



UNIVERSITY GRANTS COMMISSION

INTERNAL AUDIT CIRCULAR LETTER : 02/2023

No.20, Ward Place,
Colombo 07.

09.05.2023

Vice-Chancellors of Universities
Rectors of Campuses
Directors of Institutes

TERMS OF REFERENCE (TOR) FOR FARM OPERATIONS

The Commission at its 1094th meeting held on 26th January 2023 having considered the revised Terms of Reference (TOR) for Farm Operations of the HEIs/Institutes, granted approval to implement the attached Terms of Reference (TOR) for Farm Operations of the HEIs/Institutes with immediate effect.

2. Any deviation of the said procedures should only be based on the recommendation of the respective Council/Board of Management on the recommendation of their Audit Committee and subject to the approval of the Commission prior to implementation.
3. You are requested to table , attached TOR before the Audit Committee of your HEI/Institute for the information of all members/observers and act accordingly.

Senior Professor Sampath Amaratunge
Chairman

- Copies: 1. Secretary/Ministry of Education
2. Vice-Chairman/UGC
3. Secretary/UGC
4. Deans of Faculties
5. Registrars of Universities
6. Internal Auditor/UGC
7. Accountant/UGC
8. Bursars of Universities
9. Deputy Registrars/Snr. Asst. Registrars/Asst. Registrars of HEIs/Institutes
10. Deputy Bursars/Snr.Asst. Bursars/Asst. Bursars of HEIs/Institutes
11. Deputy Internal Auditors/Snr.Asst.Int.Auditors/Asst.Int.Auditors of Universities
12. Farm Managers of Universities
13. Auditor-General
14. Govt. Audit Superintendents of Universities

File No. UGC/CIA/F/IA Cir./1

University Grants Commission
Policy for Farm Operations in University System

Scope

The major focus of maintaining a farm in a University is to facilitate Research and Academic activities of the Agricultural studies of the respective Universities in farm management.

This document refers to the operational, administrative and accounting procedures of the University farms which lead to follow Common Guidelines and Generally Accepted Accounting Procedures finally resulting in the farm as an efficient and effective entity while maximizing resource utilization.

1. Farm Development Committee (FDC)

The Farm Development Committee is a subcommittee of the Governing Council. The members shall be appointed by the Governing Council and the composition of the Farm Development Committee is as follows.

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|-----|--|---------------------|
| (1) | Dean/s of the relevant Faculties | -Chairperson |
| (2) | Head/s of the relevant Departments | -Member/s |
| (3) | One member nominated by the Dean/s of the relevant Faculties | |
| (4) | Registrar or his/her nominee | -Secretary/Convener |
| (5) | Bursar or his/her nominee | -Member |
| (6) | Farm Manager/s | -Member/s |

The Registrar or his/her nominee (DR/SAR/AR) appointed to the faculty should act as a Secretary/Convener of the FDC and takes minutes of the meeting (MoM). The MoM shall be submitted to the immediate next Council for information and approval. The composition given above and the Terms of Reference (TOR) of the FDC given below shall be changed with the recommendation of the FDC and the approval of the Council. Head of the relevant Department - Member may vary depending on the nature or name of the Faculty/Dept. where the farm is attached. The quorum of the meeting is 2/3, but a representative to act on behalf shall be arranged with prior notice of three days before the meeting. A minimum of four (4) meetings per year or more shall be conducted.

Terms of Reference (TOR) - Farm Development Committee

- (1) Formulate the action/procurement plan based on the HEIs/Institutes yearly planning process.
- (2) Adopt productive land development/farming system and improve agro technologies to increase the effectiveness of farm operations.
- (3) Make recommendations for the procurement of capital and recurrent items for farm operations.

- (4) Make recommendations for the cadre requirements/revisions of the Farm operations.
- (5) Recommend pricing policy of products/livestock/biological assets based on the applicable pronouncements.
- (6) Recommend any activity that facilitates educational and outreach programmes.
- (7) Recommend/implement technically sound research and training programmes with efficient and effective utilization of resources.
- (8) Adopt environmentally friendly technologies.
- (9) Make recommendations to enhance research that leads the developments in agro and farm animal-based industries.
- (10) Direct academic departments for any relevant activities of the farm to overlook activities with responsibility.
- (11) Take administrative and financial decisions applicable to farm operations and/or adopt/revise such decisions.
- (12) Any matter related to farm operations is referred to the FDC by other subcommittees.
- (13) Recommend a policy and the procedures for verification of livestock of farms and review the Board of Survey report and actions taken.
- (14) Review financial performance and physical progress of farms quarterly.

2. Administrative Procedure

The Registrar should assign the Deputy/Senior Assistant/Assistant Registrar (DR/SAR/AR) to supervise farm administrative activities, and the following entrusted duties come under his/her purview.

- (1) The planning process related to farm operations should be done in consultation with the relevant Heads, Lecturers in Charge (LIC), Coordinator, Farm Managers and Bursar and it should be placed before FDC.
- (2) Arrangement and/or supervision of all human resource matters including Farm labour matters such as labour allocation, staff attendance, security arrangements, cleaning etc in consultation with Heads of the Departments, Lecturer/s In Charge and Farm Managers.
- (3) Custody of all movable and immovable properties of the farm and proper maintenance of identification numbering process (Assets Codes/Inventory Nos./tags) and removals of such properties where necessary.
- (4) Introduce proper recording systems for plants, trees, biological assets, crops and farm produce.
- (5) Introduce suitable administrative procedures and recording system to facilitate required transactions and provide reports to the management for decision making
- (6) Organize year-end Board of Survey (BOS) and comply with statutory and other requirements.

