

**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the Postgraduate Institute of Agriculture for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 2022, 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 unqualified 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 judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risk 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	A sum of Rs.5,000,000 had been invested in fixed deposits without obtaining the prior approval of the minister of Finance and appropriate Minister.	Due to the practical difficulties of investing fixed deposit after the obtaining approval of finance minister, investment were made with the approval of Institute governing board.	Actions should be taken in accordance with provisions of the Finance Act.
(b) Circular No. 02/2014 of Management services dated 11 February 2014.	Research allowances value of Rs. 8,819,379 had been paid to 08 officers for the period of 01 January 2015 to 31 December 2023, without been approved by the Research Management Committee or without obtaining an interim or final research report.	Institute has only payment recommendation letter to related research proposal.	Circular instructions should be followed.
(c) Circular No. 04/2016 of the University Grant Commission dated 01 March 2016.			

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| i   | Paragraph 4.5   | Although the financial statement should be prepared at the end of course related to self-financial activities, financial statements had not been prepared for 35 self-financing activity course with earned income value of Rs. 318,338,875 which had been completed during the period of 2017 to 2020, year under review.   | It is practically difficult to prepare the financial statements due to changes in the maximum and minimum duration of the courses. | Action should be taken in accordance with circular instructions. |
| ii. | Paragraph 5.2.1 | Although 15 to 30 percent of the total indirect cost should be allocated for the development vote of the institute, budgeted income of Rs. 125,294,096 in related to 21 self -Financing activities implemented between 2018 to 2022 had not been allocated for the institution development vote as per circular instruction. | Although minor expenses incurred by the institute itself no further allocation will be made as per paragraph 5.2.1                 | Action should be taken in accordance with circular instructions. |

**2. Financial Review**

**2.1 Financial Results**

The financial result of the year under review was a surplus of Rs.93,665,087 as compared with the corresponding surplus of Rs. 55,990,259 for the preceding year. Accordingly, an increase of Rs. 37,674,828 was observed in the financial result. This growth was mainly due to the increase in generated income.

**3. Operational Review**

**3.1 Management Inefficiencies**

<b>Audit observation</b>	<b>Management comment</b>	<b>Recommendation</b>
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(a) Although an agreement value of Rs. 2,100,000 had been entered with a private company in 2017 for the installation of an accounting computer system, and advance of Rs.1, 050,000 had been paid preceding year, the computer system had not been installed so far even more than 05 years had elapsed since the end of the contract period.	It will be expected to complete before the end of the year 2023..	Action should be taken to complete the computer system.

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| (b) | Although Faculty of Agriculture of the University of Peradeniya has sufficient equipment, the Institute had purchased inventory items value of Rs.20,573,206 and handed over to the faculty. | Due to lack of laboratory facilities to the institute, it has to receive laboratory facilities from the Faculty of Agriculture to carry out the practical training and doing research activities of the postgraduate students. | Action should be taken to allocate funds in order to achieve organization objective. |
| (c) | No even one student had been registered for 39 postgraduate and diploma courses implemented in the institution from 2015 to 2022.  | The enrolment of students has been decreased due to the crisis period even though adequate publicity has been given through the various medias.  | Action should be taken to enrol students for all courses with optimal capacity.      |

### 3.2 Underutilization of funds

Audit observation	Management Comment	Recommendation
Research fund amounting of Rs. 1,614,830 which received from International Development Research Centre (IDRC) and ministry of Plantation, were underutilized since 2 to 3 years.	At present some research have been completed and some are being completing, so there is a possibility to cover all the expenses and complete the research work in the year 2023	Funds should be utilized efficiently for the relevant purposes.

### 3.3 Human Resource Management

Audit Observation	Management Comment	Recommendation
It was observed that 22 officers are serving in the same station over the period from 05 to 34 years since the offices have not been transferred according to formal transfer procedure.	Although the Post Graduate Institute of Agriculture is an affiliated of the University of Peradeniya, staff transfers have to be done through the University Grants Commission, so problem faced by the institution in preparing a permanent transfer policy. According to the above reasons.	Officials should be employee according to the financial transfer policy.