

National Institute of Plantation Management - 2023

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 2023 comprising the statement of financial position as at 31 December 2023 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 2023, 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 intend 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 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 scepticism 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 the institute 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 the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute 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 the reference to particular Standard	Comments of the management	Recommendation
Although it had been identified Rs. 217,900 in the statement of financial performance for the year 2023 as the income received from 105 members of the National Plantation Management Institute according to the Gazette of the Democratic Socialist Republic of Sri Lanka No. 2341/19 dated 18 July 2023, but it had not disclosed the specific accounting policy in the financial statements related to the recognition of those revenues.	The institute presents the financial statement considering the accrual basis which is clearly stated under 2.1 of the accounting policies. However, this disclosing error will be corrected which was mentioned stating that members' fees would also be operated on the same basis.	A specific and general accounting policy should be applied to identify all revenues and should be disclosed in the financial statements.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Since the revaluation gain of Rs.191,616 obtained by the removal of 16 items of furniture and fittings in the year under review after revaluation in the year of 2013 had not been transferred to the accumulated fund by withdrawing from the revaluation reserve and the revaluation reserve had been overstated by Rs.191,616 and the accumulated fund had been understated of that amount.	Action will be taken to correct the loss incurred by transferring the revaluation gain of Rs.191,616 from the revaluation reserve to retained profit reserve that obtained by disposing the furniture and fittings which were revalued in the year 2013.	Revaluation profit/losses should be accounted accurately.
(b) The revaluation losses had been overstated by Rs. 120,095 as because of the	The fence constructed for the safety of Bhagwanthalawa Training Center	Revaluation profit/losses and depreciation should

- revaluation losses to be recognized as Rs.362,405 but recognized it as Rs.482,500 in the revaluation reserve when the fence of Bagwantalawa Training Center had revalued at the amount of Rs.282,500 which the carrying value was Rs.644,905 as at 27 July 2023 and the depreciation value of Rs. 43,595 related to the period from 01 January 2023 to 27 July 2023 had not accounted for that fence.
- has been revalued as Rs.282,500 on 27/07/2023. Action will be taken to correct the relevant accounts which had been occurred of revaluation losses as Rs.362,405.
- be adjusted properly and accounted.
- (c) Since the sum of unrecognized credit balances amounting to Rs.842,450 as at 31 December 2023 had been deducted from current assets without accounting as current liabilities or unrecognized income, the current assets had been understated by that amount.
- The unidentified account balance was Rs.842,450. The deposit information of these students is periodically provided to the accounts department and once such is provided, actions are being taken to deducted from the debtor balance after completing the receipts which reserved for that amount. These students will be required to submit this information when obtaining their certificates, therefore many of these deposits will be identified at that time.
- Action should be taken to identify all revenues when preparing the financial statements, and unrecognized revenues should be properly accounted.
- (d) The value of the closing stock of 4 stock items was Rs.2,140,025 as per the financial statements on 31 December 2023 and according to the stock survey reports the value of the was Rs.2,200,598 on that date, therefore the stock balance had been overstated by Rs.60,573.
- The defect which has happened would be corrected by including the balances in the financial statements according to the stock verification reports.
- Stock should be properly accounted.
- (e) Although the Rs.624,131 out of Rs.1,477,185 of the payable balance on 31 December 2022 related to renovation of the hostel plumbing and sewerage system which had paid to a private entity on 10th January 2023, but the liability had been overstated by Rs.624,131 by showing the payable balance as at 31 December 2023 as Rs.1,477,185 in the financial statement.
- Therefore the amount of Rs. 624,131 had been paid to Eco Engineer's Institute on 10.01.2023 by the payable amount of Rs.1,477,185 as at 31/12/31 which has the autonomy for renovation of the water supply system and sewerage system of the hostel as at 31.12.2022 and action will be taken to correct the defect by decreasing the overstated liability of Rs.624,131.
- Payable balance should be accurately accounted.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
The institution had not taken actions to recover the balance of Rs.202,575 which was existing more than 4 years in the balance of trade receivables of Rs.31,947,618 shown under current assets in the statement of financial position of the year 2023.	It has been recovered more than 80% of the debtor balances of Rs.31,947,617 included in the financial statement up to now. The amount of Rs.13,407,457 which had been received from the Ministry of Education, who is the main debtor, for 13 years of continuing education programs among of these debtors. An amount of Rs.10,539,200 has been recovered from that amount and actions have been taken to recover the remaining amount.	Actions should be taken promptly to recover the outstanding balances.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.399,850 and the corresponding surplus in the preceding year was to Rs. 8,548,607. Therefore, a deterioration of Rs. 8,148,757 was observed in the financial result. The reasons for the deterioration are increases salaries, wages and employee benefits, supplies and consumables, repair and maintenance, communication and utility services, capacity development including training costs, facility and rental, expenses of Bogavantalawa regional center, depreciation, other expenses for the year as Rs.5,917,344, Rs.1,354,217, Rs.498,552, Rs.6,656,605, Rs.20,459,960, Rs.4,291,449, Rs.510,861, Rs.3,222,318 and Rs.938,420 respectively of the year under review as compared to the preceding year had mainly attributed for this.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with the preceding year were as follows.

