

1.1 Opinion

The audit of the financial statements of the Postgraduate Institute of Agriculture for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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. My comments and observations which I consider should be submitted 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 Postgraduate Institute of Agriculture as at 31 December 2019, 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 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 intends 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 Scope of Audit (Auditor's Responsibility on 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 Company'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 board 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 Financial Statements

1.5.1 Internal Control over the preparation of financial statements

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. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Circular no. NP/SP/SDG/17 of Secretary of the Ministry of National Policies and Economic Affairs dated 14 th August 2017 and the United Nations 2030 "Agenda" on sustainable development.	The Institute had not been acted to identify/establish sustainable developmental goals and targets as of even the year under review.	The Sustainable Development Goals are included in the Action Plan approved in 2020.	Action should be taken in accordance with the Circulars.
(b) Section 4.2.1 of the Procurement Guidelines	The procurement plan prepared by the institute for the year 2019 had not been prepared in accordance with the relevant format. As a result, it was not possible to check whether the procurement process had been carried out in order of priority and within the stipulated time.	Steps will be taken in future to use the format of the Procurement Guidelines in preparing the Procurement Plan.	Action should be taken in accordance with the Procurement Guidelines.
(c) Paragraph 8.2.2 of the Public Enterprises Circular bearing No. PED / 12 of 02 nd June 2013	Although all excess money should be invested in fixed deposits, treasury bills and short-term deposits on the prior approval of the Minister of finance, on the contrary, an amount of Rs.48,000,000 had been invested in fixed deposits during the year 2019 without approval.	Invested as on 31 st December 2019 as per the circular No.04/2019 of the University Grants Commission. The approval has been obtained from the 57 th of Finance Committee and the Management Committee held on 31 st January 2020.	Action should be taken in accordance with the Public Enterprises Circular.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.61,357,388 and the corresponding surplus in the preceding year amounted to Rs.92,115,759. Therefore an deterioration amounting to Rs.30,758,371 of the financial result was observed. The reasons for the deterioration are the increase in the employee remuneration by Rs.15,378,641 compared with the year 2018 and the increase in recurrent expenses by Rs.7,743,969.

When analyzing the financial results of the year under review and the last four years, there was a surplus from year 2015 to 2019. However, when employee remuneration and depreciation for non current assets are readjusted to the financial result, contribution of the Institute in the year 2015 was Rs.113,171,341 had continuously grown and had become Rs.166,831,518 in 2019.

3. Operational review

3.1 Management inefficiencies

Audit Issue	Management comment	Recommendation
(a) According to the recommendations of the Audit and Management Committee, 34685 library books should be included in the computer information system by November 2019, but only 15,000 books or 43 % had been added to the information system as at 31 st December 2019	Out of the remaining books, information on 14109 books was compiled as computer records, 5600 books containing erroneous records remain to be enter in to the information system and compile in to computer records.	Action should be taken efficiently in accordance with The decision of the Audit and Management Committee .
(b) The course fee income due from 174 students from 2016 to 2018 was Rs.14,836,000 and action had not been taken to recover that amount.	To pay students' outstanding of course fees and re-adapt to the course, Institute regularly conducts awareness programs using various communication methods	Arrangements should be made to recover course fees in a timely manner.
(c) Due to the institution not introducing and maintaining a proper control system regarding the estimation, payment and allocation of lecture fees, approximately Rs.6 million excess provision was adjusted to retained earnings.	This issue will be resolved as soon as possible as the accounts division is currently receiving lecture fee requests for the years 2015 and 2016 at the request of the Institute.	Provision for lecture fees should be made after proper evaluation.

3.2 Operational inefficiencies

Audit Issue	Management Comment	Recommendation
The project of developing a computerized accounting software system worth Rs.2,100,000 agreed on 14 th August 2017, a sum of Rs.1,050,000 had been paid to Science Land Information Pvt.Ltd. In accordance to the agreement, the work was to be completed and handed over by 13 th August 2018, but it had not been completed by 30 th April 2020.	It was delay due to the Problems that arise from time to time during the preparation of the accounting software, trade union activities and further adverse conditions prevailed in the country. Look forward to completing this work this year.	Agreed work should be carried out under proper supervision and control and should be completed within the stipulated time.

3.3 Underutilization of funds

Audit Issue	Management Comment	Recommendation
The research fund of Rs.535,253 which was descendants a long period was stated in the financial position statement without any transactions during the year under review	We have not received a progress report or financial report on the completion of this project and this amount will be used in the future as there are delays in the project due to communication issues with the donor organization.	Research funds must be utilized efficiently in accordance with the prescribed conditions.

3.4 Procurement Management

Audit Issue	Management Comment	Recommendation
(a) Although it had been approved to procure Rs.3,690,000 for services during the year under review, by 09 th December 2019, Rs.4,547,726 services had been procured. It was Rs.857,726 or 23% more than the approved procurement limit.	For essential services to the institution for the year 2019 Rs.3,690,000 was estimated and the market value of these services was higher than the targeted value, so the cost of obtaining those services had to bear a higher than the estimated cost.	Realistic estimates should be prepared and procurement should be done.
(b) Out of the construction and repair work of Rs.30,500,000 which is expected to be completed during the year, 52% of the construction and repair work had not been completed by 31 st December 2019.	Compared to previous years although it is a significant progress, Admittedly, it is not enough. This was due to the fact that more than the estimated time had to be devoted to the planning stage for two planned projects.	Procurement activities should be planned and implemented as a according to priority.

3.5 Defects in Contract Administration

Audit Issue	Management Comment	Recommendation
<p>The institute had worked to obtain the assistance of the Engineering Design Center (EDC) of the Faculty of Engineering, University of Peradeniya for the construction work. EDC institute had done all functions of preparing estimates, bidding evaluation (TEC), supervision of contracts, providing consulting services, giving recommendation on work and certifying payments. Accordingly, the Engineering Design Center (EDC) had been involved for the Technical Evaluation Committee as non compliance with subsection 7.3.1 of the National Procurement Guidelines (2006).</p>	<p>At present, another engineer has been appointed to the Technical Evaluation Committee for construction works of the institute.</p>	<p>Action should be taken in accordance with the Procurement Guidelines.</p>