

## **National Institute of Post Harvest Management - 2018**

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### **1.1 Qualified Opinion**

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The audit of the financial statements of the National Institute of Post Harvest Management for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 the Financial Act No. 38 of 1971 . My comments and observations which I consider should be report 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 financial statements give a true and fair view of the financial position of the National Institute of Post Harvest Management as at 31 December 2018, 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 Qualified Opinion**

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My opinion is qualified based 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**

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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 Institution 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.

#### **1.4 Audit Scope ( Responsibility of Auditor in Auditing Financial Statements)**

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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 Institute'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 to cease to continue as a going concern.
- Evaluate the 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 it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Financial Statement**

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### **1.5.1 Internal Control over the preparation of Financial Statements**

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Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with Management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with Management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

### **1.5.2 Non- compliance with Sri Lanka Public Sector Accounting Standards**

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#### **Non-compliance with Reference to Applicable Standard**

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Although the assets amounting to Rs. 118,207,445 shown under plant and equipment as at 31 December in the year under review had been fully depreciated in terms of Paragraph 42 of Sri Lanka Public Sector Accounting Standard No. 07 and also these assets are still being used, actions had not been taken rectify and adjust the estimated misstatement in accounts as per the Sri Lanka Public Sector Accounting Standard No.3 .

#### **Comments of the Management Recommendation**

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All assets, except buildings, have been revalued by now and all of them will be adjusted through the final accounts 2019 .

Arrangements should be made in accordance with Sri Lanka Public Sector Accounting Standards.

### 1.5.3 Accounting Deficiencies

#### Audit Observation

#### Comments of the Management

#### Recommendation

- | Audit Observation   | Comments of the Management  | Recommendation   |
|---|---|--|
| <p>(a) Although the amount of Rs. 3,058,500 received from the sale of the Noodles Plant in the year under review should be shown as cash inflows under the investment activities of the cash flow statement, it had not so specified. Similarly, even though the received capital funds were Rs. 18,006,533, since the received capital funds were shown as Rs. 20,029,336 when computing net cash flow from financing activities, the net cash flow received from finance activities had been overstated by Rs. 2,022,803.</p> | <p>This amount has been stated under the payables as payable to the General Treasury and this will be corrected when submission of comparative information whilst preparation of financial statements for the current year.</p> | <p>Accurate cash flows should be stated in the cash flow statement</p>   |
| <p>(b) Even though a sum of Rs. 27,020,326 had been shown as the amortization within the income in the year under review, the depreciation amounted Rs. 7,963,000 pertaining to revalue of vehicles which should not be considered whilst computation, had been included.</p>   | <p>Steps will be taken to re-adjust the amount of depreciation pertaining to the revalued vehicles to the Accumulated Fund</p>  | <p>Only the depreciations to be applied to assets for the amortization should be stated in the accounts.</p>                                 |
| <p>(c) Even though the laboratory materials valued at Rs.10,290,742 had been released from the store to the laboratory during the year under review, the balance stock of the laboratory had not been computed and taken into the financial statements as at 31 December of the year under review.</p>  | <p>Accounting for the materials issue to the laboratory as expenditure is the current accounting policy of the Company.</p>   | <p>Actions should be taken to assess the value of unused stock remained in the laboratory as at 31 December in the financial statements.</p> |

- (d) The amount worth of Rs. 3,058,500 received from selling of a noodles machine cost at Rs. 29,110,000 during the year under review had been shown under non-current liabilities in the financial statements without computing the profit and loss associated with the sale of that asset.
- Even though the noodles machine was sold in the year 2018, it is kindly informed that the computing of the relevant profit and loss thereon and disposal of assets will be carried out in the current year.
- Identify the profits / losses of selling of the assets and adjust them to financial statements.

#### 1.5.4 Unreconciled Control Accounts or Reports

Item	Balance as per the financial statements	Balance as per the corresponding records	Difference	Comments of the Management	Recommendation
-----	Rs.	Rs.	Rs.	-----	-----
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General Fund	131,636,167	114,690,472	16,945,695	} Balance shown in the financial statements of the General Fund and the PAYE Tax / Withholding Tax Account were accurate and the notes to the ledger were wrong. The balance of the Accumulated Deficit was accurate as per the financial statements.	} Ledger account balance and the financial statement balance should be equal.
Accumulated Deficit	98,340,039	83,101,167	15,238,872		
PAYE Tax/ Withholding Tax	303,612	117,476,	186,136		

### 1.5.5 Suspense Accounts

<b>Item</b>	<b>Amount Rs.</b>	<b>Uncertain Time Period</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Suspense Account	201,091	03 Years	Comments has not been given.	Actions should be taken to identify the difference and dispose or to adjust accounts.

