

Sri Lanka Council for Agricultural Research Policy - 2023

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Council for Agricultural Research Policy for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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, the financial statements give a true and fair view of the financial position of the Council as at 31 December 2023, and of its financial performance and its 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 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 fund 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 Unauthorized Transactions

Description of unauthorized transaction	Comment of the Management	Recommendation
While 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 or accounted for as receivable amount.	As indicated by the Audit, further instructions have been requested for the accounting matters and referred to the Ministry.	The overpayment should be accounted for and recovered from the parties who recommended the payment, approved it and made the payments.

1.6 Receivables

Audit Observations	Comment of the Management	Recommendation
Without being taken action to bring the unspent balance amount of Rs.659,131 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.	As University of Ruhuna has forwarded bills of Rs.200,000 to the council, the amount was reduced up to Rs.459,131. Also, several letters and reminders have been sent to relevant institutions stating the amount to be charged to the institute. Also, a report has been forwarded to the Audit and Management Committee for recommendations in this regard, and based on the instructions given there, forward it to the Board of Governors and take actions to settle this balance in the future.	The relevant dues should be charged and remitted to the Treasury.

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 Policy Council Act No. 47 of 1987			
(a) Section 10	It is a function of the policy council to prepare agricultural research policies and coordinate between research institutes and the government on other related matters, but it was not done as per the Act.	Workshops and Seminars were held as a means of exchange of ideas between the government and research institutes, which are the tasks of the council in 2023. Coordination between research institutes and policy makers were carried out there. Furthermore, in the setting of research priorities, private research institutes of the government were involved and the exchange of ideas related to the preparation of government policies was carried out.	It should be done according to the Act.
(b) Sub-Section 10(h)	Although it is a council's function to arrange and fund inter-institutional agricultural research projects, new projects have not been identified and provided funds in the year under review.	03 new projects were funded in 2023.	According to the Act, new research projects should be identified and carried out.
(c) Sub-Section 11(d)	Although the council has the authority to invest money in the securities decided by the policy council, it was observed that the council was retained the council's surplus in two accounts namely Rs.14,786,815 in current account and Rs.16,989,418 in savings account as of 31 December 2023.	Agree. In the future, invest in securities upon the approval of Board of Governors of the Institute.	Surplus money should be invested.

- (d) No. 380(2) and 446 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- The policy council had not obtained the approval of the Treasury to open 02 savings accounts maintained at the independence square branch of Bank of Ceylon.
- It was difficult to find the documents related to the approval of the Treasury and submit those documents in the near future or if not, get the approval from the Treasury.
- Bank accounts should be opened on the approval of the Treasury.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.19,919,221 and the corresponding surplus in the preceding year amounted to Rs.13,108,799. Therefore, a deterioration amounting to Rs.33,028,020 of the financial result was observed. The reason for the deterioration is the decrease in grants from the treasury by Rs.72,926,081.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observations	Management Comment	Recommendation
(a) Information system for agricultural research managers (INFORM) was planned to call information from 30 research institutes, but information was called from only 24 institutes in the year 2023 and Report books to be issued annually containing information collected about researches have not been issued after the year 2019.	Information has so far been obtained from 27 institutes in the year 2023, and reminders have been sent to obtain information from the remaining 03 institutes. The book relating to the year 2019 has been released in the year 2023 and the reord books containing data relating to the year 2020 and 2021 are currently being processed.	Report books to be issued annually should be issued.
(b) 25 researchers of the National Agricultural Research System who went to abroad for postgraduate degrees during the period from the year 2017 to the period of covid epidemic situation were returned to this country due to Covid epidemic situation without informing the Policy Council. Accordingly, the payment of subsistence stipend of Rs.21,076,932 for the period of stay in the country, the amount of Rs.11,026,926 charged from the year 2020 to 2022 period was not remitted	The subsistence stipend that were paid for the period of returned to this country without informing the institute have been charged from the year 2020 to the year 2022 and a part has been charged. No provision has been taken from the treasury to offset these stipend. Only the provision related to the balance due was taken from the treasury.	The subsistence stipend for the period of returned to the country should be charged and remitted to the treasury.

to the treasury and the amount of Rs.8,490,164 to be charged has not been charged and those facts were observed.

