

SUGARCANE RESEARCH INSTITUTE

My No.: 04/014

06.03.2003.

Auditor General,
Auditor General's Department,
Independent Square,
Colombo 7.

Dear Sir,

**FINAL ACCOUNTS OF SUGARCANE RESEARCH INSTITUTE FOR THE YEAR
ENDED 31ST DECEMBER 2002**

I am forwarding herewith following documents of accounts in triplicate for the year ended 31st December 2002 in terms of section 12(6) of the Finance Act No. 38 of 1971.

1. Balance sheet
2. Income & Expenditure Account
3. Notes to the Balance sheet and Income & Expenditure Account.

Please acknowledge receipt.

Yours faithfully,
Sugarcane Research Institute

Sgd. Dr. N. Dharmawardene
Director & Chief Executive

- c.c. :
1. Secretary - Ministry of Co-operatives
 2. Director - Public Enterprises
 3. Director - Department of National Budget.

**SUGARCANE RESEARCH INSTITUTE
BALANCE SHEET AS AT 31ST DECEMBER 2002**

2001	Assets	Note	Rs. Near value
	Non Current assets		
39,223,281.00	Fixed assets	A	49,877,289.00
3,149,254.00	Work in progress		Nil
	Current assets		
57,163,955.00	Sundry debtors	B	59,298,615.00
523,535.00	Sundry stock		582,677.00
1,329,118.00	Advances deposits & Pre Payment	C	1,167,975.00
14,920,383.00	Staff Loans	D	13,387,738.00
78,871,217.00	Treasury deposits		79,214,518.00
9,003,722.00	Bank Savings	E	11,681,146.00
<u>2,705,721.00</u>	Cash at Bank	F	<u>2,923,538.00</u>
<u>206,890,186.00</u>	Total assets		<u>218,133,496.00</u>
	 EQUITY AND LIABILITIES CAPITAL AND RESERVES		
44,360,000.00	Government Grant for Capital		44,360,000.00
	Reserves and surplus		
44,689,891.00	Excess of income over expenditure	G	54,317,848.00
474,116.00	UNDP/FAO Aid		474,116.00
16,598,429.00	World Bank Aid		16,598,429.00
82,064,952.00	Japanese Aid		82,064,952.00
1,287,642.00	Australian Aid		1,287,642.00
500,000.00	Grant from Sugar Importers Association		500,000.00
189,975,030.00	Total Equity		199,602,987.00
	Current Liabilities		
4,297,062.00	Sundry Creditors	H	4,254,974.00
1,936,948.00	Accrued Expenses	I	2,252,274.00
<u>10,681,146.00</u>	Provision for Gratuity	J	<u>12,023,261.00</u>
<u>206,890,186.00</u>	Total Equity and Liabilities		<u>218,133,496.00</u>

Sgd. N.V.T.A. Weragoda
Chairman

Sgd. Dr. N. Dharmawardane
Director

Sgd.G. Chandrasiri
Chief Accountant

SUGARCANE RESEARCH INSTITUTE
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR
ENDED 31ST DECEMBER 2002

Income Year 2002	Note	Year 2002	Year 2001	
		Rs.	Rs.	%
Cess on local production of sugar	1	3,954,939.00	4,793,220.00	5.66
Cess on sugar imports		53,211,519.00	52,570,840.00	76.10
Sundry Income	2	12,750,534.00	14,451,213.00	18.24
Total Income		<u>69,916,992.00</u>	<u>71,815,273.00</u>	<u>100.00</u>

