

National Institute of Plantation Management – 2016

The audit of financial statements of the National Institute of Plantation Management for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance, statement of changes in net assets 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 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 2016 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 loan balance totalling Rs.5,310,984 receivable from 19 debtors, the amount outstanding over a period of 2 years was Rs.322,308 and the amount, over a period of 5 years was Rs.82,500.
- (b) The loan balance of Rs.8,278,400 payable to 13 creditors included a sum of Rs.4,931,400 that remained unsettled over a period of 2 years.

2.2.2 Lack of Evidence for Audit

Evidence indicated against the following items was not made available to Audit.

Item	Value	Evidence not made available
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	Rs.	
(a) Debtors	5,310,984	Letters of Confirmation of Balances
(b) Creditors	8,278,400	Letters of Confirmation of Balances
(c) Library Books	631,157	Reports on stocks verification

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Institute for the year under review had been a surplus of Rs.14,757,611 as compared with the corresponding surplus of Rs.632,438 for the preceding year, thus indicating an improvement of Rs.14,125,173 in the financial result of the year under review as compared with the preceding year. The increase in the Government grants by Rs.20,075,893 had been the main reason for the above improvement.

An analysis of financial results of the year under review and 04 preceding years revealed a deficit in the years 2012 and 2014. Nevertheless, there had been a surplus in the years 2013, 2015 and 2016. Taking into consideration the employees' remuneration and depreciation on the non-current assets, the contribution from the year 2012 up to the year under review had **been** a positive value. Moreover, the contribution had continuously improved from the year 2012 and it had increased by 33 per cent in the year under review as compared with the year 2015.

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.

- To provide, 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 ;
- To provide regular refresher and orientation courses in Plantation Management to employees in service ;
- To offer training in Plantation Management to personnel working in the plantations both in the public sector as well as in the private sector;
- To provide 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;
- To sponsor and hold seminars, workshops and conferences and publish journals and magazines in connection with plantation management and development ; and
- To carry out research into areas of plantation management and labour relations those are not already provided for in other similar institutions.

The following observations are made in respect of the achievement of those objectives.

- (a) Even though internationally recognized courses with National Vocational Qualifications (NVQ) relating to plantations had been commenced in the year under review by the Institute, courses for the post of Tea Factory Technician had not been commenced.
- (b) Even though courses for Tea Factory Officers and Tea Field Officers had been commenced in the year under review, out of the number of students registered, the participation of students for those courses by the end of the year under review had been 64 per cent and 66 per cent respectively.

- (c) Even though the Institute had planned to conduct 25 income generating programmes in the year under review, only 17 programmes had been conducted.
- (d) Only one training programme had been conducted on behalf of the smallholders in cashew and cinnamon industries and action had not been taken to conduct training programmes after the year 2014 on behalf of the smallholders relating to the sugarcane industry.
- (e) Even though the number of programmes which were planned according to the Action Plan of the year under review stood at 51, the number of programmes conducted, stood at 20. As such, the progress of conducting programmes was 39 per cent.
- (f) Even though it had been planned to commence 3 courses with National Vocational Qualifications (NVQ) in the year under review, the Institute had commenced only 02 courses with National Vocational Qualifications (NVQ) during the year.

4.2 Management Activities

The following observations are made.

- (a) The National Institute of Plantation Management which was established with a vision to be the centre of excellence in providing training and conducting consultancy and research on plantation management, had conducted 26 external examinations in public and private sectors extraneous to its key function by now. The officers of the Institute had contributed more to conduct external examinations and as such, the possibility of conducting courses, workshops and training programmes which were organized by the Institute, had decreased.
- (b) The number of students participated in the Course of National Diploma in Plantation Management had gradually decreased since the year 2013 and the course relating to the year 2016 had not been commenced even by the end of the year under review. The Skills Development Programmes for Rubber Field Officers had not been conducted after the year 2014 and the number of students participated in Certificate Courses on Book Keeping and Plantation Accounting had gradually decreased since the year 2012.
- (c) The students' participation in the Induction Course for Trainee Planters and Skills Development Training Courses for Tea Field Officers and Officers in Tea factories had speedily decreased from 69 per cent to 9 per cent as compared with 05 preceding years.
- (d) 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.

- (e) Even though a land of 04 acres 03 roods 05.90 perches in extent belonging to the National Institute of Plantation Management, had been handed over to the Sri Lanka Army on 15 December 2014, the assessed value of that land amounting to Rs.55,000,000 had not been recovered from the relevant institution.

4.3 Staff Administration

The post of Librarian of the Institute had been vacant since the year 2014 and newspaper advertisements had been published and interviews, called for in two instances in the years 2014 and 2016. However, the candidate selected had not accepted the appointment and as such, that post has been vacant up to now.

5. 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.

(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.