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| (c) | Although the final reports of the ongoing research in the Ministry of Agriculture should be reviewed by the council, the final reports of the 3 researches that were to be completed in relation to the period from 2015 to 2020 were not obtained and reviewed in time. | On July 5, 2023, one final report was received, following continuous reminders regarding the 4 final research reports related to the 2015 to 2020 period of the National Agricultural Research Plan (NARP) project, which funds agricultural research projects, while 3 final reports are still pending. | The final reports related to the research should be obtained on time and reviewed accordingly |
| (d) | Although applications were invited, evaluation committees were appointed, and the evaluation process was completed for the Sri Lanka Council for Agricultural Research Policy (SLCARP National Awards), which had been scheduled to take place last year, the awards ceremony had not been held by December 31 of the review year. | Although applications were invited and the evaluation process was completed for the National Awards Ceremony planned for 2021, the ceremony could not be held as scheduled due to the release of capital funds from the Treasury in the third quarter of 2023 and the unavailability of the Minister of Agriculture to allocate a date owing to his busy schedule during that period. | The awards ceremony should be held as planned. |
| (e) | Under the National Agricultural Research Plan (NARP-NUS), funds were provided to examine the concentration and distribution of potentially toxic trace elements in surface soils of the Anuradhapura and Polonnaruwa districts, and to assess the 'PHYTO' concentration related to paddy cultivation, as part of the project titled "Status of Potentially Toxic Trace Elements in Surface Soils in Anuradhapura and Polonnaruwa Districts: Baseline Concentrations, Spatial Distribution, and Phyto availability for Rice," with the following observations made during the investigation. | | |
| (i) | The Ministry of Agriculture, Policy Council and University of | In 2019, there was an agreement with the University of Peradeniya for this | The project duration should be |

Peradeniya had signed an agreement for this project in 2019. Although the project period can be extended for a period of 03 years after signing the agreement or by mutual agreement, the council has not extended the project period by making payments for 5 years.

project, but due to the COVID pandemic and the financial crisis in 2020 and 2021, this project was maintained with great difficulty, and the funds for this project in the years 2021 and 2022 were given at the end of the year. As a result, it was necessary to provide funding for this project over a period of 4 years. Due to these reasons, the Secretary has granted approval for funding in the years 2021, 2022, and 2023. The funds of Rs. 240,000,000 provided in the year 2023 were allocated for the payment of research assistant allowance related to the year 2022. Accordingly, this project has been maintained for 4 years.

extended in alignment with the objectives.

(ii) It was observed that out of the total amount of Rs. 5,760,000 provided on 2 occasions in 2021, Rs.4,587,190 was not utilized for project activities and remained idle for 5 months.

The funds required to get the equipment related to the project were provided to the university in the middle of the year. The procurement activities started after the funds were released to the university. The procurement process took more than 5 months. As a result, it was not possible to purchase the relevant equipment in 2021, and the funds had to be returned to the Ministry before December 31, 2021. The relevant equipment was purchased after the procurement activities were completed and the funds were provided in 2022.

Efforts should be made to manage the project duration and funds effectively.

3.2 Defects in Contract Administration

Audit Observation

Although the contract for the addition of a section to the building of the Policy Council was awarded in 2019 for Rs.12,300,000 according to the conditions of the Memorandum of Understanding with the Department of Buildings, the work was not completed

Management Comment

This building was contracted with the Department of Buildings in 2019 for construction, but due to the Council not receiving funds in 2020 and 2021, along with the impact of the Covid-19 pandemic and the severe economic crisis in

Recommendation

Actions should be taken to complete the construction work of the building.

by the scheduled completion date of April 30, 2020. As of October 10, 2022, although the value of certified works was Rs.5,516,590, a payment of Rs.12,217,303 had been made, resulting in an overpayment of Rs.6,700,713 for uncertified works, and a recent engineering estimate indicated that an additional Rs.11,088,000 would be required to complete the project as planned, otherwise the money spent so far would not yield any benefits.

the country, it was not possible to complete the construction within the scheduled time frame. An estimate of Rs.11,088,000 has been submitted by the Department of Buildings for the completion of the remaining work on the building. Although the air conditioning units have not yet been installed due to the unfinished construction, water supply to the institution has been provided through the new water tank.

3.3 Management of Vehicle fleet

Audit Observation	Management Comment	Recommendation
<p>The Hillux double cab vehicle, registered under a project operated with foreign funds managed by the Sri Lanka Agricultural Research Policy Council, has been subjected to unauthorized use for the past 20 years because it was not transferred to the Council after the project's completion.</p>	<p>A report from the Commissioner General of Motor Traffic confirmed that the cab bearing registration number JW 3904 is currently owned by M/S ICRAF (World Agro Forest Centre) Sri Lanka, with the registered address listed as CARP-Tree Domestication Project, 114/9, Wijerama Mawatha, Colombo 07. Therefore, a copy of the agreement related to this project, along with an annex, has been submitted to the Attorney General's Department to clarify the legal feasibility of transferring the vehicle bearing registration number JW 3904 to the Council. Furthermore, a letter dated 2023.08.23, submitted to the Council by Professor D.K.N.G. Pushpakumara, states that this cab was handed over on 2023.08.03 for use in a project jointly operated by the ICRAF organization and the Ministry of Irrigation, Environment, Forest Resources, Plantation Crops, and Agriculture.</p>	<p>The vehicle should be taken over to the council.</p>