

National Institute of Plantation Management - 2010

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 Plantation 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 1:2 of this report, the financial statements have been prepared in accordance with Generally Accepted Principles and give a true and fair view of the state of affairs of National Institute of Plantation Management as at 31 December 2010 and the financial results of its operation for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Best Accounting Practices

The contingent liabilities that would become payable in consequence of a case filed against the Institute had not been disclosed with the financial statements.

1:2:2 Accounting Deficiencies

Separate accounts had not been maintained in the ledger for the transactions of the Training Centre at Bogawantalawa. A difference of Rs. 1,525,545 had arisen in copying the expenditure relating to this Training Centre in the ledger.

1:3 Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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(a) National Institute of Plantation Management Act, No. 45 of 1979	The post of Director who is the Chief Executive Officer, required to be appointed by the Minister remained vacant since 12 October 2010 up to date.
(b) Section 153 of the Inland Revenue Act, No.10 of 2006	Even though Withholding Tax should be recovered on payments exceeding Rs.50,000, such tax had not been recovered in one instance on Rs. 161,720 during the year under review and remitted to the Department of Inland Revenue.
(c) Public Enterprises Circular No. PED/12 of 02 June 2003 Section 4.2.2	Even though meetings of the Board of Directors should be held monthly, only 07 meetings had been held in the year under review.
(d) Financial Regulations 156(5)	Entries made in accounts and the documents connected therewith should not be erased. Any corrections should be made by scoring off the words and figures that should be altered in red ink in a single line, writing the correct words and figures above that line in red ink and certified by the officer responsible by placing his initials. Nevertheless payments had been made after making alterations to the entries in the cash book and in the preparation of vouchers without following such instructions.

2. Financial and Operating Review

2:1 Financial Review

(a) Financial Results

- (i) According to the financial statements presented, the working of the Institute for the year under review had resulted in a surplus of Rs. 1,511,302 after taking into account the Treasury grant of Rs. 10,505,200 for the year under review, as against the deficit of Rs. 1,317,913 for the preceding year after taking into account the Treasury grant of Rs. 13,100,000 received for that year, thus indicating an improvement of Rs. 2,829,215 in the financial results.
- (ii) The increase of the courses income and other income for the year 2010 by a sum of Rs. 16,215,279 as compared with the year 2009 had been the main reason for the improvement of the financial results.

(b) Analytical Financial Review

- (i) The overall income of the Institute comprised Treasury grants amounting to Rs. 10 million or 31 per cent and the income earned from the operating activities of the Institute amounting to Rs. 23 million or 69 per cent.
- (ii) Out of the overall expenditure of the Institute, 72 per cent had been covered by the income earned from the operating activities.

2:2 Operating Review

2:2:1 Performance

<u>Year</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Number of Courses Conducted	227	108	129	09	24	73	75	06	45
Participants	8721	4451	3545	266	663	3417	3694	346	1449

- (a) The number of training courses conducted in the year 2002 had been 227 and it had decreased to 45 courses in the year 2010. As compared with the year 2002, the percentage of conduct of courses in the year 2010 had dropped to 20 per cent.

The decrease in the number of courses conducted after the year 2004 had been due to the restructuring process implemented in November 2004. The 35 officers who left the Institute under the restructure included 11 officers attached to the Training Division. As such only three Training Officers remained. Meanwhile a rumour had spread throughout the Plantation Sector that the Institute was closed down as a result of the restructure. The Chairman informed me that the number of the training courses conducted during the year 2005 to 2010 had decreased as compared with the year 2002 due to those reasons.

- (b) The participants for the courses in the 2002 had been 8721 while it had decreased to 1449 in the year 2010. Therefore the percentage of participants in the year 2010 as compared with the year 2002, had decreased to 17 per cent.

- (c) According to Section 3 of the National Institute of Plantation Management Act, No.45 of 1979, the primary objectives are the conduct of training programmes, Organization of Seminars, Workshops and Conferences and the issue of Magazines and books.

Even though the number of persons employed in the Plantation Sector exceeded 2 million, the Institute had trained only 1449 employees or 0.07 per cent in the year 2010.

(d) The operating income of the Institute in the year 2010 had been as follows.

	<u>Rs. '000</u>
Income from Training Programmes	10,396
Income from Rent of Buildings	11,203
Interest Income	1,014
Sundry Income	438

A larger portion of the operating income had been earned from buildings rented out.

2.2.2. Conducted of Courses – 2010

Name of Course planned for the year 2010	Number Planned according to the Action Plan	Actual Number of Courses
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Educational and Vocational Programmes	14	08
Technical Development Programmes	04	-
Skills Development Programmes	04	05
Project Development Programmes	35	08
Special Training Programmes	10	13
Management Training Programmes	06	06

Foreign Training Programmes	01	01
Business Development Programmes	03	03
Introductory Programmes for Plantation Trainers	01	01

(a) Even though plans had been made to train 60 persons by conducting 04 Technical Development Programmes, that Program had not been conducted.

(b) Even though the training of 1750 plantation workers had been targeted by conducting 35 courses for Training of plantation workers , 257 persons only had been trained by conducting 08 courses.

2:3 Uses of Resources of the Institute by other Institutions

The Sony Video Camera purchased at a cost of Rs. 1,224,380 for the use of the Audio-Visual Division of the Institute had been released for use by the Ministry of Plantation Industries since the date of purchase contrary to Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

2.4 Internal Audit

An Internal Audit of the Institute had not been carried out in terms of Section 13(5)(d) of the Finance Act, No.38 of 1971 and Section 3.7.5 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

2.5 Idle Assets and Misplaced Goods

The Director's Official Quarters with a floor area of 1,505 square feet and the Audio-Visual Division with a floor area of 745 square feet had been idling since the year 2004.

(a) No action whatsoever had been taken on 109 items of goods not in use at present, 33 items of out of order goods and 77 items of damaged on broken goods.

(b) Even though Cassette recorders and projectors had been misplaced no action whatsoever had been taken thereon up to date.

2.6 Non-maintenance of the Corporate Plan correspond with the Action Plan

Differences ranging from 11 per cent to 455 per cent existed between the provisions made according to the Corporate Plan prepared for the years 2010-2015 and the Programmes of the Action Plan for the year 2010.

2.7 Budget

A reconciliation of the estimated expenditure appearing in the budget prepared by the Institute for the year under review and the actual expenditure revealed variances ranging from 12 per cent to 100 per cent while a reconciliation of the estimated income and the actual income revealed variances ranging from 37 per cent to 134 per cent. Thus it was observed that the budget had not been made use of as an effective instrument of management controls.

3. Systems and Control

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) Purchasing
- (c) Conduct of Courses