Less : Expenditure

Salaries & Allowances		24,564,436.00	22,312,148.00	35.13
Employees provident Fund		3,248,713.00	2,923,271.00	4.64
Employees Trust Fund		649,743.00	584,654.00	0.92
Overtime		1,859,315.00	1,559,911.00	2.65
Travelling & Subsistence		729,923.00	771,164.00	1.04
Staff Welfare		349,644.00	287,635.00	0.50
Staff Travelling		733,747.00	204,988.00	1.04
Staff Medical		4,917,170.00	4,285,522.00	7.13
Board of Director's Fees & Travelling	3	375,450.00	385,458.00	0.53
News papers & periodicals		707,069.00	283,986.00	1.01
Telephone, Cables, Fax, Telexes & Internet		867,055.00	799,425.00	1.24
News Papers notification		185,430.00	176,048.00	0.26
Postage		60,713.00	66,974.00	0.08
Rent Rates & Taxes		544,480.00	447,900.00	0.77
Clearing Charges		172,782.00	168,792.00	0.24
Bank Charges & Commissions		44,928.00	8,665.00	0.06
Entertainment		5,593.00	3,774.00	0.00
Printing & Stationery		367,538.00	664,009.00	0.52
Licence, Insurance & Fitness Certificate		608,887.00	740,181.00	0.87
Repairs & Maintenance of vehicles		1,839,395.00	1,998,178.00	2.63
Repairs & Maintenance of Buildings		804,278.00	889,013.00	1.15
Repairs & Maintenance of Office Equipment		943,145.00	388,984.00	
1.34				
Repairs & Maintenance of mach.& lab equipment		231,490.00	196,288.00	0.33
Fuel & Lubricant		503,860.00	346,454.00	0.72
Legal Charges		36,330.00	123,376.00	0.05

Income Year 2002	Note	Year 2002 Rs.	Year 2001 Rs.	%
Audit Fees		75,000.00	50,000.00	0.10
Electricity		2,618,339.00	2,543,952.00	3.74
Water		28,815.00	59,489.00	0.04
Security Charges		3,417,071.00	3,550,524.00	4.88
Miscellaneous	4	213,521.00	850,906.00	0.30
Research Expenses	5	6,345,605.00	5,124,549.00	9.07
Gratuity		2,158,235.00	3,180,963.00	3.08
Depreciation		6,680,332.00	6,276,717.00	9.55
Transport		81,036.00	99,522.00	0.11
Workmen's compensation		1,739.00	179,717.00	0.00
Fencing charges		Nil	410,061.00	Nil
Consultancy Fees		48,309.00	96,723.00	0.06
Scholarship		131,499.00	504,388.00	0.18
Journals		156,164.00	796,376.00	0.22
Resources Personnel		58,014.00	Nil.	0.08
Total Expenditure		67,364,793.00	64,313,685.00	
Excess of income over expenditure		2,552,199.00	7,501,588.00	

Sgd. N.V.T.A. Weragoda
Chairman

Sgd. Dr.N. Dharmawardane
Director

Sgd. G. Chandrasiri
Chief Accountant

**SUGARCANE RESEARCH INSTITUTE
NOTES TO INCOME & EXPENDITURE ACCOUNT 2002**

NOTE	1 Cess on Local production of Sugar	
	A. Sevenagala sugar Industries Ltd.	1,376,900.00
	B. Pelwatte sugar Industries Ltd.	2,578,039.00
		<u>3,954,939.00</u>
		<u>=====</u>
NOTE	2 Sundry Income	
	A. Other Income (Loans interest)	1,912,033.00
	B. Interest on Treasury bills	8,782,954.00
	C. Bank Interest F.D. Account	1,188,542.00
	D. Sale of Seed Cane	725,505.00
	E. Sale of Vehicles	141,500.00
		<u>12,750,534.00</u>
		<u>=====</u>
NOTE	3 Board of Director's Fees & Travelling	
	A. Chairman's Remuneration	327,250.00
	B. Travelling & Director's fees	48,200.00
		<u>375,450.00</u>
		<u>=====</u>
NOTE	4 Miscellaneous	
	A. Others	198,617.00
	B. Membership Fees	5,328.00
	C. Money in Transist Insurance	9,576.00
		<u>213,521.00</u>
		<u>=====</u>
NOTE	5 Research Expenses	
	A. Chemical	1,155,149.00
	B. Wages	1,913,952.00
	C. Materials & Fuel	2,780,550.00
	D. Review Expenses	79,276.00
	E. Harvesting & Land Preparation	121,361.00
	F. Fertilizer	295,317.00
		<u>6,345,605.00</u>
		<u>=====</u>

