

National Institute of Plantation Management - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Institute of Plantation Management for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act, No. 19 of 2018 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be presented to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Section 16 (1) of the National Audit Act, No. 19 of 2018, the Institute is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institute.

1.4 Scope of Audit (Auditor's Responsibility for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Institute, and whether such systems, procedures, books, records and other documents are in effective operation.
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute.
- Whether the Institute has performed according to its powers, functions and duties, and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance	Comments of the Management	Recommendation
(a) According to paragraph 09 of Sri Lanka Public Sector Accounting Standard 2, an investment should be indicated as cash and cash equivalents only when it has a short maturity of, say, three months or less from the date of acquisition. However, deposits amounting to Rs.51,146,913 and Rs.41,011,616 to be matured within 03 months and 06 months had been indicated under investing activities and cash and cash equivalents respectively. As such, cash and cash equivalents of the Institute which should be Rs.78,196,312, had been indicated as Rs.68,061,016 understating by Rs.10,135,296 and investment activities had been overstated by Rs.41,011,616.	Action will be taken to rectify the said error.	The cash flow statement should be prepared as per provisions of the Standard.
(b) Even though 753 fully depreciated items of assets belonging to 03 types, costing Rs.18,270,361 were being used, action had not been taken in terms of Sri Lanka Public Sector Accounting Standard 3 to revise the estimated error on useful life of those assets and to adjust them in the financial statements.	Action will be taken to revise the said error during the year 2022 by the Valuation Department or another committee and to include and rectify it in the statements of accounts of the year 2022.	Action should be taken to revise the useful life of assets and to adjust them in the financial statements.

- (c) In terms of paragraph 47 of Sri Lanka Public Sector Accounting Standard 7, action should be taken to revalue the property, plant and equipment indicated in the financial statements on the revaluation amount, once in every 3 or 5 years, the property, plant and equipment costing Rs.590,807,810 as at 31 December 2021 had not been revalued after the year 2014.
- As current values have significantly varied due to the unexpected increase in prices under current economic crisis, measures will be taken to revalue assets again and to include them in reports on accounts.
- Property plant and equipment should be revalued and adjusted in the financial statements in terms of the Standard.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The value of Rs.4,706,344 incurred for the construction of waste water disposal system and rehabilitation of hostel pipelines which were not current assets, had been indicated as work-in-progress under current assets of the statement of financial position.	Action will be taken to account as a non-current asset after completing the said purpose.	Work-in-progress should not be brought to account under current assets.
(b) Even though the registration of Value Added Tax of the National Institute of Plantation Management had been made inactive from 01 January 2020 by the Inland Revenue Department due to inadequacy of turnover, a compensation tax amounting to Rs.4,506,771 was brought forward as a current asset in the financial statements for a period of 02 years and it was observed in audit that it was an irrecoverable balance.	As it could not be recovered from the Inland Revenue Department, action will be taken to write off from accounts of the Institute.	Action should be taken to recover the referred value or eliminate from books.
(c) Deposits valued at Rs.280,539 credited to the bank in 37 instances during 09 months of the year 2022, had been credited to the Sundry Training Income Account instead of identifying and crediting to the prescribed account and the accuracy thereof could not be satisfied in audit.	As course fees are confirmed in the issuance of certificates of students, action will be taken to identify direct bank payments and to settle them by recalling remittance required for conducting short term workshops.	Direct receipts to the bank should be identified at the time of preparation of bank reconciliations and adjusted to the prescribed account in each month.
(d) According to the report on stock verification as at 31 December 2021, stock of clothing materials and bed linen valued at Rs.1,273,060 had been indicated as Rs.1,294,402 overstating by Rs.21,342 and the stock of kitchen appliances valued at Rs. 761,649 had been indicated as	Action will be taken to write off the stocks of unusable bed linen of the Deniyaya Training Centre which were not included in the verification report, from books of accounts and to include the stock of consumables written off	Relevant stock accounts should be adjusted according to the report on stock verification.

Rs.719,557 understating by Rs.42,092 in the financial statements. as expenses, to the stock account again.

