Management Comment	Recommendation
(a) Section 11 of the Finance Act No.38 of 1971 and paragraph 8.2.2 of the Public Enterprises Circular No.PED/12 dated 02 June 2003.	A sum of Rs.49,000,000 had been invested in 03 fixed deposits without approval of the Minister of Finance.	That the investment has been made with the approval of the Board of Governance of the institute and it has been referred to the Minister's approval.	Action should be taken in accordance with provisions of the Finance Act and the circular.
(b) Paragraph 5.1.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003.	The Corporate Plan prepared for the period from 2017 to 2021 had not been presented to the Auditor General and the respective institutions.	The Corporate Plan 2022-2026 which is being implemented at present has been referred to the relevant institutions.	Action should be taken in accordance with circular provisions.
(c) Guideline 07 of the Guidelines on the review of degree courses in Sri Lanka universities and higher education institutions that had been issued by the University Grants Commission in December 2015.	A specific method and standards to follow in relation to planning examinations conducted by the Institute, preparation of question papers, improvement, making corrections, grading and reviewing, and a formal method of re-evaluation of answer scripts with the assistance of external competent lecturers to maintain the quality and the standard of the evaluation process of the students	Plans are being prepared by a committee consisting of Directors of the postgraduate institutes to implement this method in the university.	Action should be taken in accordance with the relevant guidelines.

activities had not been prepared and approval of the Council and the University Grants Commission had not been obtained.

2. Financial Review

2.1 Financial Results

The financial results of the year under review was a surplus of Rs.55,990,259 as compared with the corresponding surplus of Rs.63,559,843 for the preceding year. Accordingly, a deterioration of Rs.7,569,584 was observed in the financial result. The decrease in the internal earnings by Rs.14,359,193 and increase in the maintenance expenses by Rs.547,962 compared to the preceding year had mainly attributed to the above deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
The fixed deposits of the institute with the total value of Rs. 444,427,072 as at 31 December 2017 had increased up to Rs. 692,976,053 by Rs. 248,548,981 or 55 per cent as at 31 December 2021. The total provisions obtained from the Treasury in the year 2017 was Rs. 45,659,896 and it had increased up to Rs. 68,307,000 by Rs.22,647,104 or 50 per cent by the year under review. Accordingly, despite the increase in the fixed deposits of the institute by about Rs.248 million during the past 05 years, the government grants obtained from the Treasury too had been increased by Rs.22 million.	That Rs.73 million of the total operating expenditure of Rs.138 million and 75 per cent of the capital expenditure in the year 2021 have been covered by the earnings of the institute and Treasury grants have been obtained only upon identification of the needs of the institute.	Action should be taken to minimize the government expenditure burden.

3.2 Defects in the Contract Administration

Audit Observation	Management Comment	Recommendation
For the installation of an accounting computer system with a contract value of Rs. 2,100,000, an advance of Rs. 1,050,000 had been paid to a private institute. Although it had been since more than 03 years from the expiry of the period of agreement, the computer system had not been installed.	It is expected to complete the installation of the computer system in the year 2022.	Action should be taken to procure relevant service within the period of agreement.

3.3 Human Resource Management

Audit Observation

It was observed that 31 officers are serving in the same station over a period from 06 to 39 years since the officers have not been transferred according to a formal transfer procedure.

Management Comment

Further action is to be taken at the discretion of the management after discussing the matter.

Recommendation

A formal transfer procedure should be prepared for the officers and action should be taken in accordance therewith.