FIXED ASSETS

Note A

Description	Depre. Rate	Cost As At 01.01.2002	Addition	Sold	Cost as at 31.12.2002	Pro.For Depre as at 1.1.2002	Depreciation for 2002	Sold Depr.	Pro.for Dep.as at 31.12.2002	Net value 31.12.2002
1. Building	5%	47,271,844	4,866,180		52,138,024	18,538,850	2,363,592		20,902,442	31,235,582
2. Office equipment	15%	10,030,961	1,821,872		11,852,833	7,016,336	723,201		7,739,567	4,113,266
3. Workshop equipment	15%	14,556,839	1,106,351		15,663,190	12,927,575	301,299		13,228,874	2,434,316
4. Field Equipment	15%	2,375,873	193,673		2,569,546	2,293,461	22,267		2,315,728	253,818
5. Library Books	15%	1,808,528	215,328		2,023,856	1,495,100	50,724		1,545,824	478,032
6. Laboratory Equipment	15%	48,775,097	2,246,892		51,021,989	48,178,185	144,773		48,322,958	2,699,031
7. Land & Land development	15%	7,688,740	41,370		7,730,110	6,986,085	116,874		7,102,959	627,151
8. Furniture & Fittings	15%	3,788,034	124,532		3,912,566	3,392,775	145,789		3,538,564	374,002
9. Extension & Training Equipment	15%	4,189,900	87,000		4,276,900	3,790,201	62,290		3,852,491	424,409
10. Agriculture Equipment	15%	10,772,947	445,373		11,218,320	8,765,421	303,208		9,068,629	2,149,691
11. Bicycles	15%	115,390	8,900		124,290	106,089	2,381		108,470	15,820
12. Motor vehicles	25%	23,976,582		170,000	23,806,582	16,851,582	2,375,000	170,000	19,056,582	4,750,000
13. Crockery & Cutlery	50%	523,150	16,855		540,005	520,866	2,284		523,150	16,855
14. Telecommunication facilities	25%	1,352,711	109,290		1,462,001	1,090,035	66,650		1,156,685	305,316
		177,226,590	11,283,616	170,000	188,340,212	131,952,591	6,680,332	170,000	138,462,923	49,877,289

**SUGARCANE RESEARCH INSTITUTE
NOTES TO BALANCE SHEET 2002**

NOTE A. **Fixed Assets Schedule**
Please see separate schedule

NOTE B **Sundry Debtors**

Sevenagala Sugar Industries Ltd.	12,199,374.00	
Hingurana Sugar Industries Ltd.	5,585,500.00	
Kantale Sugar Industries Ltd.	530,200.00	
Pelwatte Sugar Industries Ltd.	32,192,348.00	
Bank of Ceylon	3,152,180.00	
Peoples Bank	5,630,774.00	
Laksala	180.00	
S.U. Walisinghe	588.00	
Petty Cash - Hantane	1,000.00	
Petty Cash - Engineering	5,000.00	
N.U.A. Senarath	1,037.00	
Janatha Fertilizer	250.00	
Ceylon Glass Com.	184.00	
		59,298,615.00
		59,298,615.00

NOTE C **Advance, Deposit & Prepayments**

Advance:	Local purchasing	65,500.00	
	Sundry Advance	26,140.00	
	Advance on Travelling	1,500.00	
	Advance on fuel	1,000.00	
	L.C. Advance	245,283.00	339,423.00
Deposits:	Electricity Board	150,100.00	
	Embilipitiya MP	55,000.00	
	For Gas Cylinders	127,775.00	
	C.B. Ellepola	2,500.00	
	C.Wickramaratne	30,000.00	
	Softlogic Information	1,500.00	366,875.00
Pre Payment	Building Rent	420,000.00	
	Licence & Insurance	33,380.00	
	Repair & Main. Of office		
	Equipment	8,297.00	461,677.00
			1,167,975.00
			1,167,975.00