1.5.3 Lack of Documentary Evidence for Audit

Item	Amount Rs.	Audit Evidence not made available	Comments of the Management	Recommendation
(a) Total of 31 receivable balances	5,895,445	Confirmation of Balances	Action will be taken to resend the letters of confirmation of balances to debtors.	Proper measures should be taken to obtain confirmations for receivables and to recover the said balances.
(b) Total of 07 payable balances	20,857,889	Confirmation of Balances	Action will be taken to resend the letters of confirmation of balances.	Action should be taken to confirm balances payable and to settle those balances.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
Course Fees of Rs.221,072 recoverable from 04 debtors as at 31 December 2021, had been written of in the year 2022 and a sum of Rs.493,390 remained in arrears for a period between 01 and 04 years relating to another 09 debtors, was irrecoverable.	Irrecoverable balances have been written off subject to recommendations of Audit and Management Committee and approval of the Board of Governors. Further, prompt action is being taken to recover debtors balances older than one year.	Action should be taken to recover receivable balances.

1.7 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 11 (b) of the Finance Act, No.38 of 1971, Public Finance Circular No.25 of 29 June 2004 and Public Finance Circular No. PE/PE/9 of 27 June 2006	Even though the concurrence of the Minister of Finance and the approval of the appropriate Minister should be obtained for the investment of money of public enterprises in fixed deposits, approval had not been obtained accordingly for	The compensation of Rs.155 million and the penalty for delay of Rs.42 million paid by the Government for vesting a block of land owned by the Institute in the Sri Lanka Army, had been deposited as portions in the Bank of Ceylon with a view to investing in the approved	Concurrence of the Minister of Finance and the approval of the appropriate Minister should be obtained for the investment of money in fixed deposits.

investments made by the Institute in fixed deposits, amounting to Rs.175,231,464 as at 31 December 2021. project of development of training facilities. Further, action was taken to brief the General Treasury through the Ministry.

(b)Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 371 Even though the sub-impressts obtained should be settled immediately after the completion of the relevant purpose, a period between 34 and 268 days had been taken to settle sub-impressts of Rs.532,760 granted to officers in 21 instances. Settlement of most advances was delayed due to the Covid pandemic. As such, action will be taken to avoid such delays. Sub-impressts should be settled immediately after the completion of the relevant activity.

2. Financial Review

2.1 Financial Results

The operating results of the year under review had been a surplus of Rs. 19,202,306 as compared with the corresponding surplus of Rs. 96,815,868 in the preceding, thus observing a decline of Rs. 77,613,562 in the financial result. The decrease in the total income of the Institute by Rs.70,511,198 and the increase in the total expenditure by Rs.7,102,363 had mainly attributed to the said decline.

2.2 Trend Analysis of the Main Income and Expenditure Items

The capital grants and training income had increased by Rs.8,250,000 and Rs.6,982,592 respectively in the year under review. Nevertheless, the total income had decreased by Rs.70,511,198 due to the decrease in the rental income from hostel facilities and the interest income by Rs.4,080,585 and Rs.3,985,061 respectively and non-receipt of Government grants of Rs.80,817,397 for special development projects as compared with the preceding year.

2.3 Ratio Analysis

The current assets ratio and the quick assets ratio of the year under review were 7:1 and the said value was 10:1 in the preceding year.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Proper arrangements had not been made to take over the two cabs owned by the Sri Lanka Tea Board,	The approval of the Board of Governors has been granted to pay the	Vehicles should be taken over properly.

provided to the National Institute of Plantation Management in the year 2017 on the notification of the Secretary to the Ministry of Plantation Industries and a sum of Rs.2,320,042 had been spent by the end of the year under review for repairs and maintenance of those vehicles.

assessment value of those two cabs of Rs.3.7 million to the Tea Board for transferring the registered ownership of the said vehicles to the National Institute of Plantation Management and it is informed that action will be taken to obtain the registered ownership of the vehicle after making the said payment.

- (b) A fixed deposit of Rs.159,907,714 was cashed in the year under review for settling the construction expenditure of the new building comprising the lecture halls and Research and the Training Unit and it was not observed whether approval of the Board of Directors has been obtained therefor. As cash has been deposited for payment of Bills of Quantities on approval of the Board of Governors, the approval of the Board of Governors is not required again at the instance of cashing for making those payments. In withdrawing deposited money, the approval of the Board of Directors should be obtained.