### 1.5.6 Improper Evaluation or Estimation

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Even though a total of Rs. 27,500,000 had been estimated for 03 revenue items during the year under review, since only a sum of Rs. 1,515,632 could have been able to achieve from that target, the Institution had failed to collect a revenue of Rs. 25,984,368 .	It is mentioned that this is due to the failure of functioning of three types of income items as estimated.	Budget Estimates should be prepared based on accurate information after carrying out a proper study.

### 1.6 Accounts Receivable and Payable

#### 1.6.1 Accounts Receivable

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Two balances totalled to Rs. 993,158 had remained as receivable in accounts ranging from the year 2003 and 2016 and it was observed that there were officers presently in service and the deceased people as well included in the balance. To identify and settle these balances or Action had not been taken as per financial regulations.	Inquiries have been made in writing on the balance receivable from the Ministry of Mahaweli and because there is no possibility finding of the debtor control account balances easily actions will be taken to check and settle.	Necessary steps should be taken to recover the outstanding balances which had remained for long without delay.

## 1.6.2 Payables

----- <b>Audit Observation</b> -----	----- <b>Comments of the Management</b> -----	----- <b>Recommendation</b> -----
<p>(a) Actions had not been taken in respect of 03 balances which had remained unsettled ranging from the year 2011 to 2017 totalled to Rs. 695,730 to pay off or to take into the revenue in terms of the Financial Regulations.</p>	<p>It is kindly informed that the necessary actions will be taken to settle it in future.</p>	<p>These balances that have not been settled in the long term should be settled immediately or if there are no liabilities, necessary arrangements should be made to take into income.</p>
<p>(b) The beneficiaries contribution received from the sale of paddy boiling aluminium equipment that had been given to the beneficiaries on concessionary basis under the development projects amounted to Rs. 4,318,284 had remained as a current liability in the financial statements since 2009 without remitting to the Line Ministry.</p>	<p>It is kindly informed that arrangements will be made to pay off the as per the financial position in future.</p>	<p>Actions should be taken to settle this outstanding balance that had not been settled for 09 years.</p>
<p>(c) Arrangements had not been taken in respect of the amount received during the year under review from the sale of debris and charges of breaching of bonds totalled to Rs. 4,929,799 to the Consolidated Fund</p>	<p>It is kindly informed that the arrangements will be made to pay off in future as per the financial position.</p>	<p>This money should be sent to the Consolidated Fund without delay.</p>

## 1.6.3 Advances

----- <b>Audit Observation</b> -----	----- <b>Comments of the Management</b> -----	----- <b>Recommendation</b> -----
<p>Actions had not been taken so far to recover the sub - imprest for travelling expenses and sub imprest balances of the Head Office which had paid during the period ranging from 02 to 15 years amounted to Rs.99,996 .</p>	<p>Actions have been taken to recover the balance of the imprest account from the relevant officers and since the rest of the balance is not easily found it is informed that the necessary actions will be taken to examine and settle them.</p>	<p>Actions should be taken to recover these advances which had taken long time, without delay.</p>

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
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**(a)** Financial Regulations of the Democratic Socialist Republic of Sri Lanka

No. 1645

Even though signatures should be made in running charts when using vehicles for duties by the officers, the signatures had not been made by the officers so, at 28 occasions by the officers who had used two vehicles.

Drivers and officers have been made aware of this situation.

Arrangements should be made in accordance with the provisions of the Financial Regulations.

**(b)** Public Finance Circular No. 2015/ 01 dated 14 July 2015

Although the advance should be paid within 10 days of the completion of the task, the advances obtained at 17 occasions had been settled in delay ranging from 01 month to 06 ½ months.

Majority of the Research and Development activities of the Institute are carried out by obtaining advances. Similarly, all the officers in the academic and research category are obtaining advances and also take a few advances at the instance they have some work and it is informed that in some cases it has been settled in delay and steps are being taken to mitigate this situation.

A proper procedure should be followed to recover the advances provided without delay.



## 2. Financial Review

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### 2.1 Financial Results

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Operating results of the year under review was a deficit of Rs. 15,238,872 and corresponding deficit of the preceding year was a sum of Rs. 8,193,073 . Accordingly, a deterioration of Rs. 7,045,799 in the financial results was observed . Even though the Revenue for the year under review had increased more than the preceding year, increase in supply and service expenditure and miscellaneous expenses for the year under review had mainly attributed this deterioration.