NOTE D **Staff Loans**

	Housing Loan (Schedule -1)		4,621,000.00
	Distress Loan (Schedule-2)		7,089,936.00
	Festival Advance(Schedule-3)		88,450.00
	Vehicle Loan (Schedule-4)		1,485,577.00
	Book Loan (Schedule- 5)		102,000.00
	Mosquito net		137.00
	Special Loan		638.00
			13,387,738.00
NOTE E	Bank Savings		
	Provision for Gratuity A/C No. FD/KLPT2/MAT/NEG/12/03		10,681,146.00
	Scholarship Fund A/C No.2/65/10/156556		1,000,000.00
			11,681,146.00
NOTE F	Cash at Bank		
	People's Bank- Udawalawe A/C No.1		672,791.00
	People's Bank- Narahenpita A/C No. 1650001248		2,058,425.00
	Bank of Ceylon		
	Bambalapitiya A/C No.0037-02-0000109-0		192,322.00
			2,923,538.00
NOTE G	Balance Brought Forward		44,689,891.00
Add	Adjustment Account		6,009,075.00
	Cess Arrears		1,066,683.00
	Net Income		2,552,199.00
			54,317,848.00
NOTE H	Sundry Creditors		
	Auditor General Department		275,000.00
Retention	Ring engineering	63,849.00	
	W.Sirisena	2,404.00	66,253.00
	Refundable tender deposit		385,500.00
	Fisheries Department		640,000.00
	Sri Lanka Sugar Corporation		2,693,351.00
	The Finance		1,678.00
	Inland Revenue Department		189,691.00
	Hayleys Company		3,483.00
	W. Sirisena		18.00
	Total		4,254,974.00
NOTE I	Accrued Expenses		

E.P.F.	1997	11,238.00		
	1998	3,250.00		
	2000	6,439.00		
	2001	23,745.00	44,672.00	
E.T.F.	1997	1,394.00		
	1998	391.00		
	2000	773.00		
	2001	2,849.00	5,407.00	
Water	1999	16,250.00		
	2002	1,694.00	17,944.00	
Wages			206,005.00	
Overtime			186,568.00	
Electricity			294,087.00	
Telephone			159,679.00	
Fuel			64,934.00	
Rent			2,400.00	
Security			209,096.00	
Scholarship			200.00	
Salary			3,499.00	
Transport			2,250.00	
Medical			436,297.00	1,633,038.00
Employees Trust Fund				66,293.00
Employees Provident Fund				552,443.00
Salaries and Wages deduction				
500.00				
				<u><u>2,252,274.00</u></u>

AUDITOR GENERAL'S DEPARTMENT

My Ref.: PI/E/SRI/FA/A/2002/1

8th April 2002

The Chairman
Sugarcane Research Institute

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE SUGAR CANE RESEARCH INSTITUTE FOR THE YEAR ENDED 31ST DECEMBER 2002 IN TERMS OF SECTION 14(2)(c) OF THE FINANCE ACT, NO. 38 OF 1971

The audit of accounts of the Sugar Cane Research Institute for the year ended 31st December 2002 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 Section 13(1) of the Finance Act, No. 38 of 1971 and section 19(3) of the Sugar Cane Research Institute Act., No. 75 of 1981. My observations which I consider should be published with the annual report of the Institute in terms of section 14(2) (C) of the Finance Act appear in this report. A detailed report in terms of section 13(7) (a) of the Finance Act will be furnished to the Chairman of the Institute in due course.

1:2 Scope of Audit

Audit opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and the extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards, methods and practices to obtain reasonable assurance as to whether the financial statements are free of material misstatements. The audit included examination of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles and significant estimates and judgments made in the preparation of financial statements, evaluation of their overall presentation and determining whether accounting policies adopted were appropriate, consistently applied and adequately disclosed. Sub sections (3) and (4) of Section 13 of the Finance Act. No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

2. ACCOUNTS

2.1 Audit Opinion:

Except for the effects of the adjustments arising from the matters referred to in paragraph 2.3 of this report I am of opinion that the financial statements been satisfactorily prepared to present fairly in all material respects, the financial position of the Institute as at 31st December 2002 and the results of its operation for the year that ended in accordance with Sri Lanka Accounting Standards.