Items	Year 2023	Year 2022	Variation	Variation as a
	Rs.	Rs.	Rs.	percentage
Revenue				
Recurrent receipt from Treasury	69,394,000	64,000,000	5,394,000	8.4
Capital receipt from Treasury	18,600,000	16,000,000	2,600,000	16.25
Generated Training income	67,439,737	38,328,586	29,111,151	76
Rental of residential facilities	31,534,472	22,556,426	8,978,046	39.8
Interest income	4,920,085	14,823,936	9,903,851	66.8

Expenditure

Salaries, wages and employee benefits	52,410,266	46,492,922	5,917,344	12.7
Supplies	10,734,865	9,380,648	1,354,217	14
Traning expenditure	42,699,706	22,239,746	20,459,960	92
Other expenditure	2,176,251	1,237,831	938,420	76
Repair and maintaince	10,380,087	9,881,536	498,551	5
Expenditure of communication and utility	19,818,051	13,161,446	6,656,605	50
Facility rental expenses	15,946,300	11,654,851	4,291,449	37
Bagawantalawa Regional Center Expenditure	909,762	398,901	510,861	128
Depreciation	38,495,519	35,273,201	3,222,318	9

2.3 Ratio Analysis

The current and quick asset ratios in the year under review were 1.46: 1 and 1.07: 1 respectively and these ratios were 3.72: 1 and 3.23: 1 respectively in the preceding year.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of Management	Recommendation
(a)The software system had been decommissioned since 19 June 2020 as at the audited date of 27th May 2024 which the software system (KOHA) had established in the year 2020 at a cost of Rs.248,000 for the automation of library management in the institution, but due to the lack of necessary hardware for the full operation of the software system and the inability to operate the software system at the time of power cut.	The functions in the library of the software are online indexing, online accession, online book editing, online periodical editing and the basic management of the library is to carry out the library information in a scientific and standardized manner. But there were some technical obstacles to make the whole process of the software successful. Specifically , the software system cannot be operated when there is a power cut, the warranty period of this system has been exceeded, due to the limited amount of money given by the Treasury to our institution due to the economic crisis and it is difficult to buy the technical equipment used to develop the software system.. The one of main reason for this has been the absence of a permanent officer to provide services for information technology in the organization.	Actions should be taken to purchase other hardware required for library management information system and necessary human resources should be utilized to achieve the desired objectives.

