Sri Lanka Council for Agricultural Research Policy – 2024

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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 2024 comprising the statement of financial position as at 31 December 2024 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.

Except for the impact of the matters set out in paragraph 1.5 of 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 2024, 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 the Qualified Opinion

I express an qualified opinion on the financial statements based on the matters set out 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 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 Accounting deficiencies

Audit Observations	Comment of the Management	Recommendation
Since the international training expenses of Rs.3,431,409 relating to the years 2022 and 2023 identified in the year 2024 were included in the expenses of the current year, the expenses of the current year were overstated by that amount.	Agreed. Actions will be taken to account for the accrued expenses as indicated by the audit in the preparation of the next final accounts.	Adjustments should be made to the accumulated fund for the previous year's expenses.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comment of the Management	Recommendation
Sections 380(2) and 446 of the Financials Regulations of the Democratic Socialist Republic of Sri Lanka	The Policy Council had not obtained approval from the Treasury to open the 02 savings accounts maintained at the Independence Square Branch of the Bank of Ceylon and a cash book had not been maintained for the transactions carried out in them.	It was difficult to find the documents related to the approval to open the two savings accounts maintained at the Independence Square branch of the Bank of Ceylon, and I will take steps to obtain approval from the Treasury for this. I will also prepare a computerized cash book for the transactions carried out in them, and in the future I will take action as indicated by the audit.	Bank accounts must be opened with the approval of the treasury and Cash books must be maintained for that.

1.7 Money Management

	Audit Observations	Comments of the Management	Recommendation
(a)	The bank account related to the project established with financial assistance from a Kenyan research center for the training program on "Agroforestry" implemented under the Memorandum of understanding between the international center for Research on agroforestry (ICRAF) and the Sri Lanka Council for Agricultural Research	When the Secretary/ Director of the Council informed the Manager of the Bank of Ceylon Torrington Branch and suspended the account on 13.01.2015, there was a balance of Rs.1,232,754 on	The Criminal Investigation Department should be informed the current situation and the bank balance should be remitted to the Treasury.

	policy, had been suspended as of January 13,2015 and an investigation had been referred to the Criminal Investigation Department for investigation, but no follow up had been made or the balance of Rs.1,232,755 in the bank account had been transferred to the Council and remitted to the Treasury.	that date. Since the Criminal Investigation Department is conducting an investigation, the balance in the account cannot be transferred to the Council until the decision is received, and there for it has not been possible to remit it to the Treasury.	
(b)	Despite the Council having the power to invest money in securities, without investing money in any securities , as of December 31,2024,the council had a balance of Rs.16,819,173 in its 02 savings accounts and a balance of Rs.12,218,219 in its current account	After analysing the expenses, identify the excess amount and invest it in a more profitable investment method, taking further action after obtaining the recommendations of the Audit and Management Committee and the approval of the council board for the same.	Excess money should be invested.

2. Financial Review

2.1 Financial Result

The operating result for the year under review amounted to a surplus of Rs.8,895,577 and the corresponding deficit in the preceding year amounted to Rs.19, 919,221. Accordingly, an increase of Rs.28, 814,798 in the financial result was observed. The reason for the development is the increase in grants from the treasury.

3. Operational Review

3.1 Operational Inefficiencies

	Audit Observations	Comment of the Management	Recommendation
(a)	As per the Cabinet Decision No. ඇමෙ/17/1992/728/034 dated 04 October 2017, approval was given to send 150 researchers to pursue a Master of Philosophy (Ph.D) degree. As of the year under review, out of the 79 researchers sent at a cost of Rs.519,537,383, Rs.204,463,543 had been spent on 31 who had not completed their degrees, while 29 of them had only completed their	The institutions had sent only 08 researchers on organic agriculture and mechanization based on their needs, while the research of the officers had also been directed to other necessary areas such as agricultural economics and agricultural knowledge extension. Despite spending Rs.5 million from 2018 to 2024, the stipend was not paid to the children in Sri Lanka. The recovery of the overpaid stipend is	The money should be collected from officers who did not complete their degrees within the stipulated time and remitted to the treasury.

	studies and reported back to work for a period of 1 to 4 years, but had not completed their research for the degree. One undergraduate candidate was still engaged in studies and one undergraduate candidate had stopped his studies despite an expenditure of Rs.530,608. Although the time given to scholars to complete postgraduate courses by the Cabinet Decision No. ඇමඇ/22/1509/612/021 dated 18 October 2022 ended on 31 December 2024, no action had been taken to recover the amount from the officers who had not completed the courses.	currently being recovered from those officers in monthly installments over a period of 05 years as per the instructions of the Secretary of the Ministry of Agriculture. Due to the Covid 19 pandemic, many students in the year 2020 had to stop their studies and return to Sri Lanka, and due to the shortage of officers in the institutions of those officers, the time to complete their degrees was extended due to their studies being carried out from Sri Lanka itself. As of 31.12.2024, 29 students have completed their studies only, and have completed their research and published their research papers in journals. The research papers have been given for publication. One student has already started his research work. It has been informed that the amount of Rs.530,608 due to a degree candidate from the council was paid by the Department of Agriculture after the conclusion of the current case for the Public Service Commission for him.	
(b)	According to the National Agricultural Research Plan, annual reports books containing data on the number of research conducted at agricultural research institutions, financial allocations for research, information on research officers, scientists and other staff and the physical resources owned by the institutions, had not been issued after 2021.	According to the National Agricultural Research Plan, the information system for agricultural researchers could not be completed for the years 2022 and 2023 due to the failure of the National Aquatic Resources Research and Development Agency (NARA) to provide information related to the years 2022 and 2023.	Annual report books must be issued as scheduled.
(c)	Although Rs.2 million and Rs.2.28 million were allocated from the annual budget for local postgraduate training courses in 2023 and 2024, the actual cost incurred was Rs.330,000 and Rs.484,723 respectively, which was a meager 20 percent. In 2025, Rs.2 million was also allocated for postgraduate	Postgraduate training for researchers in the National Agricultural Research System (NARS) is a main function of the Sri Lanka council for Agricultural Research Policy Therefore, the National Agricultural Research System provides an opportunity for research staff working in the National Agricultural Research System to	Training opportunities for courses should be created and supervision and guidance should be provided to achieve those objectives.