2.2 Financial Results:

According to the accounts presented, the working of the Institute for the year ended 31st December 2002 had resulted in a surplus of Rs.2,552,199 as compared with the corresponding surplus of Rs.7,501,588 for the preceding year, thus indicating a deterioration of Rs. 4,949,389 in the financial results for the year under review.

2.3 Comments on Accounts:

2.3.1 Accounting Deficiencies

The following observations are made.

- (a). Penalty amounting to Rs.87,368 payable to the Employees' Provident Fund and the Employees Trust Fund brought forward over several years without payment had been erroneously credited to the income for the year thus overstating the income for the year under review by that amount.
- (b). A sum of Rs. 3,954,939 receivable for the year under review as cess from the local sugar producers had been treated as debtors and creditors to the Income and Expenditure Account. It was observed that the recoverability of the amounts doubtful.
- (c). According to the Customs Records the cess recoverable on sugar imports during the year under review amounted to Rs.56,317,152 whereas Rs.53,211,519 only had been shown in the accounts, thus understating the cess for the year under review by Rs. 3,105,633.

2.3.2 Accounts Receivable and Payable

The following observations are made.

- (a). Action had not been taken during the year under review for the recovery of the outstanding employees' loan balances amounting to Rs.796,135.
- (b). The cess income of Rs.50,507,422 receivable from the trade debtors as at 31st December 2002 included two sums of Rs.12,199,374 and Rs.32,192,348 receivable from two local sugar manufacturing companies. There had been no favorable response to the requests made to the companies concerned to pay the amounts. One of the companies had stated that it was not the responsibility of these company to pay the amount. The Institute had

consulted the Attorney General in regard to the action that should be taken by the Institute.

- (c). The cess balances recoverable from two other local sugar manufacturing companies amounted to Rs. 6,115,700. These balances are over 5 years old and as the sugar factories concerned have been closed down, the recoverability of the amounts is doubtful.
- (d). Creditors balances amounting to Rs.3,355,024 had remained unsettled for periods exceeding 5 years.
- (e). Two sums of Rs.20,927 and Rs.2,558 payable to the Employee's Provident Fund and the Employee's Trust Fund respectively in respect of the years 1997, 1998 and 2001 had not been settled even during the year under review.

2.3.3 Lack of Evidence for Audit;

Confirmations in respect of sundry debtors totaling Rs.59,298,615, deposits amounting to Rs. 366,675 refundable tender deposits amounting to Rs.385,500, Treasury deposits amounting to Rs.79,214,518 and Banks Savings amounting to Rs.11,681,146 verification reports and Registers of Fixed Assets relating to fixed assets valued at Rs.49,877,289 and Board of Survey Reports in respect of sundry stocks had not been furnished for audit during the year under review.

2.3.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with the provisions in the Finance Act. No. 38 of 1971, Financial Regulations, Public Administration circulars and Sri Lanka Accounting Standard 9 were brought to the notice of the Institute.

3. FINANCIAL AND OPERATING REVIEW

3.1 Performance

One of the objectives of the establishment of the Institute is to increase the local production of sugar. However, according to information furnished for audit, the local production of sugar during the year under review amounted to 39,549,390 kilogrammes as compared with 47,932,200 kilogrammes during the preceding year, thus disclosing a reduction of 17.48% in the local production of sugar during the year under review. The total imports of sugar during the year under review amounted to 532, 115,190 kilogrammes as compared with 525,708,400 during the preceding year, thus disclosing an increase of 1.22% in the import of sugar.

3.2 Cess Charged on Imported Sugar and Local Production

The following observations are made.

- (a). In terms of an Order published in the Gazette Extraordinary No. 727/9 of 13 August 1992, each kilogramme of sugar imported to Sri Lanka or produced locally is charged with a cess. The cess of Rs.0.10 per kilogramme so imported had remained unchanged since 1992.
- (b). The cess income on 532,115,190 kilogrammes of sugar imported by the private sector during the year 2002 amounted to Rs.53,211,519 while the cess income on 525,708,400 kilogrammes of sugar imported during the year 2001 amounted to Rs.52,570,840.
- (c). The cess income on local production of sugar during the year 2002 amounted to Rs.3,954,939 as compared with Rs.4,793,220 during the year 2001, thus disclosing a reduction of Rs.838,281 or 17.48% during the year under review.

