

Sri Lanka Council for Agricultural Research Policy - 2020

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 2020 comprising the statement of financial position as at 31 December 2020 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 Sri Lanka Council for Agricultural Research Policy Act, No.47 of 1987 and in terms of 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 tabled in Parliament, appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Council as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

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 (SLAS). 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 Responsibility 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 Council 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 Sub-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 Responsibility 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 skepticism 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 Council'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 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 audit 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 Scheme 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; and
- 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 Audit Observations on Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Relevant Standard	Comments of the Management	Recommendation
In terms of Sri Lanka Public Sector Accounting Standard 7, assets of two classes costing Rs.11,045,012 had been fully depreciated as the useful life of fixed assets had not been reviewed annually, they were being further used. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Accounting Standard 3 and to adjust them in financial statements.	Action will be taken in terms of Public Sector Accounting Standard 7 to review the useful life of fixed assets costing Rs.11,045,012 and to adjust them in relevant assets during the ensuing year of accounts.	Action should be taken to review the useful life and adjust them in financial statements.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
Out of provision granted to 03 institutions and 03 universities for agricultural research activities, the sum of Rs.659,131 to be settled to the Council was brought forward in financial statements since the year 2006 instead of taking action to recover them so far.	Steps will be taken to settle the sum of Rs.659,131 due to be recovered to the Council, during the ensuing year of accounts.	Action should be taken to recover the said sum from relevant parties.

2. Financial Review

2.1 Financial Results

The operations of the Council for the year under review had been a surplus of Rs.7,563,922 as against the deficit of Rs.6,552,181 for the preceding year, thus observing an improvement of Rs.14,116,103 in the financial result. The decrease in expenditure on operations by Rs.39,942,557 in the year under review had been the main reason for the said improvement.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) An advance of Rs.2,460,000 had been paid to the Department of Buildings in the year 2019 for the construction of new section to the building in which the Council for Agricultural Research Policy is maintained at present and constructions thereof had not been completed even up to 7 May 2021.	In terms of the agreement entered into between the Sri Lanka Council for Agricultural Research Policy and the Department of Buildings for the purpose of constructing a new section to the building premises, mobilization advances of Rs.2,460,000 had been paid and constructions were commenced in the year 2019. Even though constructions had been carried out by the Department of Buildings in terms of the agreement, the Sri Lanka Council for Agricultural	In terms of the agreement, construction activities should be completed.

Research Policy had failed to pay moneys in terms of the agreement due to inadequate capital provision made to the Council. As such, the institution for which the contract of constructions had been awarded by the Department of Buildings had temporarily discontinued the constructions of the Council. However, the Department of Buildings had notified that construction activities will be commenced in due course after paying the outstanding amount of Rs.1,672,303 on 06 July 2021.

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| <p>(b) An expenditure of Rs.384,040 had been incurred for newspaper advertisements, written examinations and interviews for the recruitment of officers for 5 posts in the year 2019. However, no officers had been recruited even in the year under review for 10 vacancies remaining for many years relating to 9 posts in the approved cadre.</p> | <p>All recruitments were suspended as per Management Services Circular No.2020/01 while basic activities relating to recruitment by publishing newspaper advertisements and calling for applications were being carried out. As such, it is informed that vacancies could not be filled. Action is being taken to recruit for vacant posts in terms of Circular 2020/02 of the Ministry of Finance and accordingly, recruitment for the posts of Accountant and Deputy Director (Research Management) has been concluded.</p> | <p>Vacancies should be promptly filled.</p> |
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3.2 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) The Council had identified the significance of focusing its attention on the organic farming and introduced 07 priority fields in which researches</p>	<p>Functions such as formulation and preparation of the national research policy and research priorities are duties of our Council and it carries out preparation of national research</p>	<p>As these priorities are introduced relating to the 24 research institutions, the said institutions should be urged to conduct these</p>

to be increased to the research institutions in Sri Lanka. Nevertheless, the research institutions had not been urged to conduct researches since the year 2017 in respect of the Organic Cultural Policy and the quality of the organic foods currently available in the market.

priorities. According to those researches, researches are conducted by research institutions. Our Council does not conduct researches.

- (b) Even though plans had been made in the year 2019 to provide funds for 02 projects out of research proposals called for by agricultural research institutions, no funds had been provided even in the year under review and identified new proposals relating to the year under review as well.
- No funds had been available in the year under review for new projects. As such, funds had not been provided for new projects.
- Necessary action should be taken to commence new projects, complete existing projects on time and physical inspection of progress of the project.
- (c) Even though information such as number of researches conducted in the agricultural research institutions, provisions for researches, cadre information including the Research Officer, Scientist and the other staff and the physical assets of the Council had been collected and the data system - Information for Agricultural Research Managers had been updated up to the year 2019. However, the publications to be issued annually including the above information had not been issued after the year 2010.
- The data system - Information for Agricultural Research Managers has been updated by collecting data up to the year 2019. The printing and issuing of the publication up to the year 2018 relating thereto, is due to be expedited. It was recorded to take necessary action therefor.
- Action should be taken to update the system and issue publications as per the Annual Action Plan.