3.2 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Even though the estimated income of the Institute for the year under review, was Rs.199,111,000, the actual income was Rs.139,830,000, thus preventing reaching the estimated income by 30 per cent. Moreover, the decrease of 85 per cent and 53 per cent respectively in rental income from hostel facilities and income from training had mainly attributed therefor. Furthermore, the estimated expenditure of 03 Expenditure Heads was Rs,48,163,000. However, the actual expenditure was Rs.18,408,000 representing 38 per cent, thus</p>	<p>The functions that had to be performed were limited due to the Covid pandemic. The money charged from students had to be decreased due to the online method. Charging a low fee by organizing a number of workshops via online method has affected the decrease in income from training. No comments have been made relating to variance of expenditure.</p>	<p>The budget should be made use of as an effective instrument of management control.</p>

observing a variance of Rs.29,755,000 representing 62 per cent and the variance among the Expenditure Heads were 53 per cent, 77 per cent and 92 per cent respectively. As such, it was observed that the budget had not been made use of as an effective instrument of management control.

- (b) It had been expected to generate an income of Rs.48,530,000 by conducting 26 programmes as skills development, academic courses, technology development and management development with the participation of 510 students. Nevertheless, the income generated was Rs.22,880,000 representing 47 per cent of the expected income. Inability of conducting 09 planned programmes, non-participation of the expected number of students in 03 programmes and even though the participation of the number of students increased in 02 programmes, charging in less of 32 per cent and 28 per cent expected to be charged from each student respectively had been the reasons therefor.
- Programmes could not be conducted as planned due to the Covid -19 pandemic and the fee was revised as the programme was conducted online. Even though it was planned to recruit 100 students under the 13 years guaranteed education programme organized together with the Ministry of Education, the Ministry of Education has agreed to pay a sum of Rs.9,123,960 for the selected 76 students.
- Action should be taken to achieve targets while managing situations arising in the implementation of plans.
- (c) Six programmes expected to be conducted during the year with the participation of 130 students have not been conducted and as such, the expected income of Rs.41.58 million expected to be generated therefrom could not be generated while the expected knowledge could not be socialized. It was not observed whether the reasons effected therefor have been looked into and remedied properly.
- The Ministry of Education which is the institute for delegating regulatory powers for providing degree awarding status, the Ministry of Higher Education and the University Grants Commission have not granted permission so far for conferring degrees. Moreover, after obtaining such permission, relevant matters will be carried out for commencing the B.Sc. Degree in Plantation Crop Technology and Management by revising the Act of the Institute. As all students who completed the
- Action should be taken to conduct programmes while preparing realistic plans and managing the arising situations.

NVQ 05 qualification have expressed their wish to join the Degree course, Higher Diploma in Plantation Project Management (NVQ 06) had not been commenced.

As the Advanced certificate course in Plantation Accounting, Financial and Cost Management is difficult to follow online, it was not commenced due to the Covid pandemic.

Since the number of students has decreased, the certificate course in Micro Finance has been discontinued.

- (d) It had been planned to conduct 02 foreign programmes with the participation of 10 students as the Diploma Programme in Plantation Management and the Professional Programme in Practical Tea Research. However, they could not be conducted due to the unavailability of applicants. Moreover, the planned foreign programmes had not been conducted even during the past 02 years. It was not observed whether the reasons effected therefor have been looked into and remedied properly and the income expected to be generated therefrom had not been planned as well.
- These programmes could not be conducted due to terrorist attacks occurred in the year 2019 and the Covid -19 pandemic which prevailed in the years 2020 and 2021.
- Action should be taken to conduct programmes while preparing realistic plans and managing the arising situations.

3.3 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
The actual cadre stood at 55 out of the approved cadre of 70 as at 31 December 2021 and action had not been taken to fill vacancies as required in 15 posts comprising 02 posts of Senior Level, 02 posts of Tertiary Level and 01 post of Secondary Level and 10 posts of Primary Level remaining as at 31 December 2021 or to revise the cadre.	Even though a severe dearth of employees existed in the Institute, recruitments have been discontinued due to circulars issued by the Government. This matter has been referred to the Department of Management Services on 18.02.2021 for obtaining approval for the Scheme of Recruitment relating to 10 posts approved by the Department of Management Services out of 24 posts applied for with the intention of increasing the cadre.	Action should be taken to revise the cadre as required by the Institute or to fill the remaining vacancies.