3.3 Uneconomic Transactions

- (a). The Ministry of Co-operatives had decided that Rs.90,000 out of the expenditure incurred on a press advertisement published on the progress of 75 days under the 100 days programme of the Ministry should be met by the institutions under the purview of the Ministry. Consequently, on a request of the Secretary, Ministry of Co-operatives the Institute had paid Rs. 50,000 on that account.
- (b). A camera and a lens had been purchased for Rs.87,000 contrary to the decision of the Tender Board for the purchase at a price of Rs.84,000.

3.4 Identified Losses

A loss of Rs.191,178 had been incurred during the year under review due to accidents caused to 5 motor vehicles. The insurance indemnity received in this connection amounted to Rs.11,550 only. Damages caused to another motor vehicle had not been determined.

3.4 Transactions not supported by Authority

- (a). Fixed assets valued at Rs.4,351,364 had been treated as misplaced and written off without appropriate authority.
- (b). Three officers of the Institute had been paid arrears of salary amounting to Rs.110,000 for obtaining postgraduate qualifications without the Treasury Authority.

3.5 Budgetary Control

Significant variances were observed between the budget and the actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

4. SYSTEMS AND CONTROLS

Special attention is needed in respect of the following areas of control.

- (a). Motor vehicle Utilization
- (b). Collection of Cess
- (c). Employees' Loans

Sgd. S.C. Mayadunne
Auditor General

Replies to the queries in the report of the Auditor General on account of Sugarcane Research Institute for the year ended 31st December 2002 in terms of section 14(2)(C) of the finance Act. 78 of 1971.

2.3.1 Deficiencies in accounting

a. Fine of Rs.87,368/= to be paid to the Employees' trust Fund.

Please refer item (a) 2 in the draft reply of 25th Feb.2003 (Page 36)

As the moneys have been credited after obtaining necessary approval the entry is not erroneous.

b. Rs.3,954,939/= to be recovered from local sugar producers as cess on local production of sugar.

As the cess on sugar produced by the two local Sugar Industries Pelwatte and Sevenagala had to be accounted in the year ended on 31.12.2002 these two Industries were treated as debtors. Legal action is being taken to recover the moneys.

c. Under stating cess income by Rs.3,105,633/=

Reconciling the figures on sugar imports obtained from customs with those computed by the institute based on the cess collection is done by the institute annually. It is the normal practice to incorporate into accounts the identified differences. Therefore after such reconciliation differences are adjusted accordingly.

2.3.2 Receivable and payable accounts:

a. Staff debt amounting to Rs.798,135/=

Legal action has been initiated to recover the staff debts.

b. Outstanding cess of Rs.6,115,000/= due from Hingurana and Kantale Sugar Industries.

As these industries are closed there is no possibility of recovering these payments and hence it is noted to take action to write off these debts.

c. Creditors balance of Rs.3,355,024/=

Even though provision were made to pay back these balances in the event of request by the creditors, it has now been noted to credit these to revenue in the forth coming year.

d. Payment of Rs.2,558/= to Employees' Trust fund.

Noted for settlement, upon inspection in the year 2003.

2.3.3 Lack of evidence for Audit:

The fixed assets register and verification reports cited in the audit query could now be presented for audit.

2.3.4 Non conformity with the Rules, Regulations and Management decisions:

Noted for compliance.

3.3.5 Non economical transaction:

(a). Payment of Rs.50,000/= for the 100 day programme.

Refers item (c) in the draft reply of 25th Feb. 2003 (page 37)

(b).Purchase of camera lens for Rs.87,000/=

Even though the said item was indented on the conditions given in the technical evaluation report it could not be fixed to the camera due to differences in specification and hence suitable one had to be purchased at Rs.87,000/=

3.4 Identified losses:

Only Rs.11,550/= was received for damaged vehicles as insurance cover from the Insurance Corporation. Action is taken to obtain the balance.

