

National Institute of Plantation Management – 2017

The audit of financial statements of the National Institute of Plantation Management for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of changes in net assets 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 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 Acts, No.76 of 1981, No.05 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

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 Auditing 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 judgement, 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.

2. Financial Statements

2.1 Opinion

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 2017 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

According to the section 22 of the standard no 08 a provision should be recognized when an entity has a present obligation as a result of a past event and it is probable that an outflow of resources to settle the obligation and a reliable estimation can be made of the amount of the obligation. However an employee who had been dismissed from the service based on disciplinary ground on 02 December 2011 had filed a case against the institution. A provision of Rs.3,765.767 had been made in the financial statements as a payable amount in the future for the case that had not been finalized until at the end of the review year.

2.2.2 Accounting Deficiencies

Value of 13 acres land owned by the institution being assess and had not been taken in to accounts.

2.2.3 Lack of Evidence for Audit

Evidence indicated against the following items was not made available to Audit.

Item	Value	Evidence not made available
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	Rs.	
(a) Creditors	14,785,807	Letters of Confirmation of Balances
(b) Debtors	4,339,104	

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) As at the end of the year under review, actions had not been taken to recover a sum of Rs.239,901 receivable outstanding over a period of 04 years.
- (b) A sum of Rs.233,665 had to be paid for 04 creditors outstanding over a period of 02 years had not been paid by the institution during the year under review.

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
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
Financial Regulation 371	The officers who take ad hoc sub-imprest are required to settle the imprest as the completion of the job. However a sum of Rs. 973,500 advances which had been taken in 29 occasions by the officers had been settled with a delay of 36 days to 114 days from the completion of the job.
(b) Section 9.12 of the Public Enterprises Circular No. PED/12 of 02 June 2003	Even though the approval of the General Treasury should be obtained before the implementation of welfare programmes, the institution had implemented a medical scheme and paid a sum of Rs.1,806,233 year under review for the officers without a such prior approval.

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.8,276,437 as compared with the corresponding surplus of Rs.14,757,611 for the preceding year, thus indicating an deterioration of Rs.6,481,174 in the financial result of the year under review as compared with the preceding year. The increase in the salaries and wages of employees by Rs.6,225,293, the increase in communication and utility service by Rs.2,841,213 and the increase in the training expenditure by Rs.5,808,865 had been the main reason for the above deterioration.

An analysis of financial results of the year under review and 04 preceding years revealed a surplus of Rs.4,482,528 in the year 2013. Nevertheless, there had been a deficit of Rs.1,833,579 in the year 2014. Again in 2015 and 2016 there was a surplus of Rs. 632,438 and Rs. 14,757,611 respectively. But in 2017 it had been deteriorated to Rs.8,276,437. However with the adjustment of employee remuneration and non-current assets for the above mention financial results positive contribution of Rs.32,281,537 in the year of 2013 had been increased to Rs.67,606,912 gradually in the year 2017.

3.2 Legal Actions against the Institute

A person who had been dismissed from the service had filed a case against the institute in the labour court on 02 December 2011.

4. Operating Review

4.1 Performance

4.1.1 Planning

Six programs implemented during the year under review had not been included in the Prospectus and the Action plan.

4.2 Management Activities

The following observations are made.

- (a) Even though Information Technology unit has 30 computers, without a proper and fully utilization of them a sum of Rs.572,600 had been paid to purchase 05 new computers and other accessories during the year under review.
- (b) Advances totaling to Rs.620,000 had been paid again to 21 officers before the settlement of early given advances.
- (c) A handbooks (manuals) or a list of advices which included the procedures to maintain institution's library activities had not been prepared by the institution. 71 books valued at Rs. 22,193 obtained by 17 officers had not been return to the institution during the period from 11March 2014 to 14 December 2017.

4.3 Staff Administration

Even though post of Assistant Director, Librarian and assistant visualizer had been vacant since the year 2014 in the institution, action had not been taken to recruit qualified persons for those posts.

5. Sustainable Development

5.1 Achievement of sustainable development Goals

All the government institutions should be functioned as per United Nations year 2030 'Agenda' Sustainable Development, the National Institute of Plantation Management had been aware of the way of proceed with regard to the functions under the scope. Following observations are made during the inspection carried out.

- a) Sustainable goals had not been included in the annual plan of the institution and also financial provisions had not been made in the annual budget to accomplish those activities.
- b) Even though an evaluation should base on an accurate data base, the institution had not evolved such data base to measure the achievement of sustainable development goals.
- c) With regard to implementation of sustainable development goals the small estate holder, their organizations and companies had not been identified as the interested parties for the functions of National Institute of plantation Management. Therefore participation was poor at the preparation of those goals.

6. 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. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

Observations

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|--------------------------|---|
| (a) Accounting | Failure to accounts assets by revalue again. |
| (b) Staff Administration | Failure in taking action to recruit relevant officers for the vacant posts. |
| (c) Performance | Not taking action to award a National Vocational Qualification Certificate (NVQ) for Educational and Vocational Courses and Development Programmes conducted by the Institute at present. |