

**Institute for Agro-Technology and Rural Science Affiliated to the
University of Colombo - 2012**

1. **Financial Statements**

1:1 **Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the Institute for Agro-Technology and Rural Science as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 **Comments on Financial Statements**

1.2.1 **Sri Lanka Public Sector Accounting Standards**

The following observations are made.

(a) The sum of Rs.1,144,218 spent on improvements to buildings only had been shown as at 31 December 2012 in the buildings account of the year under review consisting the non-current assets and the value of 04 building of 3,843 square feet (approximately) belonging to the Institute had not been assessed and included in the financial statements.

(b) The information on the budgeted amount and the variances had not been furnished in terms of Sub-paragraph (f) of the Sri Lanka Public Sector Accounting Standard No.1.

1.2.2 **Accounting Deficiencies**

Even though fixed assets valued at Rs.2,040,365 and Rs.4,488,268 had been purchased from the capital grants in the year under review and preceding years, the amortization relating thereto had not been adjusted in the financial statements.

1.2.3 **Lack of Evidence for Audit**

The written evidence had not submitted to audit whether the legal title of the land, approximately 300 acres in extent on which Institute is maintained had been effected.

1.2.3 **Non – compliance with Laws, Rules , Regulations and Management Decisions**

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----
(a) Financial Regulations 394	Cheques valued at Rs.212,540 issued by the Institute for Agro – technology and Rural Science affiliated to the University of Colombo in the year 2011 and cancelled had not been taken to income even by 10 October 2013.
(b) Public Enterprises Circular No.25	Out of the grant given by the Governments for the supply of capital assets, a sum of Rs.20,335,420 had been invested in the fixed deposits without the approval of the Treasury.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the working of the Institute for the year ended 31 December 2012 had resulted in a deficit of Rs.5,726,107 before taking into account the Government grant for recurrent expenditure as compared with the corresponding deficit of Rs.5,387,001 for the preceding year. After taking into account the Government grant of Rs.7,921,000 for recurrent expenditure, the deficit for the year under review had been converted to a surplus of Rs.2,194,893 and the deficit for the preceding year had been converted to a surplus of Rs.1,829,605 after taking into account the Government grant of Rs.7,216,606 received for the recurrent expenditure of that year. The improvement of the financial result for the year under review by a sum of Rs.365,288 as compared with the preceding year had been due to the increase of Government grants by Rs.704,394.

3. **Operating Review**

3.1 **Management Inefficiencies**

The following observations are made.

- (a) Appropriate course of action had not been taken for the disposal of materials valued at Rs.30,275 kept in the stores over a long period without being used by the Institute and the obsolete materials, of which the value had not been ascertained.
- (b) Even though the grants totalling Rs.2,922,753 received by the Institute for research had been spent on other sundry matters, the balance of the Fund Account had been transferred out to an Institutional Development Fund in the financial statements of the year under review.

4. **Accountability and Good Governance**

4.1 **Corporate Plan**

A Corporate Plan in terms of Public Enterprises Circular No.PED/12 of 02 June 2003 had not been prepared for use in the operations of the Institute effectively and as a guidance. As such the fund received by the Institute from the Government as capital grants during the year under review had been underutilized.

4.2 **Action Plan**

An Action Plan had not been prepared for the year 2012. As such the objectives and targets expected for achievement in the year 2012 and the financial and physical progress thereof could not be examined in audit.

4.3 **Budgetary Control**

The budget including the revisions made to the approved budget for the year under review presented to Board of Management for approval and copy had not been furnished to audit.

4.4 **Procurement Plan**

A Procurement Plan containing the procurement expected at least for a period of 03 years had not been prepared in terms of the Guideline 4.2.1(a) of the Government Procurement Guidelines. Nevertheless, a sum of Rs.9,656,415 had been spent during the year under review on purchases and capital expenditure.

4.5 **Tabling Annual Reports**

The following observations are made.

- (a) The Annual Report for the year 2011 had not been tabled even by 15 November 2013.
- (b) A draft of the Annual Report had not been presented to the Auditor General together with the financial statements in terms of the Public Enterprises Circular No.PED/12 of 02 June 2003.

5. **Systems and Controls**

Deficiencies in system and controls observed during the course of audit were brought to the notice of the Director of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets Control
- (b) Accounting
- (c) Management of Project Funds