

## **Sri Lanka Council for Agricultural Research Policy - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Sri Lanka Council for Agricultural Research Policy for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, 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, Sri Lanka Council for Agricultural Research Policy Act, No.47 of 1987 and the Finance Act, No.38 of 1971. My comments and observations which I consider should be reported 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 the financial statements give a true and fair view of the financial position of the Council as at 31 December 2022, and 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**

My opinion is qualified 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**

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 determines 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 intends 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 Section 16(1) of the National Audit Act, No. 19 of 2018, the Council 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 Council.

### **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 misstatements, 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;

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 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 Council.
- Whether the Council has performed according to its powers, functions and duties.
- 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

<b>Non-compliance with Relevant Standard</b>	<b>Reference to</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Assets belonging to 05 classes of assets costing Rs.28,766,620 were further in use despite being fully depreciated. As the useful life of fixed assets had not been reviewed annually in accordance with Sri Lanka Public Sector Accounting Standards 7, Accordingly, no action had been taken to revise and adjust the estimated error in the financial statements in accordance with Sri Lanka Public Sector Accounting Standards 3.		Agreed with the Observation. Action will be taken to review Useful life of fixed assets costing Rs.28,766,620 in accordance with Sri Lanka Public Sector Accounting Standards 7. Action will be taken to make adjustments in the assets in the ensuing year of accounts.	Fully depreciated assets should be revalued and accounted for.

## 1.5.2 Accounting Deficiencies

Audit Observations	Comment of the Management	Recommendation
(a) JW-3904 Motor vehicle obtained for the initial CARP-ICRAF Tree Domestication project according to the memorandum of Agreement for Scientific and Technical Cooperation in Research and Training on Agroforestry between International Centre for Research in Agroforestry (ICRAF) and The Sri Lanka Council for Agricultural Research Policy and the Motor Vehicle is registered under the name of the Project. However, It was not transferred to the policy council after the completion of project and It was used for personal use by a Senior Professor of the University of Peradeniya, who has been worked as the country liaison Scientist at that time.	Since there are no documented information is held by the council, It could not be identified and accounted for as an asset. Action will be taken to carrying out further work according to the recommendation of government audit branch.	The vehicle should be transferred to the council and accounted for.
(b) According to the procurement plan of the year 2019, the construction contract for extension of existing building for Sri Lanka Council for Agricultural Research Policy was awarded to the Department of Buildings for Rs.12,300,000 by estimating for Rs.12,945,000. According to the terms of the Memorandum of Understanding with them, the date of completion of the construction work was 30 April 2020, but the construction work not completed. Value of the certified construction work was Rs.5,516,590 by the date of 10 October 2022, but an amount of Rs.12,217,303 had been paid to them. Accordingly, It was observed that Rs.6,700,713 had been paid in excess.	Construction work was suspended due to the non-allocation of capital provisions by 2020. Accordingly, the balance amount was asked by the Department of Buildings in accordance with the agreement and the balance amount was paid using amounted allocated in 2021 and 2022 in accordance with the agreement to carry out the construction work without delay.	The construction work should be done without delay.

(c) Funds received from a Kenyan Research Center for the training programme on "Agroforestry" implemented under the Memorandum of Understanding for Scientific and Technical Cooperation in Research and Training between the International center for research in Agroforestry (ICRAF) and the Sri Lanka council for agricultural Research Policy. Accordingly, The balance amount of Rs.1,232,755 held in the project bank account number 2323246 at Torrington square Branch of the Bank of Ceylon was not disclosed in the financial statements.	The Secretary/Director of the council informed to the manager of Torrington Square Branch of the Bank of Ceylon on 15 January 2015 and the Criminal Investigation Department is conducting an investigation regarding this account and until the final conclusion regarding the balance of the account, this balance has not been transferred to the council and remitted to the Treasury and It has been disclosed and remitted to the Treasury and in the financial statements of 2022.	The progress of the criminal investigation should be inquired and acted upon, and the bank balance should be disclosed in the financial statements.
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### 1.5.3 Unauthorized Transactions

Description of unauthorized transaction	Comment of the Management	Recommendation
Although the tenure of the former Chairman of the Policy Council had ended on 07 November 2018, but sums totalling of Rs.197,600 had been paid as salary and allowances for the near period of two months from 07 November 2018 to 31 December 2018, but that amount had not been recovered up to now.	Action has been taken to refer the council minute relating to recover these allowances to the Auditor General.	The relevant dues should be recovered from the parties who recommended, approved and made the payments.

### 1.6 Receivables

Audit Observations	Comment of the Management	Recommendation
(a) 25 researchers of the National Agricultural Research System who went to abroad for postgraduate degrees from the year 2017 to year under review were returned to the country due to Covid epidemic situation without informing the Policy Council. Accordingly, the paid stipend payment for that period amounting to Rs.10,049,580 had not been recovered.	As on 28 April 2023, The amount to be charged is Rs.8,828,025 for returning to Sri Lanka during the abroad study period without council approval. The heads of their institution have been informed to recover this amount. Moreover, as per the approval of the secretary of the Ministry of Agriculture, this amount is charged in installment wise from several students of the Department of Agriculture and its affiliated institutions and forwarded to the council.	The stipend payment for the period during which the officers had returned to the country should be recovered forthwith.

