

## **National Institute of Plantation Management – 2013**

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The audit of financial statements of the National Institute of Plantation Management for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 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 as amended by the Amendment Acts, No. 76 of 1981, No. 5 of 1987 and No.38 of 2003. 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**

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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**

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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. Subsections (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.

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the National Institute of Plantation Management as at 31 December 2013 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**

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#### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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Instead of showing the sum of Rs.13,437,318 invested in call deposits and the encashment of call deposits amounting to Rs.3,250,000 under the cash and cash equivalents in the preparation of the cash flow statement in terms of Standard No.02, those had been shown under the investment activities of the cash flow statement.

#### **2.2.2 Accounting Policies**

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The policy of the Institute on the provision for doubtful debts had not been disclosed in the Notes to the Accounts.

#### **2.2.3 Accounting Deficiencies**

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The provisions for gratuity in respect of an employee had been under - computed by a sum of Rs.74,162 and as such the profits had been overstated by that amount.

#### **2.2.4 Lack of Evidence for Audit**

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The Gate Registers indicating arrival and departure of the motor vehicles of the Institute had not been updated properly and as such the accuracy of the transport allowances amounting to Rs.232,559 paid to the internal and external resource persons arriving for lectures could not be established.

### **2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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

<b>Reference to Laws, Rules, Regulations, etc.</b>	<b>Non-compliance</b>
(a) Section 6 of National Institute of Plantation Management Act.No,45 of 1979 as amended by the Amendment Act, No 38 of 2003.	(a) The two members representing the Trade Unions had not been appointed to the Board of Directors by the Minister in charge of the subject.

- (b) Only one of the two representatives to be appointed from the Ministry had been the representative of the Ministry while the Chairman had also been considered as a representative of the Ministry and appointed to the Board of Directors.
- (b) Supplement No.20 of the Procurement Manual issued under the Procurement Guidelines 2006
- Even though action had been taken to obtain labour valued at Rs. 1.09 million for carrying out repairs to the buildings of the Institute from the Seventh Engineering Regiment of the Army, the approval granted for that had not been furnished to the Auditor General.

### **3. Financial and Operating Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the operations of the Institute for the year under review had resulted in a surplus of Rs.4,482,528 as against the deficit of Rs.4,597,886 for the preceding year, thus indicating an improvement of Rs.9,080,414 in the financial results.

#### **3.2 Analytical Financial Review**

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The income generated through operating activities amounted to Rs.26,389,806 and that was adequate to cover only 55 per cent of the operating expenditure amounting to Rs.47,745,271. Out of the overall income of the Institutes, 42 per cent had been covered by operating activities, 30 per cent from Government grants and the balance 28 per cent from the other income.

### **4. Operating Review**

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#### **4.1 Performance**

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Out of the 53 Courses and Programmes planned according to the Action Plan for the year under review, 36 only had been actually conducted. That represented 67 per cent.

#### **4.2 Management Inefficiencies**

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- (a) A student of the Course for Trainees in the Plantation Sector 2011 had obtained a referred pass and he had completed the course in the year 2012. Nevertheless, in the ceremony for the award of certificates in the year 2013 he had been awarded the certificate considering that he had passed in the year 2011.
- (b) 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.

- (c) An examination of the files relating to the members of the latest batch admitted to the membership of the Institute revealed that the evidence of confirmation of educational and professional qualifications was not available in 08 files and that the photocopies of certificates in certain files had not been certified as true copies.
- (d) A specific methodology for the determination of fees charged by the Institute for courses was not available.

#### **4.3 Delayed Projects**

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A workshop costing Rs.450,000 had been conducted at the Open University of Sri Lanka in the year 2011 for the Resource Persons selected for the preparation of the Modules for the National Diploma on Plantation Management conducted by the Institute (Comprising 16 Modules), 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. Nevertheless, the preparation of the Modules had not been finalized even up to 26 May 2014.

#### **4.4 Staff Administration**

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The approved cadre of the Institute had been 39 and the actual cadre had been 31. Even though vacancies in 05 approved staff grade posts relating to the operating activities and 03 posts in the primary level existed, 9 employees had been recruited on casual basis for 6 posts of Management Assistant and 03 posts in the primary level. A sum of Rs.2,067,198 had been paid in the year under review as salaries and other allowance to the unapproved staff.

#### **5. Systems and Controls**

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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) Staff Administration
- (c) Conduct of Course