

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Institute of Plantation Management for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, 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 Plantation Management Institute Act No. 45 of 1979, National Audit Act No. 19 of 2018, and Finance Act No. 38 of 1971. My comments and observations which I consider should be report 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 financial statements give a true and fair view of the financial position of the Institute as at 31 December 2022, and of its financial performance and its 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 determine 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 Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Institute 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 Institute.

1.4 Audit Scope (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 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 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 Institute'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 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 Institute and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute,
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources 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	Comments of the Management	Recommendation
The savings account balance of Rs.908,489 as at 31 December 2022 had been stated under other current assets in contrary to Paragraph 9 of Sri Lanka Public Sector Accounting Standards 2 without being accounted for under cash and cash equivalents in the cash flows statement and statement of financial position.	Actions will be taken to transfer and correct the savings account balance of Rs. 908,488.96 maintain for collection of professional membership fees under cash and cash equivalents by excluding from other current assets.	Savings account balances should be brought to accounts under cash and cash equivalents in the statement of financial position.

1.5.2 Accounting Policies

Audit Observation	Comments of the Management	Recommendation
Even though the accounting policies of the Institute state that the revenue from courses is recognized based on the number of modules completed in the relevant year or the number of effective months of the training course, revenue	Only the time base is considering in the future as per the accounting policy of the Institute as per the method of recognizing the revenue of the courses and it is informed that	The accounting policy for the recognition of revenue receive from the courses should be revised.

recognition had not been done based on the number of modules and since the exact date of commencement of the course based on the number of effective months, the way of recognizing of income in cases of extension of course duration, repeats, student dropping out of courses, transfer of courses etc. were not specified in the accounting policy, As it was not specified in the accounting policy it could not be satisfied about the accuracy of the academic and vocational course income amounted to Rs.22,512,139, training course income receivable amounted to Rs.9,894,479 and advance course fees amounted to Rs.3,793,667 etc. included in the financial statements in audit.

the actions will be taken to remove the basis of revenue recognition from accounting policies based on the number of modules.

Accordingly, revenue recognition is included in the accounting policies considering the duration of the course as per the month of commencement of the course and actions will be taken to accurately mention on extension of time, effect of abandonment of the course, course fees of failing students and the method of identifying the income of students who transfers the courses while preparing the accounts statement 2023 .

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Ten coins which were bought for Rs.851,800 in the year 2019 was valued at Rs.2,309,175 as at 31 December 2022 and the amount had been debited to the “Gold Deposit Account” of other current assets and credited to the retained earnings account. As a result of an amount of Rs.1,457,375 which was overvalued on the market value was credited to retained earnings account instead of crediting the reserve account, the value of retained earnings had been overstated by Rs.1,457,375 .</p>	<p>As it is an expenditure made for distribution of these gold coins to the employees in the year 2019, it has been written off from the expenses in that year. As the distribution of these gold coins to the employees was stopped by the management, the said gold coin value has been accounted for as a current asset as per the market value declared by the Central Bank as at 31.12.2022.</p>	<p>The profit gained on the valuation of coin should be accounted for as reserves.</p>

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| <p>(b) Even though an income of Rs.25,016,678 had been earned during the year under review by providing hostel, food and lodging facilities with 10 per cent service charge by the Institute for students who follows courses, only the net income of Rs.22,556,427 had been accounted for as income of the year in the statement of financial performance after deducting the included service fee income therein.</p> | <p>The Institute has stated in the statement of financial performance that the income in the year 2022 was Rs.22,556,426 from the renting out facilities to external parties. Service charges of 10 per cent received from providing total outsourcing income and accounted for, has been deducted and shown in the statement of income.</p> | <p>In accounting for the revenue, total income should be accounted for including the service fee income.</p> |
| <p>(c) Although the total membership fees of Rs.1,609,100 should have been received as Rs.1,521,000 from 122 Lifetime Members and Rs.88,100 from ten Associate Members as at 31 December 2022 of National Institute of Plantation Management, that value had not been accounted for as a receivable balance in the statement of financial position at the end of the year under review.</p> | <p>Although there were a total of 216 members as at 31.12.2022, the membership fees are accounted for on a cash-in basis due to the difficulty of accounting for membership fees receivable on the difficulties of verifying whether the members are long term inactive without making payments and confirmation of living.</p> | <p>Annual professional membership fees should be accounted for on an accrual basis.</p> |
| <p>(d) Although the membership fee income as per financial performance statement is Rs.173,330, since the membership fee income for the year 2022 was Rs.569,000, the membership fee income in the statement of financial performance had been understated by Rs.395,670 .</p> | <p>Receipts of membership fees have been accounted for according to the information of the 105 members in active and steps have been taken to correct the deficiency pointed out in the preparation of the annual financial statements in the year 2023 .</p> | <p>Annual membership fee income should be accurately indicated in the financial statements.</p> |
| <p>(e) The 10 acres of land located in Darton Field Estate, Agalawatta, Matugama of the Land Reform Commission has</p> | <p>An extent of 2 ½ acres of this land has been transferred to the National Language Institute by a</p> | <p>The fair value of Darton Field Estate, Agalawatta,</p> |

been transferred to the Institute on 24 September 1999 at a nominal value of Rs.75,405 and although an extent of 7½ acres belonging to the Institute at present, its nominal value or fair value has not been calculated and shown in the financial statements by the year under review. This land had remained underutilized without using for any other purpose and its assessed value in the year 2023 was Rs.15,080,000.