- (b) Without being taken action to bring the balance amount of Rs.459,131 to the Council out of the funds given to 03 research institutions and 03 universities for agricultural research activities, it had been brought forward in the financial statements from the year 2006.
- The amount to be charged to the institute is Rs.659,131 from the amount paid to research institutes and universities for agricultural research activities, but University of Ruhuna has forwarded bills of Rs.200,000 to the council, So the amount was Rs.459,131. Also, several letters have been sent to other institutions stating the amount to be charged, but due to no reply, remind letters have also been sent to those institutions.
- Action should be taken to recover the dues from the relevant parties.

### 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc,

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Sri Lanka Agricultural Research Council Act No. 47 of 1987, Sub-Section 10(h)	Although it is a council's function to arrange and fund inter-institutional agricultural research projects, four projects were launched in the preceding year, but no new projects have been identified or approved in the year under review.	New projects for the year 2022 were not implemented in relation to this program, due to the non-reference of new project for the year 2022 by the researchers of the National Agricultural Research System	Arrangements should be done for research projects as per the Act.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.13,108,798 and the corresponding surplus in the preceding year amounted to Rs.6,931,190. Therefore, an improvement amounting to Rs.6,177,608 of the financial result was observed. The reason for the improvement is the increase in grants from the treasury by Rs. 6,095,124 compared to the increase in operating expenses.

### 3. Operational Review

#### 3.1 Operational Inefficiencies

Audit Observations	Management Comment	Recommendation
(a) In terms of Cabinet Decision, No අමුණ/17/1992/728/34 dated 04 October 2017, 150 researchers should be referred to follow Ph.D. in the countries such as Malaysia, Thailand and Philippine within 05 years at 30 researchers per year and they should select their research topic focusing attention on the issues currently being faced and that may be faced in the agriculture sector of Sri Lanka in future. Nevertheless, despite lapse of 05 years by the year under review, only 79 researchers had been referred to that due to Covid epidemic situation and financial difficulties and among those researchers, it was observed that only 08 officers had selected their research topic in relation to the fields of agricultural mechanization and organic agriculture that have been identified as to be developed for the betterment of the agricultural sector in Sri Lanka.	79 researchers were able to be referred to this program because of the Covid epidemic situation, and their research topics had been selected based on the fields that were an essential to their institutions	Researchers should be encouraged to select recommended research topics.
(b) Although the Terminal reports of the researches carried out by the ministry of agriculture's ongoing project called "National Agricultural Research Plan" (NARP) project that provides funds for the agricultural research projects should be reviewed by the Council, the Terminal reports of four researches that had been scheduled to be finalized in relation to the period of 2015 and 2020 were not obtained on time and were not even reviewed at the end of the year under review.	The Terminal reports of four research projects carried out by the "National Agricultural Research Plan" (NARP) project that provides funds for agricultural research projects in relation to the period of 2015 and 2020 were not submitted by the researchers, and reminders have been made.	Final reports relating to the researches should be timely obtained and reviewed.
(c) Although the Policy Council had identified the significance of drawing attention to the organic agriculture and introduced 07 priority arrears to increase researches to the research institutions available in Sri Lanka, the research institutions had not been encouraged since the year 2017 to conduct researches on the organic agricultural policy and the quality of the organic foods available in the present market.	A committee for organic agriculture has been formed, and two workshops have been held in 2019. Additionally, in the call for projects for the NARP starting in 2020, an effort has been made to give priority to research proposals on organic	Research institutions should be encouraged to act in accordance with plans.

agriculture. It has been carried out to encourage researchers' interest in the National Agricultural Research System.

#### 4. Accountability and Good Governance

##### 4.1 Annual Action Plan

Audit Observations	Management Comment	Recommendation
(a) Although sending officers for short-term foreign training under the exchange of consultants and scientists in the agricultural sector in accordance with the Memorandum of Understanding implemented in 2011 and 2016 by the Bangladesh Agricultural Research Council, Malaysian Agricultural Research Council and Sri Lanka Council for Agricultural Research Policy as indicated in the action plans of the year 2019, 2020, and 2021, officers were not directed to such training opportunities due to the COVID-19 epidemic situation and the lack of response from respective states.	Due to the lack of response from states and the COVID-19 epidemic situation, officers could not be referred for such training opportunities	They should be withdrawn if it is not possible to work according to the agreements.
(b) The installation of an Agricultural Virtual Library System was planned in the preceding year and the system had not been installed by the date of audit.	Although a workshop for the installation of Agri-Net was planned, it could not be held due to obstructions during the COVID epidemic and a lack of capital funds.	It should be done in accordance with plans.
(c) Sri Lanka Council for Agricultural Research Policy had planned for the National Awards ceremony (SLCARP National Awards) in the preceding year. Accordingly, invited for applications, appointed evaluation committees, and finished the evaluation work. However, the awards ceremony had not been held until 31 December of the year under review.	Although applications were called and the evaluation process was completed for the National Award Ceremony planned for 2021, the ceremony could not be held in 2022 because of the difficulty in obtaining capital funds from the Treasury.	It should be done in accordance with plans