3.5 Transaction without approval:

(a).Writing off Rs.4,351,364/= from books during the preparation of fixed assets register.

This has been done with the approval of the board.

(b).Payment of Rs.110,000/= as increment arrears.

Refer item (f) in draft reply dated 25.02.2003. (Page 37)

3.6 Budgetary control.

Noted for compliance.

4. Systems and controls.

Noted for compliance.

Sgd.N.V.T.A. Weragoda
Chairman

Sgd. Dr.N. Dharmawardene
Director & Chief Executive

Sgd. G.Chandrasiri
Chief Accountant

As the matters pertaining to items 2.3.1 to 4 were not inquired from the institute before the final audit report, the replies send by us to the queries made in the final audit report and those requested by letter PI/SRI/FA/2002 are given here.

Ref. No. 04/014

25th February 2003

Deputy Auditor General,
Auditor General's Department,
Colombo 03.

Replies to the queries in the report of the Auditor General an Account of Sugarcane Research Institute for the year ended 31st December 2002 in terms of Section 4(2)(C) of the Finance Act.No. 78 of 1971

This refers to your letter PI/E/SRI/FA/2002/02 dated 13/02/2003 on the above

Our opinion on the queries made are given below.

(a). Crediting the penalty payable to Employees Provident Fund & Employees Trust Fund to revenue for the year without making the payment, was done with the approval of the Board of Governors and the reason for such action are as follows.

1. Lack of response from the authorities concerned to our request to wave off the payment or any other advice on this issue.
2. As there was no response even after five years it was considered reasonable to credit the said moneys to revenue account.

Accordingly allocation for surcharge payments amounting to Rs.87,368/= was transferred to revenue account.

Arrangements were made to pay arrears of Rs.14,448/= due to employees' provident Fund and Rs.1785/= due to Employees' Trust Fund.

(b). Land Acquired from Mahaveli development board

Only the land at Udawalawe where the Sugarcane Research Institute is located has been obtained from Mahaveli Development Board. Deeds and other documents regarding this transfer of land have not been received as yet. Negotiation are underway to obtained these documents. Valuation will be made on receipt of these land transfer documents.

Only the land has been given to the SRI by the Mahaveli Development Board as the buildings belonged to Sri Lanka sugar Corporation. In view of the nature of these transfers only the value of these assets are shown in the building accounts.

As the transfer of the land has not been made properly, land value could not be shown in the relevant accounts. These will be done on receipts of the necessary land deeds.

(c). 100 day Programme - Expenditure of Rs.50,000/=

Seven selected research projects had to be completed in haste under the state sponsored 100 day programme.

It has become necessary to publicise the outcome of the projects through press advertisements. This also enabled to increase the public awareness of the activities of the Institute.

As transfer of technologies generated through research activities is one of the main functions of the institute, payment made in this regard could be considered justified and is in line with the objectives of the Institute.

(d). Payment of Rs.30,000/= to School Development Fund.

This is the only school available in the area for the education of children of the SRI, employees. Most of the student of the school are the children of our employees. Payment of Rs.30,000/- to the School Development Fund was made from the provisions made for welfare payment with the approval of Board.

Therefore this not a donation but an expenditure incurred for the welfare of the children of SRI employees.

- (e). There is some delay in the receipt of good receipt notes (GRN) for the goods purchased by Colombo Office and sent to Udawalawe main stores. Inview of this delay, there has been delays in the settlement of advances. However with the opening of transit stores at Colombo arrangement have been made to settle the advances in time.

(f). Payment of Salary arrears to three officers of the Institute

As per the MOP of the Institute officers having Post Graduate Qualification are entitled to salary increments. A decision was made by the Board at the inception of the institute to grant an additional increment to those officers who obtained Post Graduate Qualification during their period of service at the Institute. This is an incentive for the research officers and similar incentive schemes are in operation in other research institutes as well. Therefore there is no necessity to obtain the approval of the treasury to pay increment arrears.

Sgd. Dr. N. Dharmawardene
Director & Chief Executive
Sugarcane Research Institute.

G. Chandrasiri
Chief Accountant