deed as per the decision of the Cabinet of Ministers. Actions have been taken to assess the remaining portion of this land which is 7 ½ acres and a request has been made to the Valuation Department in the year 2021 .

Matugama should be shown in the financial statements and this land should be occupied for an effective purpose.

(f) Within the work-in-progress value of the contract for renovation of the hostel plumbing system and sewerage system included in the financial statements of the year 2022, the work-in-progress of Rs.319,975 related to procurement of Made Tea Classification Machine (Rotor Chain) which should be separately shown had also been included.

A value of Rs.10,667,529 has been entered as work-in-progress for the renovation of this plumbing system and sewerage system as at 31.12.2022 and an amount of Rs.319,575 paid for Rotor Chain Machine in Learning Centre has also included in it.

The work-in-progress should be properly classified and presented in the statement of financial position.

(g) A total of Rs. 1,050,000 as Rs.755,000 and Rs.295,000 had been paid in the year 2022 for an external party for the tasks of creating a video for the theme song and recreating the theme song respectively and as a result of accounting for this value in the financial statements as training expenditure instead of being recognized as intangible assets, the value of intangible assets had understated by the same amount and the value of training expenses had

Actions will be taken to identify a sum of Rs.755,000 and an amount of Rs.295,000 respectively to create a promotional video about the role of the organization with the theme song of the organization as an intangible asset and to correct it in the financial statements.

Intangible assets should be separately shown in the financial statements.

overstated by the same amount in the financial statements as at 31 December 2022 .

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| <p>(h) Advances totalled to Rs. 41,324,784 (without VAT) had been given in the year 2021 to a private company for the construction contract of four storied administration building and only a sum of Rs. 30,798,742 had been recovered from the advance amount by the final bill as at 31 December 2022 and the balance receivable by the end of the year under review of amounted to Rs.10,526,042 to be recovered furthermore had not been shown in the statement of financial position.</p> | <p>Out of the advance amount of Rs.44,630,178 paid, an amount of Rs.3,305,979 was VAT amount for the second phase of the contract for the new building which includes four-storied Lecture Halls and Research Unit and the net advance amount paid was Rs.41,324,728. A sum of Rs. 30,798,742 from Interim Payment Certificate No. 10 dated 16.12.2022 has been completed by covering from work-in-progress. Accordingly, the amount that should have been covered further is Rs.10,526,007.</p> | <p>All the receivables should be accurately indicated in the financial statements.</p> |
| <p>(i) Retention of Rs.9,214,606 made under Phase I and Phase II of the Construction Contract of the Four Storied Administration Building had not been accounted for under liabilities in the statement of financial position.</p> | <p>The total value of Rs.15,598,792.45 of both the amount withheld in the phase I above and the outstanding amount of Rs. 9,610,284.67 in the bill presented in the phase II has been accounted for as liabilities.</p> | <p>Retained amounts in contracts should be accurately accounted for.</p> |

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
<p>(a) Although this Institute had to recover Rs.455,000 from the students who had completed the academic and professional courses related to the academic</p>	<p>There was an outstanding course fee balance valued at Rs. 455,000 by the end of January 2022.</p>	<p>Prompt steps should be taken to recover the arrears of course fees.</p>

year 2019/2020, actions had not been taken to recover the said value even by the end of the year under review.

1.7 Non-compliance with Laws, Rules, Regulations, and Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
Section 4.4 of the Guidelines on Corporate Governance of Public Enterprises introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021	Although Internal Audit should report all administrative activities of the organization to the Chairman of the Institute, the Internal Auditors has been shown under the Director of the Institute as per the yearly Organizational Hierarchy of the National Institute of Plantation Management.	The position of Internal Auditor as a position accountable to the governing body is included of the staff composition according to the hierarchy. This mistake will be corrected by entering the correct Organizational Structure in the Annual Report.	The Organizational Chart should be revised as indicated in the form of a position accountable to the Board of Governors.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs.8,548,607 and, the corresponding surplus of the preceding year was Rs.19,202,306. Accordingly, a deterioration of Rs.10,653,699 was observed in the financial result. The increase of supply and customer services by Rs.4,612,060 and training expenses with capacity development by Rs.5,920,260 and facility rental expenses by Rs.10,052,711 of the year under review as compared to the preceding year had mainly attributed for this.

