National Institute of Plantation Management – 2024

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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 2024 comprising the statement of financial position as at 31 December 2024 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 material accounting policy information was carried out under my direction in pursuance of the 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 read in conjunction with the Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. 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 2024, 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 the Audit of 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 Standards

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting

Audit Issue	Management Comment	Recommendation
In accordance with paragraph 09 of Sri Lanka Public Sector Accounting Standards 06, the amount of Rs.10,467,365 paid by the institution as per the verdict given on 03 January 2025 had not been adjusted in the financial statements of the year 2024.	The decision for this case on the overtime allowance was received on 03 January 2025, and a request was made to the Ministry of Finance to provide financial assistance for this purpose. The steps will be taken to make this adjustment in the year 2025. The above decision has been mentioned as a note in the statement of accounts. The actions will be taken to make this adjustment in the year 2025 and to rectify the deficiencies.	The proceedings should be made as per the Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) Although the value of the final stock of stationery was Rs. 578,000 according to the financial statements of the year under review, the said value as per the stock survey reports was Rs. 651,713. Consequently, the value of stationery was understated by Rs. 73,713 in the financial statements. Although the value of the welfare items was Rs. 753,000 in the financial statements, the said value as per the stock survey reports was Rs. 144,918. As a result, the said item had been overstated by Rs.608,082 in the final accounts.	The value of the stationery stock mentioned as Rs. 651,713 in the stock items register as at 31.12.2024 has been mentioned as Rs. 578,094 in the account statement. Consequently, the steps will be taken to correct the impact on the profit caused by the understatement of the final stock amounting to Rs. 73,619.	All the expenses for the year should be included in the annual financial statements.
(b) Even if the value added tax amount of Rs. 4,506,771 paid by the institution in terms of providing educational courses, training workshops and services incidental	The VAT registration of the company was cancelled in 2020 as the VAT liability limit of the company was increased in the year 2020. Since the	A value of which the receipt is not certain should not be shown as a receivable.

thereto in relation to the plantation sector cannot be obtained back through the Inland Revenue Department, the said amount had been shown in the financial statements as the balances receivable.	VAT liability has been reactivated with effect from 01.01.2024, the tax limit has been reduced to Rs. 60 million. Consequently, the company has the ability to offset the additional VAT paid on this additional purchase in the circumstances where the VAT has to be paid in future years.	
(c) Since the credit balance totaling to Rs. 1,771,925 had been deducted from the current assets without identifying the balances as at 31 December 2024 and making the required adjustments, the current assets as at the said date had been depreciated by that amount.	These unidentified balances have occurred due to crediting money to the account of the institution and not submitting a relevant note or any other relevant document to the institution. Consequently, as this unidentified balance consisted with money received from debtors, it has been shown in the accounts deducting from the debtor balance.	The credit balances not identified should not be offset from the value of current assets.

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

Audit Issue	Management Comment	Recommendation
Although the financial statements and draft annual reports should be submitted to the Auditor General within a period of 60 days upon the end of the accounting year in accordance with Section 6.6 of the Public Enterprises Circular No. PED 01/2021 dated 16 November 2021, the accounts for the year 2024 were submitted to the audit on 23 April 2025.	The steps will be taken to avoid the delays in the coming account year.	The proceedings should be made in accordance with the provisions of the circulars.

2.. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 1,315,000 and the corresponding surplus of the preceding year was Rs. 400,000. Accordingly, an increase of Rs. 15,000 was observed in the financial result. This increase had been caused by the increases in treasury recurrent and capital receipts, generated training income, and residential facility rentals by Rs. 11,606,000, Rs. 5,560,000, Rs. 4,079,263 and Rs. 23,991,528 respectively in the year under review compared to the previous year.

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 was as follows.

