

**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the Postgraduate Institute of Agriculture for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 material accounting policy information, 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 accompanying financial statements give a true and fair view of the financial position of the Institute 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 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 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 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, Regulations, and Management Decisions.

	<b>Reference to laws, rules, regulations etc.</b>	<b>Non-compliance</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a)	Section 11 of the Finance Act No. 38 of 1971.	Although all excess funds of the Institute should be invested with the prior approval of the appropriate Minister and the Minister of Finance, such action had not been taken in the investment of the excess funds of Rs.819,261,843.	Due to the practical difficulties in making fixed deposit investments with the approval of the Minister of Finance, the investment was made with the approval of the Governing Council of the Institute.	According to the provisions of the Finance Act, excess funds should be invested on the formal approval.
(b)	Guidelines on Advance Personal Income Tax (APIT) No. SEC/2023/E/01 dated 29 March 2023 of the Department of Inland Revenue.	Although the amount of Advance Personal Income Tax (APIT) payable to the Department of Inland Revenue on behalf of Board Members and External Lecturers for the year under review was Rs.6,906,981 and out of this, an amount of Rs.6,187,630 had been underpaid to the Inland Revenue Department.	This problematic situation has now been resolved by the Board Members and the External Lecturers had been classified as independent service providers and action has been taken to recover a tax rate of 5% applicable to that service from them accordingly.	Action should be taken in compliance with relevant Circulars.
(c)	University Grants Commission on Establish	A sum of Rs. 8,059,989 had been paid as salaries and allowances during the year under review without confirming the arrivals and	The functions of the Director will not be limited to eight hours. The service is provided on holidays and outside	Action should be taken in accordance with the provisions of the circular.

	ment Circular Letter No. 10/2017 dated 10 July 2017	departures of the Director of office hours when the Institute through necessary. fingerprint machines.	
(d)	University Grants Commisio n Letter No. UGC/L/20 20 dated 18 May 2018	Although it is stated that the total members of the Board of Management of all postgraduate institutions should be limited to a maximum of 11 members, a Board of Management consisting of 12 to 25 members has been appointed and participation allowance of Rs.2,390,759 had been over paid during period of 2019 to 31 December 2024 for 42 meetings	This matter will be submitted for the Governing Council of the University of Peradeniya and University Grants Commission and necessary action will be taken in this regard
(e)	University Grants Commissi on Circular No. 15/2018 dated 26 November 2018.	An amount of Rs. 1,038,600 had been paid to the Employees' Agrahara Insurance Trust Fund between August 2020 and December 2024 without the obtaining the approval of the Department of Public Enterprises of the General Treasury.	The contributions of the Institute for the Employees' Agrahara Insurance Scheme had been paid with the approval of the Governing Council in accordance with the relevant circular.
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## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review amounted a surplus of Rs. 4,727,072 and the corresponding surplus in the preceding year amounted of Rs. 92,669,656. Therefore a deterioration amounting to Rs. 87,942,584 of the financial result was observed. Not receiving any recurrent grant from the Government and increase of external lecture fees had mainly caused to this deterioration.

### 3. Operating Review

#### 3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) An agreement had been signed with a private institute on 14 August 2017 for the establishment of an accounting computer system for Rs. 2,100,000 and an advance payment of Rs.1,050,000 had been made on the same day and despite more than 8 years had elapsed, the functions of installation of the computer system had failed to be completed.	The installation of the accounting system had been delayed due to issues about the accuracy of accounting activities, and actions are being taken to install the system as soon as possible.	Necessary actions should be taken to complete and utilize the computer system.
(b) According to the Annual Action Plan, none of students had been registered for 05 postgraduate and diploma courses to be implemented during the period from the year 2022 to the year 2024, and the management had failed to implement 02 courses of MSc / Master in Tropical Agriculture and MSc / Master in Tropical Soil Management from the inception of the Institute to the end of the year under review.	Actions are being taken to attract students to these courses, which are targeted at foreign students, through attractive course fee structures and digital advertising methods.	Action should be taken to enroll students for all courses at maximum capacity and implement.