2.2 Ratio Analysis

The current assets ratios and the quick assets ratio in the year under review were 4 : 1 and 3:1 respectively and those ratios were 7:1 in the preceding year. Being the short-term deposits and investments in the years 2021 and 2022 were Rs.191,336,512 and Rs.70,781,329 respectively had mainly attributed to be the current ratios such a higher value .

3. Operational Review
3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) A lease of Rs.1,920,000 had been paid for the year under review by obtaining two houses on lease from 01 February 2021 as Rs.80,000 per house per month for conducting training programmes by the Institute.</p> <p>The Director of the Institute had informally extended the lease period for two periods of 06 months through unilateral letters until 30 June 2022 and 31 December 2022 without obtaining the consents of the lessee.</p>	<p>These 2 houses near the Institute can accommodate about 70 people at a time has been undertaken on rental basis with the approval of the Board of Governors of the Institute with the aim of conducting external training programmes.</p>	<p>It should enter into a formal contract for the entire lease period and payments should be made as per the agreement.</p>
<p>(b) Adequate Internal Audit Staff had not been assigned to the Division to carry out the audit activities of the Internal Audit Department of the National Institute of Plantation Management continuously.</p>	<p>There is an acute shortage of employees in the Institute even by now due to the suspension of recruitment, it has been difficult to recruit the required staff. Although several Government Development Officers have been attached to the Institute, that number is not enough to perform the activities of the Institute sufficiently. Actions will be taken to recruit the staff and strengthen the Internal Audit Division.</p>	<p>The Internal Audit Division should be strengthened .</p>
<p>(c) Ten gold coins of 13.5 g 22 carat gold pounds was purchased from a private institution on 30 May 2019 for Rs.851,800 to provide on retirement of staff members as per the Decision of the Board of Directors of the Institute had been</p>	<p>Total weight of 13.5 pounds of 22 carat gold as 1 pound of 22 carat gold per 6 employees for more than 20 years of service, 1½ pounds of gold for one employee over 25 years and 2 pounds each 3 employees over</p>	<p>Only expenditures related to the objectives should be made and the confirmation and valuation reports as these coin are</p>

taken into expenses. Due to organizational and financial reasons, these gold coins had kept in the Institute's safe for 3 years without being distributed and although there were 10 coins at physical inspection, the necessary evidence had not been submitted for the audit on that date to ascertain whether the gold coloured coins were 22 carat gold.

30 years valued at Rs.851,800 have been purchased from Swarnamahal Company as per the approval of the Board of Governors Paper No. 338/16 .

gold coins should be submitted to audit.

3.2 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) The contract for the renovation of the water pipe system and sewerage system of the National Plantation Management Institute had been handed over to a private company for a sum of Rs. 8,937,618 and it was scheduled to be commenced on 21 September 2021 and end on 19 December 2021. Even though extensions of the project period have been given on 04 occasions up to 08 September 2022 on the recommendations of the Consultant of the Project, the task had not been completed even by the end of the year under review. Likewise, the performance guarantee of Rs. 446,880 given by the supplier for this contract had expired on 26 July 2022 and the Institute had not taken actions to extend the dates of the performance guarantee or to complete the contract.</p>	<p>The contractor has failed to complete the contract within the stipulated period and, the contracted company has submitted in writing to the Institute that the reasons for this were the Covid 19 epidemic situation in the country, shortage of fuel, shortage of construction materials and economic instability in the country. Accordingly, the Institute has taken actions to extend the contract period on the recommendation of the Project Consultant. The project had not been completed by the end of the year 2022 and, the project has been completed by now.</p>	<p>The contract should be completed without delay. An investigation should be carried out against the responsible officers who had failure to cash out the Performance Guarantee .</p>

- (b) The quotations for contract were called for Rs. 8,937,618 and given to a private contractor for the renovation of the plumbing and sewerage system within a period of 90 days in the Head Office Hostel of the Institute at Athurugiriya and a sum of Rs.10,149,710 had been paid for certified work to the contractor by 31 December 2022 including of price variation of Rs.2,070,574. It is observed that the amount of Rs.2,070,574 paid to the contractor for the price variation without making any provision in the agreement as an unauthorized payment.
- The contractor has failed to complete the contract within the stipulated period of time and the contracted company has sent in writing to the Institute that the COVID 19 epidemic situation in the country, lack of fuel, lack of construction materials, economic instability in the country have caused to this. Only a sum of Rs.10,149,710 including VAT for this contract has been paid by the Institute to the contractor by 31.12.2022. An approval of Rs.2,070,574.00 has been given to the respective contracted company for the price variations of this Project based on the recommendation of the Project Consultant also.
- The irregular price variation amounted to Rs.2,070,574 should be recovered from the officers who had approved, recommended and certified that.