Items	Year 2024 Rs.	Year 2023 Rs.	Variation Rs.	Variation as a percentage
Revenue				
Recurrent receipts from Treasury	81,000,000	69,394,000	11,606,000	17
Capital receipts from Treasury	24,160,000	18,600,000	5,560,000	30
Generated Training Income	71,519,000	67,439,737	4,079,263	6
Rental of Residential Facilities	55,526,000	31,534,472	23,991,528	76
Interest Income	1,029,000	4,920,085	(3,891,085)	(79)
Other Income	844,000	2,082,000	(1,238,000)	(59)
Expenditure				
Salaries, Wages and Employee Benefits	66,720,000	52,410,266	14,309,734	27
Supplies	13,311,000	10,734,865	2,576,135	24
Training Expenditures	43,680,000	43,375,000	305,000	1
Other Expenditures	1,535,000	1,501,000	34,000	2
Repair and Maintenance	17,641,000	10,380,087	7,260,913	70
Communication and Utility Expenditures	22,390,000	19,818,051	2,571,949	13
Facility rental expenses	19,502,000	15,946,300	3,555,700	22
Bagawantalawa Regional Centre Expenses	1,243,000	909,762	333,238	37
Depreciation	46,741,000	38,495,519	8,245,481	21

2.3 Ratio Analysis

The current and quick asset ratios of the year under review were 1.18:1 and 1.02:1 respectively, and the said ratios in the previous year were 1.46:1 and 1.07:1 respectively. Although the current assets increased by 23 percent compared to the current assets of the previous year, the increase in current liabilities by 52 percent compared to the preceding year had resulted in the depreciation of current ratio.

3. Operational Review

3.1 Management Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	Although the income of the institution in the year 2024 had increased by Rs.40.1 million; that is about 21 percent, compared to the preceding year, the cost of the year under review had also increased by Rs. 39.1 million; that is about 20 percent, compared to the preceding year. Also, even if the income they earned	Although it is stated that the adequate financial provisions should be provided by the Treasury to maintain the institution as per the Act of the Institution, various programs are being introduced and the necessary arrangements are being made by the institution to increase the income of the institution. A project was implemented with the aim of developing this institution to a	The activities of affiliating the institution with a university should be expedited and attention should be paid about the self-financing.

without government grants was about Rs. 127 million, the total cost of the institution including salaries and wages, cost of supplying consumables, expenses on maintenance and repairs and communication and utility costs, training costs, etc had been Rs. 233 million. Accordingly, it was observed in the audit that a sufficient attention had been paid on maintaining the institution through self-financing without the financial assistance given by the government to this institution.	degree-awarding institution and the infrastructure facilities related thereto have been developed and provided within the past few years. The requests have been made to obtain UGC approval for the courses. The UGC has informed to amend the Act of the institution. Due to delays in amending the Act, further proceedings have been delayed. As per the new government policies, the required proceedings are being made to convert this institution into a university, and a committee has been established in that connection. We accept that the above requirement can be fulfilled thereby.	
(b) Any other group except the first group had not been enrolled for the degree course; initiated on the Memorandum of Understanding signed between the National Institute of Plantation Management and the University of Vocational Technology on 23 March 2022, by the end of the year under review. Although this degree course, which charges Rs. 499,000 for a general degree and Rs. 655,000 for a special degree, was started with an initial batch of 60 undergraduates, the number of students who have left the degree was 13 as at the date of the audit. Consequently, it had been decreased by 22 percent up to 47 undergraduates.	The major reason for the students' drop out from the degree is their financial difficulties. Although they registered for this course expecting to obtain bank loans from financial institutions and pay the course fees, they have been unable obtain the financial facilities due to the financial crisis prevailed in the country at that time. Further, some of these 13 students have informed that they are hoping to join the course again in the future subsequent to gaining the financial facilities.	The reasons for students dropping out of the degree program should be found, and if the financial difficulties have been the reason, the required procedures should be developed in consultation with financial institutions to enable students to obtain bank loan facilities.
(c) Although it has been mentioned as per No. 5.1 under No. 5; criteria for assessment, in the Student Handbook for the degree offered by the National Institute of Plantation Management that every applicant should obtain at least 30 marks in Continuous Assessments in order to sit for the final examination of the semester, the applicants had been given the opportunity to sit for the examination notwithstanding the 30 marks in Continuous Assessments. It	Although the marks for continuous assessment should be obtained before the examination as per the student handbook, most of the lecturers are external resource persons, and only the scholars having sound knowledge in the plantation sector are recruited for lectures in order to maintain the quality of this degree, and due to the said reason, the management observed a situation where the continuous assessment marks were not received on time. The measures and interventions required to rectify this situation in the future are already being	The proceedings should be made as per the evaluation criteria in the student handbook, and in case of any changes, due approval should be obtained.