### 2.2 Ratio Analysis

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The Current Assets Ratio of the preceding year was 1: 1.22 and it had deteriorated as 1: 0.96 in the year under review. Increase in accrual expenditure by 26 per cent as compared to the previous year had mainly attributed this deterioration.

## 3. Operating Review

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### 3.1 Management Inefficiencies

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Audit Observation	Comments of the Management	Recommendation
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(a) The Board of Directors had decided to allocate a vehicle with 150 litres of fuel per month for a non-executive member of Board of Directors who is not entitled to an official vehicle as per the Circular No. PED 01/2015 of the Secretary to the Ministry of Finance dated 25 May 2015. However, an assignment of duties had not been made regarding the revenue promotion activities and the revenue targets also not been given and a sum of Rs. 1,540,869 had been incurred from the funds of the Institute for him for the period from April 2017 to the end of the year under review as vehicle maintenance, fuel and salaries and allowances of the driver.	Mr. Priyantha Jayatissa has been appointed as Chairman of Revenue Generating Committee appointed by 138th Board of Directors on 14 July 2017. According to the request made by him, the approval has been given to oversee revenue generating activities for a period of six months by 140 Board of Directors and having considered the generating of the revenue of the previous year to reissue of the vehicle at 143 the Board of Directors.	Provide them with an assignment on what the revenue goals are and actions should be taken to reserve a vehicle only for carrying out the duties. Also, the approval of the Secretary to the Ministry should be obtained.

(b) A Senior Research Officer of the Institute had obtained study leave with pay on the bonds of Rs. 1,998,980 from 23 July 2006 to 29 July 2009 to follow a doctorate and although he had to serve to the Institute from 29 June 2009 to 29 June 2019 as per the bond signed and, though he had reported to work and commenced his duties on 29 June 2009 after completing his doctorate, without serving for 10 years he had left the service on 07 January 2016. However, actions had not been taken to recover the loss occurred by the Institute by breaching the above bond.

The Additional Director (Administration & Finance) visited the Department of Public Enterprises personally to look into the matter and It has been informed that the matter has been referred to the Legal Division and will be informed to the Institution immediately.

Steps should be taken without delay to recover the loss occurred to the Institution in breaching of the bond.

(c) Efficiency Bar Examinations have not been conducted by the Institute of Post Harvest Technology as per the approved Scheme of Recruitment for the any category of service from the beginning to the end of the year under review and it had been continued to make permanent of service, promotions and providing salary increments after completion of three years of service period of the officers who were in the probation period.

This was discussed at the Executive Committee meeting chaired by the new Chairman of the Institute and since there is a small number of employees in the Institute, the possibility of participating in examinations conducted by the Government Departments of Examination was discussed. Inquiries from the examination institutions have been made and actions will be taken as soon as the answer is received.

As discussed in the Audit and Management Committee of the Ministry the Efficiency Bar Examinations should be held without delay.

(d) The accounting software that had been installed for the accounting activities of the institution incurring a sum of Rs. 240,000 had not been used for the purposes such as inclusion of assets and liabilities, preparing bank reconciliation statements.

Currently, the activities such as preparation of bank reconciliation statements has been commenced.

Accounting software should be used at maximum capacity.

### 3.2 Operational Inefficiencies

Audit Observation -----	Comments of the Management -----	Recommendation -----
<p>(a) Even though the Annual Action Plan of the Agriculture Crops Supply and Value Chain Management Project in Sri Lanka which was scheduled to be implemented from 2017 to 2019 had been revised three times, conduct preliminary inspections to identify supply chains in relation to agro products in Sri Lanka, which is a key activity of the project and the activities of identifying the risks occurs through incorrect post harvest handling of the agro production process had not been included in the lastly revised Action Plan.</p>	<p>Although the obtaining data on agro products through the officials of the Department of Agrarian Services in relation to the first activity of year 2017 has not been completed, the activities related to this were carried out under the first activity of the year 2018.</p>	<p>When planning annual activities, these tasks should be carried out in accordance with the objectives.</p>
<p>(b) Although 100 GPS Trackers Units had been purchased on 05 April 2018 at a cost of Rs. 1,290,000 to analyze the vehicles transporting vegetables and fruits from farmer to retail merchant, 98 of those devices had remained in the store even by 15 November 2019, the date of the audit and the remaining 2 GPS trackers had been obtained for another research project. A sum of</p>	<p>Data sim had to be fixed to operate GPS trackers and those should be obtained separately from a mobile phone company and actions were taken to purchase of Data Sim in respect of function of these machines and although the purchase order was sent in October 2018, the supply was not occurred until the end of</p>	<p>Purchases should be carried out with the right planning by identifying requirements.</p>

Rs. 600,000 had been paid for the installation without the installation of that equipment.

the year.  
Necessary arrangements have been commenced.

