

National Institute of Plantation Management - 2015

The audit of financial statements of the National Institute of Plantation Management for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 the Section 13(1) of the Finance Act, No. 38 of 1971 and Section 23 of the National Institute of Plantation Management Act, No 45 of 1979 as amended by the Acts, No.76 of 1981, No.5 of 1987 and No.38 of 2003. My comments and 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.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000- 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements 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 Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the National Institute of Plantation Management as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounts Receivable and Payable

The following observations are made.

- (a) Out of the sum of Rs. 5,913,020 receivable as at 31 December of the year under review from 19 debtors, the amount outstanding for over a period of one year was Rs. 345,486.
- (b) A sum of Rs. 10,793,165 had to be paid for 11 creditors as at 31 December of the year under review by the Institute and out of that, the value of loan balances older than two years was Rs. 4,931,400.

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

Non-compliances with the following laws, rules regulations and management decisions were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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(a) Section 11 of the Finance Act, No. 38 of 1971 and Section 8.2.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003	A total sum of Rs. 12,566,077 had been invested in Term Deposits without an approval of the Minister of Finance and the relevant Minister.
(b) Guideline 5.4.12 of the Procurement Guidelines 2006	After making the payment to cover Value Added Tax, the Auditor General had not been informed of the details of those payments on or before the fifteenth day of the following month.
(c) Section 9.12 of the Public Enterprises Circular No. PED/12 of 02 June 2003	Even though the approval of the General Treasury should be obtained before the implementation of welfare programmes, it had not been so obtained.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Institute for the year under review had been a surplus of Rs. 632,438 as against the deficit of Rs. 1,833,579 for the preceding year, thus indicating an improvement of Rs.2,466,017 in the financial result of the year under review as compared with the preceding year. Even though the employees' remuneration had increased by Rs. 11,454,650, the increase in the income from training by Rs. 7,972,853, Government Recurrent Grants by Rs. 3,710,000 and Deferred Capital Grants by Rs. 2,235,102 had mainly attributed to the above improvement.

An analysis of financial results of the year under review and 04 preceding years revealed a financial deficit in the years 2011, 2012 and 2014. Nevertheless, there had been a surplus in the financial results in the years 2013 and 2015. Considering the employees' remuneration and depreciation for the non-current assets, the contribution from the year 2011 even up to the year under review had taken a positive value and it had been continuously improved up to the year 2013. Even though it had slightly deteriorated in the year 2014, it had increased again by 35 per cent in the year under review as compared with the year 2014.

3.2 Legal Actions against the Institute

An employee, who was dismissed from the service due to submission of educational certificates prepared fraudulently, had been convicted by the Court for the offence of preparing forged documents. However, that employee had filed a case against the Institute in the Labour Tribunals claiming compensation. As a result, the Institute had made provisions of Rs. 3,765,757 as contingent liabilities in accounts.

4. Operating Review

4.1 Performance

The main objectives of the Institute in terms of the National Institute of Plantation Management Act, No.45 of 1979 are as follows.

- Providing by itself or in association with other institutions in Sri Lanka or abroad, training facilities and programmes relating to plantation management to all categories of employees working in the plantations,
- Providing regular refresher and orientation courses in Plantation Management to employees in service,
- Offering training in Plantation Management to personnel working in the plantations both in the public sector as well as in the private sector,

- Providing Diploma Courses in association with the Tea Research Institute, the Rubber Research Institute, the Coconut Research Institute and other related institutions and to award Diplomas where appropriate,
- Sponsoring and holding seminars, workshops and conferences and publishing journals and magazines in connection with plantation management and development, and
- Carrying out research into areas of plantation management and labour relations that are not already provided for in other similar institutions.

4.2 Management Activities

The following observations are made.

- (a) A Memorandum of Understanding had not been entered into between the Wayamba University of Sri Lanka and the Institute in connection with the External Degree Course in Bachelor of Science (Plantation Management) commenced in the year 2005. At present, this Degree Course is conducted by the University and the name of the National Institute of Plantation Management is used for the Degree Certificate. Accordingly, no income whatsoever could be earned by the Institute due to the unavailability of an agreement for this Degree Course.
- (b) A National Vocational Qualification Certificate (NVQ) is not awarded for the courses such as Educational and Vocational Courses, Technical and Management Development Programmes, Skills Development Programmes and Foundation Courses conducted by the Institute at present. As such, the validity of the certificate awarded to the participants of those programmes is diluted.
- (c) Even though a land 04 acres 03 roods 05.90 perches in extent with an assessed value of Rs. 55,000,000 belonging to the National Institute of Plantation Management had been handed over to the Sri Lanka Army on 15 December 2014, no amount whatsoever had been recovered thereon up to June 2016.

4.3 Identified Losses

Hundred and four litres of Exterior Water Base Lacquer valued at Rs. 229,840 had expired due to purchasing without a proper study of the requirement.

The following observations are made.

- (a) Even though a candidate had been selected for the post of Training Officer based on the results of the interview and a letter of appointment sent in the year 2014, the candidate had not reported for duty. As such, that post had been vacant and newspaper advertisements had been republished at a cost of Rs. 71,761 in the year 2015 as well. Nevertheless, recruitments had not been completed.

- (b) The posts of Internal Auditor and Printing Assistant had been vacant for a long period and no arrangement whatsoever had been made for the recruitment.
- (c) There had been considerable differences in the estimates prepared due to the unavailability of a qualified Technical Officer for the preparation of estimates in respect of constructions and contracts of the Institute.
- (d) Information in the application and certificate of the results of the examination submitted by a person selected for the post of Work Supervisor was contradictory. Despite this situation without taking action thereon, that officer had been recruited afterwards as a Management Assistant (Technical).

5. Accountability and Good Governance

5.1 Annual Action Plan

The following observations are made.

- (a) Even though 70 educational and training programmes had been planned according to the Action Plan for the year 2015, the progress of conducting of programmes was 41 per cent due to failure to conduct 41 programmes.
- (b) The total number of programmes conducted in the Computer Unit by November 2015 was only 5. However, 12 computers and accessories had been purchased at a cost of Rs. 1,378,040 on 30 November 2015.

5.2 Internal Audit

An internal audit in respect of the Institute had not been carried out by the Internal Audit Unit of the Ministry of Plantation Industries.

6. Systems and Controls

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

Areas of Systems and Controls -----	Observations -----
(a) Staff Administration	Failure in taking prompt action to recruit relevant officers for the vacant posts and failure in taking action to obtain confirmation of the results relevant to the educational qualifications of the officers recruited.

(b) Operating Control

Failure in taking action to award a National Vocational Qualification Certificate (NVQ) for educational and vocational courses and development programmes conducted by the Institute at present.

(c) Accounting

Failure in taking action to determine proper accounting policies and to disclose them in accounts and to prepare accounts accordingly.