training courses. From 2021 to 2024, the number of officers selected to pursue the local postgraduate course was 33, while the actual number of students pursuing the degree course was only 8. This is 24 percent as a percentage. Although postgraduate training for researchers in the National Agricultural Research System (NARS) is a priority function of the Sri Lanka council for Agricultural Research Policy, as per the function assigned under Section 10 (l) of the Sri Lanka Council for Agricultural Research Policy Act No. 47 of 1987, the institution had not achieved an adequate level of performance in terms of its objectives.

undergo training for MSc (research-based), MPhil or PhD courses in national universities. The institution expects to send at least 10 officers per year for this purpose.

Accordingly, although 07 officers were selected for the same in the year 2021, only 02 officers successfully completed their studies. In the year 2022, 03 officers were selected and 02 of them are currently studying while the other officer returned the money and resigned from the institution.

07 officers were selected for the 2023 program and are currently studying. 03 officers have been informed that they are unable to accept this opportunity due to health problems, problems in obtaining leave to obtain data for field research, and obstacles to engaging in research with a thesis due to busy personal and work life.

02 other officers were pursuing their degrees at their own expense at the time of selection for this scholarship.

16 people were selected in the year 2024 and 03 of them are currently pursuing their studies at the Postgraduate Institute of the University of Peradeniya. 02 officers have been informed that they are unable to pursue their studies due to personal reasons.

kindly inform that the funds will be approved for the officers selected for this program and the remaining funds will be sent back to the Treasury.

Since some universities require concept papers to be approved for research-based postgraduate degrees, researchers have attempted to do so with their assigned supervisor.

3.2 Defects in Contract Administration

Audit Observation	Comment of the Management	Recommendation
The contract for the construction of a part of the building housing the Policy Council was awarded to the Department of Buildings in 2019 for Rs.12,300,000 and although the completion date as per the terms of the Memorandum of Understanding was 30 April 2020, the work had not been completed by 31 January 2025, the audit date. As of 14 September 2023, although the value of the certified works related to this construction was Rs.10,268,044, an amount of Rs.12,217,303 had been paid in excess of the value of the certified works, resulting in an excess of Rs.1,949,259. A recent engineering estimate had suggested that an additional amount of Rs.11,088,000 would have to be incurred to complete this project as per the plan, and due to the project not being completed, the economic objective had not been achieved to date.	An agreement was signed with the Department of Buildings in 2019, but due to the lack of funds allocated for the completion of this work in 2020 and 2021, it has not been possible to complete this construction within the agreed period. The Department of Buildings has recovered the amount due of Rs.819,143 due to the delay of the contractor. Due to the lack of funds and the inability to complete the construction work within the agreed period due to the Corona pandemic in the country in 2021/2022, the remaining amount to complete the work is Rs.11,088,000. By the letter dated 2021.12.10, the Department of Buildings has deducted the amount of Rs.4.11 million that had been paid at that time from the agreed amount of Rs.12.3 million and sent the remaining amount of Rs.8.1 million to the Department of Buildings.	Necessary actions should be taken to complete the building work.

3.3 Management of Vehicle fleet

Audit Observation	Comment of the Management	Recommendation
Toyota cab received by the Sri Lanka council for Agricultural Research Policy Council and the CARP-ICRAF Tree Domestication Project had not been handed over to the Policy Council even though the relevant project had been completed by 31 December 2022. The then Coordinating Scientist of the project had taken the vehicle for personal use without any notification that he was taking it. Also, as per the letter dated 24 July 2024 submitted by the Chief	The cab bearing number JW3904 was registered as M/S ICRAF WORLD AGROFOREST CENTRE,SRI LANKA, and the address of the current owner was stated as CARP – ICRAF TREE DOMESTICATION PROJECT, 114/9, WIJERAMA MW, CO. 07 as per the letter dated 14.06.2023 of the Department of Motor Transport. However, since the Sri Lanka council for Agricultural Research Policy was not registered as its owner, it has not been possible to take over the vehicle and account it as an asset in the vehicle register of the Policy Council.	Necessary action should be taken to take over the vehicle illegally and legally seize the vehicle from the council.

Executive Officer of the ICRAF Sri Lanka Office, the said person had handed over the vehicle to the ICRAF Sri Lanka Office on 03 August 2023, but no steps had been taken to take it over to the Policy Council.

It has been informed that this cab has been handed over to the ICRAF Sri Lanka office by the Sri Lanka Coordinating Scientist of the said project on 03.08.2023. The ICRAF Sri Lanka office had illegally entered the ICRAF Sri Lanka office's information as the name and address of the owner of this vehicle in the Department of Motor Traffic's computer system.