(c) A 100 temperature data loggers had been purchased for Supply and Value Chain Management Project in Agricultural Produce at a cost of Rs. 4,680,000 for the year under review and 70 out of them had remained in idle even by the date of the audit and the 30 temperature data loggers that were issued had been utilized for other research projects of the Institute. It was observed that the remaining of such a sensitive electronic equipment in the warehouse for more than a year would be at a risk to jeopardize its operation.

These instruments were purchased to conduct the study for the temperature variation in the transport of agricultural crops from farmer to retailer. However, the studies for collection of data were delayed by a considerable time.

Purchases should be done with the right planning and identification

(d) Although the progress of all research projects should be reported to the Research Committee twice a month for all research projects in accordance with the Research Guidelines, the final Research Progress Report released by the Crop Supply and Value Chain Management Project in December 2018. Further, although the Project was in progress until 2019, the project was not included in the ongoing researches in the year 2019 and there was no need for funding for this project even in the 2019 Budget. Accordingly, the project carried out incurring a sum of Rs. 7,292,832 was a futile expense.

These instruments were purchased to study the temperature variation in the transport of agricultural crops from farmer to retailer. However, data acquisition studies were delayed for a considerable time.

Action should be taken to obtain relevant project reports on time.

- (e) Even though the activities needed for the promotion of for the fruit ripening methods called “Induction of Fruit Ripening by Organic Methods” had been stated in the activities of the final year, all the equipment relevant to that had been purchased during the year that the Project commenced or in the first year of the Project incurring a sum of Rs. 9,572,717 and all of those equipment had been utilized for other research projects of the Institute. Similarly, it was also observed that 10 desk tops, 05 lap tops and 05 tablets purchased for the project were being used in other divisions of the organization without using for the purposes of the Project..
- The main researcher had resigned from the service of this project and the research had not been completed by that time. The main instrument for this research was the Gas Chromate graph (GC). All the gas analyses in this research were carried out by this instrument. In addition, this tool has been used for all research analyzing post-harvest quality.
- Purchases should be made identifying the requirements.
- (f) Although the progress of all projects should be reported once in every two month in accordance with the Research Guidelines of the above Project, the Progress Reports of the above Project had not been submitted after the month of December 2017 even up to 15 November, the date of the audit. Even though a sum of Rs. 9,572,717 had been spent on this research for the purpose of obtaining the patent for the findings of this Research and disseminating the results of the research on a commercial scale, it was observed that the physical progress of that was at a lower level at present.
- Although obtaining the patent should be done for the final product as specified in the Research Proposal, it was observed that the results of the research were inadequate for the commercial propagation of the finished product. The entire laboratory process of the research has been completed.
- Progress of projects should be submitted in due course as per the Research Guidelines.

(g) Five hundred samples tests that had been carried out at a cost of Rs 1,956,120 in the year 2017 for the project implemented to ascertain whether the 04 types of heavy metals contained in 07 foods import under the National Food Production Programme by the provisions of the Ministry of Agriculture. According to the project report, which included those tests, had been ascertained that certain foodstuffs had exceeded the maximum safety standards, including heavy metals such as Cadmium, Arsenic and Lead. However, as per the conclusions and proposals of that report, the Institute had not conducted further examination on the food items contain heavy-metals and provided information to all parties responsible for the proper remedies. As a result, it was observed in audit that the cost incurred for the Research was a futile expense. In addition, a sum of Rs. 5,350,000 had been reimbursed from the Ministry of Agriculture for the expenses of the Project.

Although the project was planned for two years 2017/2018 through the results obtaining as agricultural and economical from an examination and study conducted on heavy metals in imported food and local food and also it has been decided that it is best to proceed with this project by looking at the results of the project proposals for 2018, observing the 500 samples tested in the year 2017, due to non-availability of funds for the year 2018, the activities of the Project was not implemented.

As it has been confirmed that there were food consisted of heavy metals as per the conclusions and the suggestions of the report, all responsible parties should be directed to take appropriate action.

(h) Even though the laboratory had been modernized purchasing of equipment incurring a sum of Rs. 61.6 million during the year 2015 for the modernization of Laboratory belonging to the Institute as an internationally recognized laboratory, due to the lack of internationally accredited certificates for that Laboratory, it had failed to gain recognition

Purchasing some of the essential equipment and renovating the laboratory was carried out in 2015. The research papers were published in local as well as international reputed journals such as Elsevier. However, the samples need to be tested from accreditation certified laboratories only for the

Actions should be taken to obtain International accreditation required for conducting research as per international laboratory standards.

for researches carried out by this Institute. Even though the agreements had been entered into amounting Rs. 1,236,664 to service the machines twice (2018/2019) in the year under review, it was observed that the interruptions would be occurred for the function and the durability of the machines due to the failure of carrying out service by now.

export of food products from Sri Lanka to foreign countries. Accordingly, it is planned to be completed by the end of 2020.