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| <p>(b) It was observed during the physical verification conducted in the library of the institute that only 64 books had been sold in the year 2023 out of 5,875 manuals value of Rs.828,550 which were printed in 2002 and 2003 and 5,811 manuals value of Rs.810,325 over 20 years as at 31 December 2023 had been stored in the library.</p> | <p>The 3 books with the highest demand could be identified among those books. Those are Technical Process in Tea Production, Skill workshop of Tea Factory Officers and Engineering Aspect of Tea Processing. It is informed that those 3 books are in high demand and the demand for other books are limited. However, the library has the ability to purchase essential books related to plantation human resource development according to the requirements of students.</p> | <p>Actions should be taken to printing the books after identified the requirement and safeguard the stock of printed books.</p> |
| <p>(c) The director had agreed to increase the monthly rent from time to time through prior dated letters for 2 houses rented without an agreement to conduct training programs by the institute and had paid Rs.2,116,000 in the year 2023. Similarly, the company had paid rents of Rs.640,000 for 4 houses through unsigned lease agreements in the year under review.</p> | <p>The institute has taken an action to obtain two houses on rental basis with the approval of the governing body of the institute that can provide accommodation for around 80 trainees (40x2) at a time. The action will be taken signed a formal lease agreement and submitted to the audit division.</p> | <p>Contracts should be duly signed for the entire rental period and payments should be made accordingly and all amendments should be made with proper approvals as per the agreement.</p> |
| <p>(d) The 10 gold coins of 22 carat gold weighing 13.5 g were purchased from a private company on 30 May 2019 for Rs. 851,800 and written off as expenses in the same year to give the staff members when they retire according to the decision of the board of directors of the company. These coins had not distributed and kept in safe of the company for 3 years and had been accounted as an asset in the year 2022 due to organizational and financial reasons.</p> | <p>The amount spent on gold was Rs.851,800. It has been corrected in the financial statements for the year 2023 by written off it as an expenditure. Action will be taken to examine the value and composition of the Gold through Gem and Jewellery authority.</p> | <p>The expenditures only related to the objectives of the organization should be incurred and the accurate value of these gold coins should be accounted. Similarly, this stock should be disposed on proper approval.</p> |

There were 10 gold coins at the end of the year under review, but the value had not been assessed and adjusted to the financial statements without confirming whether the gold coins were 22 carat gold.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of Management	Recommendation
<p>(a) The National Plantation Management Institute had made allocations of Rs.5 million to conduct 100 capacity development programs in the year 2023, but only 52 programs were conducted at a cost of Rs.1,359,236 at the end of the year and although 2,610 beneficiaries were expected to participate in those 52 programs, but actually participated only 1,381 beneficiaries or 53 percent of the expected number. Although it had been planned to conduct these programs throughout the year according to the action plan, but actions had been taken to conduct the programs only in the months of January, February, October, November and December and however this program had not conducted in the remaining 7 months.</p>	<p>The institutions have planned 100 programs of capacity development for small estate owners and allocated the amount of Rs. 5 million. However, the institution was able to conduct only 52 programs in the year 2023. The number of state owners who participated in that was not 1,371 but 1,381 state owners were participated. we will take an action to correct the values in the 2023 progress report and annual report as there has been a shift changing when holding 3 programs in the morning and afternoon. It has become difficult to conduct these programs as planned due to the delay in providing allocations from the treasury to conduct these programs because of the financial difficulties.</p>	<p>The plans should be prepared after proper study and those plans should be implemented effectively to achieve the objectives of the organization.</p>
<p>(b) Even though the institute expected to be generated an income of Rs. 6.07 million by conducting 02 international programs for tea research and plantation management diplomas during the year under review, but expected income had been lost as the institute had not conducted those courses. Whereas the institute was planned to conducting 02 technology programs, 4 skill development programs, 02 education programs with one-degree program and planned to earn Rs. 1.17 million, Rs. 1.88 million and Rs. 36.32 million respectively, but the institute was able to earn from those programs only Rs.0.56 million, Rs.1.28 million and Rs.30.86 million respectively.</p>	<p>The 2 Diploma Courses in Tea Tasting and Plantation Management were developed for the year under review as it would increase the recognition of the Institute and generate higher income by conducting international programs. Although these courses were advertised, the applications had not been received. Although 2 technical developments were planned for the year under review, only programs on tea tasting could be implemented. The plantation field officer and tea factory officer programs have been conducted out of the planned four skill development programs.</p>	<p>The plans should be prepared after proper study and those plans should be implemented effectively to achieve the objectives of the organization.</p>