

National Institute of Business Management  
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**1 Opinion**  
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In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the National Institute of Business Management as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards .

**1:2 Comments on Financial Statements**  
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A report containing the accounting deficiencies Rs. 402,240 revealed at the test check of the draft final accounts presented on 23 February 2012 was brought to the notice of the Chairman of the Institute. The amended accounts prepared by rectifying those deficiencies had been presented on 30 April 2012.

**1:2:1 Accounts Receivable and Payable**  
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Action had not been taken for the recovery of the sum of Rs.111,977 recoverable from a Consultant who had resigned from service. In this connection, the Chairman informed me in July 2012 that a part of the money payable to the Institute had been recovered.

**1:2:2 Transactions not supported by Adequate Authority**  
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In terms of Sub-section (b) of Section 4 of the National Institute of Business Management Act, No. 23 of 1976 and the Amendment Act, No. 28 of 1991, provision had been made for the establishment and operation of affiliated Universities or Institutes as a Management Development and Education Centre.

Accordingly, the Cabinet of Ministers had, at the meeting held on 12 January 2011, approved the establishment of the National Business Management School as a matter of policy. Even though an institution in the name of the National School of Business Management Limited had been established in January 2012, the approval of the Cabinet of Ministers for the Project in terms of the letter No. NP/HDC/VT/05/201 dated 09 January 2012 of the Director of the Department of National Planning, had not been obtained even up to August 2012.

## 2. Financial Review

### 2:1 Financial Results

(a) According to the financial statements presented, the operations of the Institute for the year ended 31 December 2011 had resulted in an after tax net surplus of Rs.251,610,950 as compared with the corresponding after tax net surplus of Rs.96,314,318 for the preceding year.

(b) Financial Results of Operating Divisions

The Institute had executed its functions during the year under review through 03 Divisions and 04 Branches. The following information indicates the financial results of these Divisions.

Division	Income	Expenditure	Surplus/ (Deficit)
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	Rs.Millions	Rs.Millions	Rs.Millions
Management Information Division	245.340	115.281	130.058
Management Development Division	327.353	142.075	185.278
Kurunegala Branch	61.127	33.766	27.361
Kandy Branch	35.468	19.934	15.534
Galle Branch	48.755	41.402	7.353
Jaffna Branch	3.818	10.598	(6.780)
Administration Branch	--	105.070	(58.474)
Tax and Prior Year Adjustments	--	--	(48.719)
Net Surplus after Tax			<u>251.611</u>

**2:2 Analytical Financial Review**  
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The operating income for the year under review, as compared with the preceding year, had increased by 41.2 per cent while the after tax profit as compared with the preceding year, had improved by 161.2 per cent. Details appear below.

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>Percentage</u>
	Rs.Millions	Rs.Millions	Rs.Millions	
Operating Income	721.861	511.155	210.706	41.22
Direct Expenditure	344.907	288.159	56.748	19.69
Profit before Depreciation and Maintenance Expenses	376.954	222.996	153.958	69.04
Operating Profit	253.734	98.899	154.835	156.56
Non-operating Income	46.596	12.853	33.743	262.53
Pre-tax Profit	300.329	111.752	188.577	168.75
After Tax Profit	251.611	96.314	155.297	161.24

**3. Operating Review**  
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**3:1 Deficiencies in Contract Administration**  
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The following observations are made.

- (a) Even though quotations had been called from 12 institutions for the contract on the expansion of the students study area of the main building quotations had been received only from 04 institutions. The contract had been awarded to the institution that quoted the second lower prices instead of the institution that quoted the lowest prices stating lack of adequate training in iron work. Even that contractor had not executed a part of the iron works. The Institute had incurred a loss of Rs.290,616 due to the failure to accept lowest quotation.
- (b) Even though a sum of Rs.3,334,046 had been paid up to the year 2011 for the preparation of the computer software system, it was observed that the information expected by the Institute could not be obtained. Particularly the lists of who had left the courses could not be obtained. As such it was observed that the accurate information on the money receivable from the students could not be obtained from the computer.

**3:2 Resources of the Institute supplied to other Government Institutions**  
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Contrary to the provisions of the Public Enterprises Circular No. PED/12 of 02 June 2003 on the release of staff of the Institute to the Ministry or other institutions, four officers had been released to the Ministry and a sum of Rs.1,102,137 had been paid to them as salaries and allowances for the year under review.

**4. Budgetary Control**  
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Significant variances were observed between the budget and the actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

**5. Systems and Controls**  
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The weaknesses in systems and controls observed during the course of audit were brought to the notice of the National Institute of Business Management from time to time. Special attention is needed in respect of the following areas of control.

- (a) Conduct of Lectures
- (b) Conduct of Courses
- (c) Contract Administration