

National Institute of Plantation Management - 2020.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Institute of Plantation Management (“The Institute”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 reported 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 accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2020, and of 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 Audit Scope (Auditor's Responsibilities 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 Standards No. 02, fixed deposits of Rs. 20,000,000 maturing in 03 months, to be shown under cash and cash equivalent were indicated under investment activities.	Acknowledge that it is not correct to transfer short-term deposits to current assets and transfer that value to cash and cash equivalents to rectify relevant deficiencies.	The cash flow statement should be prepared in accordance with the instructions in the Standard No.02.
(b) Assets with potential future benefits or service potential inflows into existence should be recognized as fixed assets in accordance with the paragraph 14 of the Sri Lanka Public Sector Accounting Standard No.07, but the value of the 0.468 hectare of training center land located at Bagawanthalawa in Nuwaraeliya District belonging to the institution valued at Rs. 1,387,500 on 20 October 2015, was not included in the financial statements. Further, there was no disclosure in the financial statements regarding the temporary acquisition of this training center by the Ministry of Health for a Covid – 19 Treatment Center with effect from 03 November 2020.	Will take action to rectify the deficiency by inserting the land valuation value of the Bogawanthalawa Training Center for Rs. 1,387,500 into the accounts. Action will reveal in 2021 Accounts Statements that this center has been acquired for a Covid Quarantine Center on a return basis to the institution.	Action should be taken to disclose regarding the fixed assets and their existence in financial statements in accordance with the instructions in Standard No.07.

1.5.2 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
<p>(a) At the end of the year under review, 08 cheques were written for the ordered work and purchase of library books, of which Rs. 2,156,200 was debited to working progress account and Rs. 828,669 to library books account and kept until the goods and services were received. As a result, the balance of the working progress account and the library books account were higher than those values and the cash book balance was less than Rs. 2,984,869 in the financial statements.</p>	<p>Orders have been issued on the basis of provisions received on 03.12.2020 and 30.12.2020 for capital expenditure as it is a matter of leads to financial difficulties for the institution for establishing liabilities with other institutions before the Treasury provisions are specially received by the institution.</p>	<p>Cheques should not be written before receiving goods and services.</p>
<p>(b) Although the compensation of Rs.152,585,000 payable for taking over 1.9499 hectares of land in Athurugiriya by the Army through the Extraordinary Gazette Notification No.1884/23 dated 15 December 2014, the late interest of Rs. 42,594,530 due because of late payment of compensation had not been accounted. As a result, the surplus for the year under review was lower than of that value.</p>	<p>Due to the uncertainty regarding the receipt of this interest, an accounting note was not included as the interest due and will take steps to rectify the shortfall by accounting the interest received on the 18.01.2021 as interest income for the year 2021.</p>	<p>Interest should be adjusted to accounts accurately.</p>

1.5.3 Incompatible Control Accounts or Records

Subject	Value According to Financial Statements Rs.	Value According to Corresponding Records Rs.	Difference	Comments of the Management	Recommendation
<p>(a) Amount to be paid to Central Engineering</p>	16,994,328	17,831,535 (Balance confirmatio	837,207	<p>Although the contractor confirms</p>	<p>The figures in the financial statements should</p>

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n letter)

Rs.17,831,525 be accurately
the amount compared with the
required to pay documents and
is only schedules and the
Rs.16,994,328. tax liability
VAT not payable should be
calculated on accurately
non-submission identified and
of VAT invoice adjusted to the
for accounts.
Rs.9,794,504.25
of withheld
money.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observations	Comments of the Management	Recommendation
<p>(a) Although the Added Tax registration of the National Plantation Management Institute had been deactivated by the Inland Revenue Department with effect from the 01st January 2020 due to insufficient turnover but a tax of Rs. 19,820,121 due from the Inland Revenue Department for the period up to the year 2019 was mentioned in the financial statements and it was observed that it is not a non-refundable balance. Its accuracy had not been proven either.</p>	<p>The above surplus balance had been shown as tax credit on domestic purchase price before 01.01.2020. Due to the institution is not issue VAT invoices for services rendered to external parties on the cancellation of VAT registration from 01.01.2020, there is no possibility to set off VAT in future. Action will be taken to inform the Inland Revenue Department about this in a letter.</p>	<p>Follow instructions of the Inland Revenue Department.</p>

