National Institute of Plantation Management – 2019

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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 2019 comprising the statement of financial position as at 31 December 2019and statement of financial performance, statement of changes in equity 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 the 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 National Institute of Plantation Management as at 31 December 2019, and its financial performance and 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 Statementssection 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 determines 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'sability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends 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 Sub-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 Auditor's Responsibility for the Audit of the Financial Statements

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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 scepticism 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 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 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 Institutehas 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 Institutehad been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Comments on Financial Statements

1.5.1 Accounting Deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	The recurrent expenditure amounting to Rs.273,700 incurred for repairing a water tank of the Institute has been capitalized in the Buildings Account , thus the balance in theBuildings Account had been overstated by the same value and the balance in Building Depreciation Account had been overstated by Rs.12,223. As such, surplus of the year had been overstated by Rs.261,477.	Since the sum of Rs. 273,700 spent on the renovation of water tank was an expenditure of capital nature, it has been included in the buildings account. Since the useful life of the water tank has extended due to the said renovation work, it has been identified as a capital expenditure. (Fixed assets have been identified under the Paragraph 15 of SLPSAS)	The values to be capitalized, should be identified correctly in terms of the Standard.
(b)	The consultation fee of Rs.625,865 paid relating to the construction of canteen which had not been commenced even by the end of the year under review and the cost of Rs.22,416,609 pertaining to the renovation of hostel building and teaching centre of the Institute of	The consultation fee of Rs.625,865 as per the Agreement, will be included in the Work-in-progress Account and action will be taken in future to include it in the Buildings Account after awarding contracts and completing the works. Further, the renovation work of hostel building and the Teaching Centre of the	Action should be taken to capitalize only the assets ready for use as at the date of reporting.

	which the work was not completed, had not been brought to account as work in progress. Instead, those had been capitalized as buildings and as such the value of buildings had been overstated by the same amount in the financial statements.	Institute have been completed and handed over to the Institute on 29.01.2020 and 05.02.2020 respectively. However, extent of works of these buildings have been completed as per the contractual value by 31.12.2020, thus the contractual value has been capitalized by 31.12.2020.	
(c)	A report on works certified by the consulting firm had not been obtained in respect of the value of completed renovation work of the hostel and teaching centreof the Institute as at the end of the year under review. Further, creditors of Rs. 7,024,580 has been brought to account as a balance payable for the said renovation contract, thus the creditors had been over-computed by the same amount as at the end of the year under review.	The relevant renovation work had been completed on 31.12.2019 as per the contractual value and the liabilities for payment amounting to Rs.7,024,850 has been brought to account as payable. Works had been completed and handed over to the Institute in January and February 2020. The relevant major bills have been evaluated by the consulting engineering firm and those have been handed over to the Institute before preparing the financial statements. As such, the creditors have not been over-computed.	Creditor liabilities as at the date of reporting should be correctly identified and brought to account.

1.5.2 Lack of Evidence for Audit

Audit Observation	Comments of the Management	Recommendation
Letters of confirmation of balances pertaining to debtor balances totalling Rs.5,430,647 had not been made available to Audit.	Even though letters of confirmation of balances for debtor balances have been submitted, most of the institutions had not taken action accordingly. Especially, close of the institutions due to COVID 19 has been the reason therefor.	The physical existence of loan balances not confirmed, should be verified.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 105,809,643 as compared with the corresponding surplus of Rs. 66,497,404 for the preceding year, thus indicating an improvement of Rs. 39,312,239 in the financial result. The increase in income generated from training programmes and interest income by Rs.38,282,752 and Rs.12,496,505 respectively had been the main reason for the said improvement.

2.2 Ratio Analysis

The current asset ratio had increased from 1:9.05 to1:11.57 and quick asset ratio from 1:8.43 to1:10.32 in the year under review as compared to the preceding year. Increase in the account balances receivable and short term investments had been the main reasons for the said increase. The profit ratio of 33.29 per cent in the preceding year had increased to 43.25 per cent and the increase in income generated from training programmes and interest income by Rs.38 million and Rs.12 million respectively had been the main reasons therefor.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	A decrease in the number of programmes conducted in respect of rubber and tea by the Institute and also a decrease in the number of students participated was observed as compared with the information of 05 preceding years. The number of training programmes conducted in respect of rubber, tea and coconut in the year 2019 had been a deterioration of 69 per cent, 46 per cent and 50 per cent respectively while the number of participants in the programmes conducted in respect of rubber, tea and coconut had also decreased by 79 per cent, 56 per cent and 62 per cent respectively as compared with the year 2015. Nevertheless, the Institute had not taken action to revise the syllabus and also the course fees in accordance with the relevant requirement with a view to increasing the participation of students.	The training programmes for small scale estate ownersof tea, rubber and coconut are conducted from the provision of General Treasury and the content of these courses are changed annually in a timely manner according to the requirements of Sector after consultation withthe officers of relevant institutions. The number of programmes had dropped as most of the programmes have to be abandoned due to the decrease in Government treasury provisions and Easter Sunday attack.	Courses with high demand and great importance should be introduced.
(b)	Even though adequate physical and human resources to conduct training programmes on sugar cane and cinnamon were available in the Institute, no action had been taken in the year under review to enrol trainees and conduct programmes as planned despite being included in the Action Plan.	Since training programmes on sugar cane and cinnamon are conducted by the respective institutions, those institutions have pointed out that there was no need to conduct training programmes by us for the said Sectors. As such, there was no need to conduct such programmes by us.	Training programmes should be included in the Action Plan after having discussions with relevant institutions and identifying the requirements correctly.

(c)	Even though NVQ 04 qualifications have been acquired by 95 students enrolled for the courses on tea factories and tea field officers in the years 2016 and 2018, the Institute had not taken action so far to issue the relevant certificates due to the lack of concurrence of the Tertiary and Vocational Education Commission.	Since the evaluation of the Tertiary and Vocational Education Commission was delayed, the issue of certificates had also been delayed by them. However, the situation has been changed at present and all evaluation activities are being carried out. As such, action will be taken to issue certificates in due course.	Issue of certificates should be expedited.
(d)	The Institute had planned to conduct 195 training programmes on tea, rubber, coconut and cashew with the participation of 9,750 small scale estate owners. However, only 106 training programmes had been conducted by the Institute with the participation of 5,414 small scale estate owners during the year under review. Accordingly, the Institute had failed to conduct training programmes for small scale estate owners as planned.	Even though this Institute had planned to conduct 195 training programmes for small scale estate owners, the number of programmes has been decreased due to the decrease in provisions made therefor by the Treasury. Further, most of the programmes could not be conducted due to the security situation of the country owing to the Easter Sunday attack during this year.	Action should be taken to conduct training programmes as planned.
(e)	The National Institute of Plantation Management had conducted 41 income generating programmes during the year under review. Those programmes had been conducted with the participation of 1015 students while 57 income generating programmes had been conducted with the participation of 1779 students during the preceding year. As such, the physical progress ofconducting income generating programmes and the students' participation during the year under review haddropped by 28 per cent and 43 per cent respectively as compared with the preceding year.	Failure to conduct the selected programmes during the said period due to the Easter Sunday attack, had been the main reason for the decrease in thoseincome generating programmes.	Action should be taken to conduct income generating programmes as planned.