	was not observed that an approval from the University of Vocational Technology had been obtained for changing the standardized particulars for the examinations of this jointly implemented degree course.	taken. However, it should be noted that these 30 continuous assessment marks have also been counted for the final examination results.	
(d)	Although it is mandatory to submit the evaluation reports to sit for the examination for the degree course as per the criteria stipulated in the student handbook of the National Institute of Plantation Management, four applicants had not submitted any evaluation reports. However, the academic division had recommended the applicants to sit for the examination.	They should have completed these continuous assessments before determining their final results, and the students who have not fulfilled the said requirement are shown as failed the exam.	The relevant evaluation criteria should not be changed in order to secure the quality of the degree program.
(e)	In a background where four academic terms of the joint course of the National Institute of Plantation Management and the University of Vocational Technology had been completed as at the date of audit, and the Joint Management Committee had met only twice during those four semesters. Consequently, it was observed that the fact about whether the management activities related to the degree course were being carried out efficiently is problematic.	The power and responsibility for organizing the Joint Management Committee meetings are with the University of Vocational Technology, and only a few formal meetings were held. Although requests were made to conduct the meetings, it was often difficult to obtain their consent for varied reasons. However, even if the formal meetings were not held at the circumstances of the occurrence of various issues, the guidelines and agreements were implemented by discussing with the relevant Joint Management Committees and the Heads of the relevant institutions to maintain the quality of the degree. Consequently, it is stated that it was not an obstacle for the quality of the degree, and the officials of the University of Vocational Technology are informed constantly reminding that the formal Joint Management Committee meetings should be held in accordance with Article 7 of the Memorandum of Understanding and the said situation has now been corrected.	The committee meetings should be held and the actions should be taken to maintain the quality of the degree.
(f)	The steps had not been taken by the institution to pay the creditor balance of Rs. 1,777,749 under current liabilities for more than 2 years.	The amounts mentioned as outstanding creditor balances are paid according to the case after a request from them is received, and the steps will be taken to write off the unpaid balances from creditor balances and account those as income under the approval of the Governing Board.	The payments should be made once the accuracy of the creditors is verified.

(g) As observed during the site inspection of the library of the institution, only 03 books had been sold during the year 2024 out of 5,811 manuals worth Rs. 810,325 printed in the years 2002 and 2003 for sale and 125 books had been distributed free of charge. 5,683 books for sale at a value of Rs.799,650 had been stored in the library even as at 31 December 2024.	These books are sold based on the demand from readers, and small-sized manuals such as tea leaf plucking and rubber tapping have been distributed free of charge for the programs of the small estate owners. The arrangements have already been made to distribute these manuals free of charge to them at the small estate programs in the future. The approval of the Governing Board has also been received at present.	The books; printed without understanding about the potential of selling, should be used for productive purposes.

3.2 Human Resources Management

Audit Issue	Management Comment	Recommendation
5 out of 18 posts at the tertiary level and 13 posts at the secondary level had been vacant as at 31 December of the year under review. Further, the contract basis recruitment had been made for 2 posts at the secondary level and 5 posts at the primary level.	The proceedings are underway for recruitments.	The steps should be taken to fill the essential posts.

4. Accountability and Good Governance

4.1Annual Action Plan

Audit Issue	Management Comment	Recommendation
Although a sum of Rs. 500,000 had been allocated for the purchase of library books and information sources in line with the Action Plan and Procurement Plan prepared by the institution for the year 2024, the books had not been purchased during the year under review.	A sum of Rs. 500,000 had been allocated by the institution to purchase books and information sources and the sources worth Rs.156,000 has been purchased from this amount. Also, the payment for books at a value of Rs. 276,319 purchased in the year 2023 has been made utilizing these provisions in the year 2024.	The actions should be taken to achieve the objectives of the Action Plan and Procurement Plan.