3. Accounting and Documentation

The Bursar should assign a Deputy/Senior Assistant/Assistant Bursar (DB/SAB/AB) to supervise farm accounting activities and following entrusted duties come under his/her purview.

- (1) A separate receipt should be designed and all collections should be receipted and banked in the HEIs bank account regularly under DB/SAB/AB's supervision.
- (2) Budgets/Estimates and Procurement plan should be prepared in consultation with Heads of the Departments, Lecturer/s in Charge, Farm Managers and Registrar and it should be placed before the FDC.
- (3) All procurements should come under the procurement guidelines through the HEIs/Institutes procurement committee.
- (4) All payments should be done through the HEIs/Institutes approval procedure and under the supervision of DB/SAB/AB based on the Delegation of Financial Authority of the HEIs/Institutes.
- (5) Introduce suitable procedures and separate records to be maintained to account for all transactions and provide reports to the management and segment information to the HEIs/Institutes' financial statements
- (6) Valuation, revaluation, and accounting of plants, trees, biological assets, crops and farm produce.

4. Farm Operations

The Farm Manager or Farm Supervisor (in the absence of a Farm Manager) should supervise and undertake administrative activities of farm operations and the following entrusted duties come under his/her purview.

- (1) Design/Revise Master Plan for farmland in consultation with the relevant HODs.
- (2) Design and prepare action/annual farm development plan for farm operations based on Master Plan in consultation with HODs, LICs or Coordinators/DR/SAR/AR and DB/SAB/AB and it should be placed before the FDC.
- (3) Supervise and liaise with relevant departments for farming operations.
- (4) Maintain adequate stocks of farm foods, medicine & drugs, chemicals, tools & equipment.
- (5) Consult relevant HOD/SAR/SAB/AR/AB of the relevant Faculty to sell farm products, harvested crops and biological assets.
- (6) Submit periodical (quarterly) reports related to harvest and sales of farm products to the FDC.

5. General

- (1) Farm Development Committee (FDC) is a subcommittee of the Governing Council and the Council may direct FDC for any administrative/financial matters.
- (2) All removal of biological assets /stocks / should be done with the approval of the FDC

- (3) Value appreciation/depreciation/impairment of biological assets should be done by the technical committee appointed by the FDC and should be done annually as per the applicable accounting standards.
- (4) Guidelines related to year-end stock-taking and board of survey should be applicable for farm operations.
- (5) All farm biological assets/stocks and property, plant and equipment are under the direct responsibility of the Farm Manager or Farm Supervisor (in the absence of a Farm Manager) and custody of the DR/SAR/AR.
- (6) All assets and biological assets should be depreciated/measured for fair value annually according to the applicable accounting standards.
- (7) Administrative decisions related to generators, tractors and other farm equipment which come under the direct responsibility of the Farm Manager and custody of the DR/SAR/AR should be referred to FDC.
- (8) Valuation of Biological assets and pricing policies should be based on the pronouncement of the National Livestock's Development Board (NLDB)/ Department of Animal Production and Health (DAPH) adopted by the FDC and any variation beyond 10% (+/-) of the NLDB/DAPH prices should be justified to the FDC.
- (9) Matters related to accounting should be done according to the terms of the Sri Lanka Public Sector Accounting Standards.
- (10) If there is any surplus generated through the farm activities that can be transferred to a fund account and separate ledger accounts should be maintained with the recommendation of the FDC and the approval of the Council and develop a farm development fund for the use of the future developments of the farm and benefit of the farming community.
- (11) Faculties shall consider establishing subcommittees to administer Farms in consultation with FDC.

- End -

SRI LANKA PUBLIC SECTOR ACCOUNTING STANDARDS (SLPSAS-18)

Agriculture

1. Scope

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard for the following when they relate to agricultural activity;

- (a) Biological assets
- (b) Agricultural produce and the point of harvest
- (c) Yearend Stock

2. Agriculture-related definitions

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for;

- Sale
- Distribution at no charge or for a nominal charge
- Conversion into agricultural produce or into additional biological assets for sale or for distribution at no charge or for a nominal charge.

Agricultural produce is the harvested product of the entity's biological assets.

A biological asset is a living animal or plant/tree.

The table below provides examples of biological assets, agricultural produce, and products that are the result of selling after harvest;

Biological Assets	Agricultural Produce
Trees in plantation forest	Felled trees, firewood, animal food
Plants	Nursery plants, Vegetables
Dairy cattle	Milk, milk products
Poultry	Eggs, meat
Fruit trees	Fruits, Processed fruits, Juices

3. Recognition and Measurement

An entity shall recognize a biological asset or agricultural produce when;

- (a) The entity owns/controls the asset as a result of past events;
- (b) It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- (c) The fair value or cost of the asset can be measured reliably.

The fair value of an asset is based on its present location and condition. As a result, for example, the fair value of cattle at a farm is the price for the cattle in the relevant market.

4. Gains and Losses

- (1) A gain or loss arising on initial recognition of a biological asset at fair value, costs to sell and from a change in fair value, costs to sell of a biological asset shall be included in surplus or deficit for the period in which it arises.
- (2) A loss may arise on initial recognition of a biological asset, because costs to sell are deducted in determining fair value less costs to sell of a biological asset. A gain may arise on initial recognition of a biological asset, such as when a calf is born.
- (3) A gain or loss may arise on initial recognition of agricultural produce as a result of harvesting.

5. Additional disclosures for biological assets fair value cannot be measured reliably

If an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 34) at the end of the period, the entity shall disclose for such biological assets;

- (1) A description of the biological assets;
- (2) An explanation of why fair value cannot be measured reliably;
- (3) If possible, the range of estimated within which fair value is highly likely to lie;
- (4) The depreciation method used;
- (5) The useful lives or the depreciation rates used; and
- (6) The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.