- (i) Within the objectives of the establishment of the Institute, the minimization of the loss of post harvest in agricultural crops was a main objective and as per a preliminary survey conducted in 2009 for that, the loss of post harvest in agricultural crops were recognized remaining in between 30 per cent and 40 per cent. Even though about 09 years had elapsed by the end of the year under review and there were no database to identify the extent to which post harvest losses were minimized as a percentage at the moment.

An investigation has been carried out to determine the post harvest losses of bean and banana crops in the year 2013 and these data have been published and a field survey for determining the post harvest losses of major crops which had agro economic value has been started and is currently being carried out.

The documents should be maintained to enable to identify the extent to which the loss of livestock was mitigated.

- (j) The Gas Chromatograph Mass Spectrometer (CGMS) Machine which had been purchased for a Rs. 15,216,575 in the year 2015 and operates at full air condition atmosphere incurring with a maintenance cost of Rs. 275,000 per year had been remained in idle without being used for any purpose of the Institute until now.

It has been planned to be used for research purposes in the next year.

Actions should be taken made use of this machine in the Institute or if it is not possible, it should be provided to another productive institution.

(k) Even though as a result of researches carried out by the Institute since 2009 , patents had been obtained for 08 inventions, due to the any required information were not provided to audit to ascertain the contribution made to the economy of the country through the field of agriculture and post-harvest from those findings, it was observed that the results of the researches were limited to obtain patents.

A committee named the Research Socialization Committee has been appointed and analysing the completed researches through the Committee and these are expanded through the Research Technology and Advertising Division which has the capability to provide to the industry . Similarly, a few selected technologies were published in a newspaper advertisement and a workshop was held for interested people and the technology was provided to the industry. Under this program there was an opportunity to socialize three technologies.

As the organization's contribution towards achieving the main objectives of the organization is insufficient, proper attention should be drawn in respect of these matters .

### 3.6 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) The staff should not be recruited without obtaining the prior approval from the Department of Management Services in terms of to paragraph 11 of the Management Services Circular No. 03/2018 of 18 July 2018 and although the Head of the Institute and the Head of the Finance Division are responsible for the recruitment carry out without following the instructions, 10 casual workers were recruited in contrary to that and a sum of Rs. 914,428 had been paid as salaries and allowances from September 2018 to 31 December .</p>	<p>Interviews have been conducted and recruitments have been made for the additional Director (Research &amp; Technical Publicity) and Chief Research Officer.</p>	<p>Actions should be taken in terms of the Circular</p>



(b) The posts of Director, Deputy Director (Research & Development) and Senior Research Officer of the Institute had been in vacant since the beginning of the year under review and 07 technical staff including the above officers were in vacant by the date of the audit,

Further, necessary steps have been taken to publish newspaper advertisements and to recruit. Out of which the main posts such as Director, Additional Director (Research & Technology Extension), Chief Research Officer and Chief Extension Officer had been recruited. Other candidates who have qualified had not appeared and newspaper notifications have been published again and it is in due to be recruited shortly after the Presidential Election.

Actions should be taken to fill the existing vacancies immediately.

#### 4. Accountability and Good Governance

##### 4.1 Submission of Financial Statements

Audit Observation	Comments of the Management	Recommendation
<p>Although the Annual Financial Statements of Statutory Boards should be submitted to the Auditor General within 60 days of the end of the year in terms of Section 6.5.1 of the Public Enterprises Circular No. PED / 12 dated 02 June 2003 and Treasury Circular No. 01/2004 dated 24 February 2004, the financial statements for the year 2018 were submitted to the Auditor General on 02 October 2019 .</p>	<p>Although the preparation of financial statements have been completed by 30 April 2019 and although it has been presented to the first meeting of the year 2019; 149<sup>th</sup> Board of Directors held on 03 July 2019 , with the advises of that and recommendation of its Audit Management Committee it has been presented to the 151<sup>st</sup> Board of Directors on 29 July 2019. After the receipt of the approval for the recommendations of the 151<sup>st</sup> Board of Directors on 30 September 2019, it was submitted to the Auditor General immediately.</p>	<p>Financial statements should be submitted to the Auditor General within 60 days of the end of the financial year</p>