

National Institute of Business Management

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the National Institute of Business Management had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the National Institute of Business Management as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

2 Comments on Financial Statements

2:1 Presentation of Financial Statements

A report containing the accounting deficiencies revealed at the test check of the draft financial statements presented on 24 February 2011 was furnished to the Chairman of the Institute on 05 April 2011. After the rectifications of those deficiencies the revised accounts were presented on 05 May 2011.

2:2 Sri Lanka Accounting Standards

The following non – compliances were observed.

- (a) A provision of Rs.17,234,144 had been made as at the end of the year under review for the payment of gratuity and the funds had been invested for the purpose of utilizing to settle liabilities. Nevertheless, the investment had not been separately disclosed in the accounts in terms of Sri Lanka Accounting Standards No. 16 to facilitate identification.

- (b) According to Sri Lanka Accounting Standard No. 18 assets used for operating activities should be valued and brought to account. Nevertheless, according to the financial statements for the year under review, there were 600 items of fully depreciated assets shown at Rs.1 as well as 440 items of fully depreciated assets shown at Rs. 2 to Rs.100. Those had not been revalued and brought to account.

2:3 Non – compliance with Laws, Rules, Regulations and Management Decisions

A sum of Rs.90,000,000 had been invested in a State Bank without obtaining the requisite approval in terms of Section 11 of the Finance Act, No. 38 of 1971 and the Public Enterprises Circular No. PED/25 29 July 2004.

3. Financial and Operating Review

3:1 Financial Review

3:1:1 Financial Results

According to the financial statements presented, the working of the Institute for the year ended 31 December 2010 had resulted in an after tax profit of Rs.96,314,318, as compared with the corresponding after tax profit of Rs.61,257,450 for the preceding year, thus indicating an increase of Rs.35,056,868 in the after tax profit for the year under review.

The increase of courses income and other income as compared with the increase of expenditure on salaries, consultancy and training had mainly affected the increase in the financial results.

3:1:2 Analytical Review of Financial Results

A comparison of the information on the income, expenditure, profitability and student participation of the Institute for the year under review and the preceding 04 years is given below.

Particulars		2010	2009	2008	2007	2006
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Income	Rs.	524,008,538	366,178,891	298,241,785	238,006,772	196,080,898
Expenditure	Rs.	427,694,220	304,921,441	235,720,708	203,443,037	163,482,699
Income Surplus (After Tax)	Rs.	96,314,318	61,257,450	62,521,077	34,563,735	32,598,199
Student Participation		10,697	7,018	6,853	6,677	8,621
Cost per Student	Rs.	39,983	43,448	34,397	30,469	18,963
Income per Student	Rs.	48,986	52,177	43,520	35,646	22,744

The following were observed.

- (a) Even though the income for the year under review as compared with the year 2009, had increased by 43 per cent, the income per student had decreased by 6 per cent.
- (b) Despite the increase of the student participation by 52 percent as compared with the year 2009, the decrease in the cost per student was 08 per cent.

3:2 Operating Review

3:2:1 Performance

(a) Conduct of Lectures

The Director General had decided to conduct 20 hours of lectures in accordance with the Circular dated 20 June 2008 issued with the approval of the Board of Director contrary to the provisions of the Establishments Code and the Public Administration Circular instructions. As it had not been specifically stated per week or per mensum additional payments had been made on the number of hours which exceeded 20 hours per mensum.

(b) Progress of the Conduct of Courses

- (i) The following matters were observed at an examination of the various courses conducted by the Institute.

Name of the Course	Course Number	Number of Students registered	Number of Students who sat the Examination for First Time	Students Passed	Students Failed	Percentage of Failures
Certificate Course in Computer Science	450669 2009.3	128	97	67	30	30
- do -	450010 2010.1	262	232	135	97	42
- do -	450110 2010.1 (2)	70	62	36	26	42

According to the above information, the failures at the first sitting of the examinations ranged between 30 per cent and 42 per cent.

- (ii) The number of students registered for the Diploma Course on Designing Computer Systems (2008.1) stood at 229 and out of those 225 had appeared for the first sitting of the examination. Out of those students only 79 had passed the examination. As a percentage that was observed a very low as 35 per cent.

3:2:2 Review of the Operating Divisions

The Institute had performed its functions through 03 Divisions and 03 Branches. The financial results of these Divisions are depicted by the following information.

Division / Branch	Income	Expenditure	Surplus / (Deficit)
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	Rs.	Rs.	Rs.
Management Information Division	185,204,558	94,565,380	90,639,178
Management Development Division	216,791,200	117,379,932	99,411,268
Kurunegala Branch	54,249,513	38,035,166	16,214,347
Kandy Branch	23,059,947	17,805,485	5,254,462
Galle Branch	32,547,103	34,191,700	(1,644,597)
Administration Division	12,156,217	110,278,820	(98,122,603)
Tax and Prior year Adjustments	--	--	(15,437,737)

			96,314,318
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The financial result of the Galle Branch and the Administration Division before the tax and prior year adjustments amounted to deficits of Rs.1,644,597 and Rs.98,122,603 respectively.

3:2:3 Composition of the Board of Directors

The Chairman of the Sri Lanka Industrial Advisory Council, the General Manager of Development Bank and the Chairman of the Commercial Banks Association who should be appointed in terms of the provision of the Act to the Board comprising 11 members, had not been appointed to the Board of Directors.

4. 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) Conduct of Lectures
- (b) Conduct of Courses
- (c) Assets Management
- (d) Investments
- (e) Performance of Branches

