

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 2021 comprising the statement of financial position as at 31 December 2021 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 and the Finance Act, No.38 of 1971. My comments and observations which I consider should be reported 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 the financial statements give a true and fair view of the financial position of the Council as at 31 December 2021, 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 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

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 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; 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 the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to Relevant Standard	Comment of the Management	Recommendation
<p>(a) For the project titled "National Agricultural Research Plan (NARP - NUS) - 2021", the State ministry of paddy and Grains, Organic food, Vegetables, Fruits, Chilies, Onion and Potato Cultivation Promotion, Seed Production and Advanced Technology Agriculture had given Rs.22,874,537 to the Policy Council in the year 2021. Out of that sum, expenditure of Rs. 12,573,033 had been incurred during the year under review. The balance of Rs. 10,301,504 had been paid to that State Ministry. In this connection, the funds received and expenses incurred by the Ministry had not been disclosed in the financial statements according to Paragraph 106(a) of Sri Lanka Public Sector Accounting Standard No. 11.</p>	<p>Action will be taken to disclose this by the notes to the financial statements in due course.</p>	<p>Funds received from the Ministry and the expenditure incurred using those funds should be disclosed in the financial statements.</p>
<p>(b) As the useful life of fixed assets had not been reviewed annually in accordance with Sri Lanka Public Sector Accounting Standards 7, assets belonging to 05 classes of assets costing Rs.31,127,619 were further in use despite being fully depreciated. Accordingly, no action had been taken to revise and adjust the estimated error in the financial statements in accordance with Sri Lanka Public Sector Accounting Standards 3.</p>	<p>Action will be taken to make adjustments in the relevant assets in the ensuing year of accounts.</p>	<p>Fully depreciated assets should be revalued.</p>

1.5.2 Unauthorized Transactions

Description of the Unauthorized Transactions	Comment of the Management	Recommendation
Although the tenure of the former Chairman of the Policy Council had ended on 07 November 2018, but sums totalling of Rs. 197,600 had been paid as salary and allowances for the months of November and December 2018.	Agreed. The decision of the Board of Council in this connection has already been referred to the Auditor General through the Letter No. SLCARP/AD/AL/2021 dated 31.03.2021.	Action should be taken to recover the dues from the relevant parties.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observations	Comment of the Management	Recommendation
(a) Thirty researches of the National Agricultural Research System who had been referred to foreign postgraduate degrees during the period 2017-2021 was paid subsidy allowance of Rs. 12,434,888 for the period during which they had returned to the country without informing the Policy Council and it remained without being recovered,	The head of the present working place of this officer has been informed in this regard and the first letter, reminder, 01 st reminder have been sent for that purpose. Many officers have responded to it.	The subsidy allowance paid for the period during which the officers had returned to the country should be recovered forthwith.
(b) Without being taken action to recover the Rs. 659,131 to be settled to the Policy Council out of the funds given to 03 research institutions and 03 universities for agricultural research activities, it had been brought forward in the financial statements from the year 2006.	Agreed. Details are being searched based on the information available in the Council regarding the amount of Rs.659,131 recoverable to the Council and as per the conclusions thereof, action will be taken to settle this amount in the ensuing year of accounts.	Action should be taken to recover the dues from the relevant parties.

2. Financial Review

2.1 Financial Results

The operating results of the year under review was a surplus of Rs. 5,280,365 as compared with the corresponding surplus of Rs. 5,675,077 for the preceding year. Accordingly, a deterioration of Rs. 394,712 was observed in the financial results. This deterioration was mainly due to the decrease in the Treasury grants.

3. Operating Review

3.1 Operating Inefficiencies

Audit Observations

- (a) In terms of Cabinet Decision No අම/17/1992/728/34 dated 04 October 2017, 150 researchers should be referred to follow Phd. in the countries such as Malaysia, Thailand and Philippine within 05 years at 30 researchers per year and they should select their research topic focusing attention on the issues currently being faced and that may be faced in the agriculture sector of Sri Lanka in future. Nevertheless, despite lapse of 04 years by the year 2021, only 79 researchers had been referred to the programme due to Covid epidemic situation and financial difficulties and only 08 officers had selected their research topic in relation to the fields of agricultural mechanization and organic agriculture that have been identified as to be developed for the betterment of the agricultural sector in Sri Lanka.
- (b) Although the final reports of the researches carried out by the “National Agricultural Research Plan” (NARP) project that provides funds for the agricultural research projects should be reviewed by the Council, the final reports of 18 researches scheduled to be completed relating to the period from 2015 to 2020 had not been timely obtained and reviewed even by the end of the year 2021
- (c) Although the Policy Council had identified the significance of drawing attention to the organic agriculture and introduced 07 priority arrears to increase researches to the research institutions available in Sri Lanka, the research institutions had not been encouraged since the year 2017 to conduct researches on the organic agricultural policy and the quality of the organic foods available in the present market.

Comment of the Management

Once an officer is trained, the other officer will be involved in the training so as not to impede the duties of the research institute. Further, although only 90 researchers can be referred for the years 2018,2019 and 2020, seventy nine researchers were referred by December 2020. Due to the Covid-19 epidemic, it was found difficult to refer new students during the years 2020,2021 and 2022. As the research topic is given on the requirement of the institute of the relevant officer, only 08 officers had referred for the studies in the field of agricultural mechanization and organic agriculture.

Action will be taken to obtain and review the final research reports compiled by the “National Agricultural Research Plan” (NARP) project that provides funds for agricultural research projects.

Attention has been drawn towards the organic agriculture since the year 2021 and action has been taken to give priority for the organic agricultural researches in planning researches. Provisions have been made for 02 projects under the “National Agriculture Research Plan (NARP)” in the year 2021.

Recommendation

Researchers should be encouraged to select research topics.

Final reports relating to the researches should be timely obtained and reviewed.

Research institutions should be encouraged to act in accordance with plans.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observations

Although plans had been drawn to conduct 03 workshops on issues of the agricultural and related fields/emerging trends and an annual dialogue as per the Action Plan 2021, those workshops had not been conducted in the year 2021 alleging that funds were not received and due to Covid epidemic situation.

Comment of the Management

These workshops could not be conducted due to inability to gather the officers owing to Covid-19 epidemic and non-receipt of capital funds.

Recommendation

Plans should be revised by reviewing the capability of being complied with the plans.