

National Institute of Plantation Management - 2014

The audit of financial statements of the National Institute of Plantation Management for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 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. 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 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 judgments, 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.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

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 Plantation Management as at 31 December 2014 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 Sri Lanka Public Sector Accounting Standards

Standard 07

The following observations are made.

- (i) Even though in revaluation of property, plant and equipment in terms of the Standard, the entire class of that asset to which it belongs should be revalued, buildings, office equipment, furniture and other equipment costing Rs.12,209,746 of the assets existed at the commencement of the year under review had not been revalued.
- (ii) The loss of Rs.2,863,841 arisen as a result of a revaluation of office equipment and various equipment had been set off against the loss incurred due to revaluation of other assets without being adjusted in the statement of financial performance.

2.2.2 Lack of Evidence for Audit

Even though a sum of Rs.373,700 had been shown in the accounts from the year 2013 as labour charges payable for the Seventh Engineering Regiment of the Army, for repairs of other buildings of the Institute including the building of the Training Division, the evidence required to establish the accuracy of making provisions was not made available for audit.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Out of the total value of debtors amounting to Rs.3,370,621, sums of Rs.82,500 and Rs.225,265 had been outstanding over a period of two years and one year respectively.

- (b) Out of the total value of Rs.9,358,168 payable for creditors, sums of Rs.4,291,000 and Rs.185,645 had exceeded over a period of one year and two years respectively.

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

Non-compliance with the following laws, rules and regulations were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
(a) Section 6 of the National Institute of Plantation Management Act, No. 45 of 1979 as amended by the Act, No 38 of 2003.	(a) Even though two representatives from the Ministry should be appointed to the Board of Directors, only one representative had been appointed.
(b) Section 8.2.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003	(b) The two members representing the Trade Unions had not been appointed to the Board of Directors by the Minister in charge of the subject.
(c) Treasury Circular No.842 of 19 December 1978	The approval of the Treasury had not been obtained in respect of investment of short Term Deposits of Rs.5,000,000.
	A Register of Fixed Assets had not been maintained in terms of the circular enabling to identify the fixed assets and to ensure their existence and safety.

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.1,030,263 as compared with the corresponding surplus of Rs.4,482,528 for the preceding year, thus indicating a deterioration of Rs.3,452,265 in the financial result of the year under review as compared with the preceding year. Even though the increase in the income had been 13 per cent in the year under review, the increase in the expenditure by 20 per cent had mainly attributed to this deterioration.

3.2 Analytical Financial Review

The following observations are made.

- (a) The income generated through operating activities amounted to Rs.25,317,075 and that was adequate to cover only 47 per cent of the entire operating expenditure amounting to Rs.54,082,637.
- (b) Out of the overall income of the Institute, 36 per cent had been covered by the income generated through operating activities and 35 per cent had been from Government Grants. The balance 29 per cent had been covered by write offs the Capital Grants against the income.

3.3 Legal Actions against the Institute

An employee of the Institute had filed a case against the Institute for dismissal from service based on disciplinary grounds asking for reinstatement in service. The

Institute had made provisions amounting to Rs.3,057,379 as Contingent Liabilities in the accounts for this purpose.

4. Operating Review

4.1 Performance

Out of the 237 Courses and Programmes planned according to the Action Plan for the year under review, 386 had been actually conducted, thus representing 163 per cent.

4.2 Management Inefficiencies

The following observations are made.

- (a) A Memorandum of Understanding had not been entered into between the Wayamba University of Sri Lanka and the National Institute of Plantation Management in connection with the External Degree Course on Bachelor of Science (Plantation Management) commenced in the year 2005 under the Distant Education System for the Executive Officers and the Planters connected with the Joint Plantation Management Sector.
- (b) Even though an applicant had been selected based on the results of the interview held for the recruitment for the post of Training Officer (Accounts and Financial Management) which had been vacant in the Institute since 17 August 2009 and a letter of appointment sent on 08 July 2014, that post had been vacant even up to 15 June 2015 as the applicant had not reported for duty.
- (c) The post of Assistant Director Administration had been vacant since 13 November 2013 and applications had been called by publishing

advertisements in newspapers in the month of June 2014. Even though interviews had been held up to 31 May 2015 by selecting 3 applications out of the applications received, action had not been taken to fill this vacancy. The expert Training Instructor (Accounts and Financial Management) was further acting in this post and a monthly allowance of Rs.6,410 was being paid to him.

- (d) The Tea Small Holdings Development Authority had conducted a competitive examination in the year 2013 for the recruitment of the post of Administrative Officer and the Sri Lanka Institute of Development Administration had conducted a competitive examination again, disregarding the above examination due to objections arisen within the Institute.

An advertisement had been published in newspapers again due to failure of the two applicants who sat for the competitive examination conducted by the Sri Lanka Institute of Development Administration and according to the applications received, 07 applicants had been called for the examination. Even though the officers who passed this examination had been interviewed and one person had been appointed, the methodology of giving marks at the interview was uncertain. Further, the Institute had paid a sum of Rs.111,337 for the examinations conducted by external institutions for filling this vacancy.

4.3 Operating Inefficiencies

The following observations are made.

- (a) According to the estimate of materials amounting to Rs.1,034,707 submitted to carry out the repairs of the building of the Training Division with the contribution of labour of the Engineering Regiment of the Army, repairs had been commenced in the year 2012 and the plan had been changed in two instances. The amended estimate had been Rs.3,210,594 and the approval of the Board of Directors had not been obtained thereon. A sum of Rs.3,596,122 had been spent for building materials in the years 2013 and 2014 to complete this purpose. The amount

exceeding the estimate was Rs.385,528. No supervision whatsoever had been carried out in the completion of these repairs.

(b) An institution had been selected in the year 2013 to establish a Management Information System for the Training Division of the Institute and a sum of Rs.276,000 had been paid for this purpose. In the examination of this, it was revealed that despite not having developed this system to enable to achieve the objectives expected by the Institute, the retention amount of Rs.24,000 had been paid to this institution on 24 June 2014. Another sum of Rs.36,000 had been paid as annual service charge of the Information System in the month of March 2015.

4.4 Delayed Projects

A workshop had been conducted at the Open University of Sri Lanka in the year 2011 and a sum of Rs.450,000 had been paid for the Resource Persons selected for the preparation of the Modules for the National Diploma on Plantation Management conducted by the Institute under the Distant Education System and a transport allowance of Rs.232,500 had been paid to them in the year 2012 for the participation in the workshop. Even though out of 10 Modules of the Diploma, editing work of the Module prepared for Accountancy and Financial Management had been handed over to an outside person without assigning it in writing, the editing work of this Module had not been finalized even up to May 2015.

4.5 Personnel Administration

The approved cadre of the Institute had been 56 and the actual cadre had been 45. Vacancies in 01 post in the Senior Level relating to the operating activities, 05 posts in the tertiary level, 04 posts in the secondary level and 01 post in the primary level had existed.

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 from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Personnel Administration
- (c) Operating Control