2. Financial Review

2.1 Financial Results

The operating results of the year under review amounted to a surplus of Rs. 96,815,868 and the corresponding surplus in the preceding year amounted to Rs. 105,809,643. Accordingly, observing a decrease in the deficit of Rs.8,993,775 of the financial results. This deficit was mainly due to an increase in the Treasury provision of the year under review by Rs.28,595,793 and a decrease in the expenditure by Rs.25,294,503, but the decline was mainly due to a decrease of Rs.62,884,073 or 58 percent in the institute's revenue compared to the previous year.

2.2 Trend Analysis of the Main Income and Expenditure Items

Although the governments' capital and recurrent aid amounting Rs. 135,782,603 in the year 2019 had increased up to Rs. 164,378,397 in the year 2020 by Rs. 28,595,794 or 21 percent, the institute's earning income of Rs.108,847,282 in the preceding year had decreased to Rs. 45,963,210 by Rs.62,884,072 or 58 percent, the total income which was Rs.244,629,886 in the previous year had decreased to Rs. 210,341,606 by Rs.34,288,280 or 14 percent in the year under review. The audit observed that this was due to the failure to pay attention to the proper conduct of the causes related to agricultural activities conducted by the institute in the Covid – 19 epidemics conditions.

3. Operating Review

3.1 Management Inefficiencies

Audit Observations	Comments of the Management	Recommendation
(a) It was not observed that adequate attention had not been paid to realization of matters such as "Conducting research in the areas of Plantation Management and Labor Relations which have not already been provided for by other similar institutions" as the objectives of the institute under the Section 2 (f) of the National Plantation Management Institute Act No.45 of 1979, "Conducting research on all aspects of plantation development" under the powers of the institution under the Section 4 (d) and "To become an excellent research institute for plantation management".	The institute held a research conference in 2018 to launch, promote and support research in the plantation sector and the 2020 conference was held on 12.02.2021. The Director of the institute in collaboration with the Environmental Authority participated in research board conducted on the research on suitability of Katupol cultivation in the country. Under the "Research Methodology" module of the institute's diploma courses, each student conducts a research or survey and prepares a report.	Attention should be paid to the proper fulfillment of the objectives of the establishment of the institution in accordance with the provision of the Act.

3.2 Operating Inefficiencies

Audit Observations	Comments of the Management	Recommendation
(a) Although 232 feasibility development programs were conducted in the year 2018 with the participation of 12,855 students regarding rubber, tea, coconut and other crops, the number of programs conducted with the participation of 5,414 and 693	Due to the bomb blast in 2019 and the Covid epidemic in 2020, the possibility for held programs at the local level was very limited. The number of participants in the programs also decreased.	Attention should pay to conducting feasibility development programs in the face of Covid epidemic.

students respectively was 106 and 12, observing a significant decrease and its percentage was 45.6 percent and 5.1 percent in the years 2019 and 2020.

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| (b) | <p>The number of students registered in the 02 Diploma Courses in 06 courses including the National Diploma in Plantation Management, Plantation Management and Bookkeeping Certificate Course conducted by the institute was 259 and out of that 103 students or 40 percent had dropped out of the course. However, the reasons were this, not focused on improving the quality and productivity of the courses.</p> | <p>Provided opportunities for students of past 5 years who have dropped out of the National Diploma Course in Plantation Management to join for current courses. Participants for Plantation Management and Bookkeeping Certificate Course were not participate only one module. Students in the Tea Factory Assistant and Tea Field Assistant Courses have not completed 06 months of job training and have dropped out of the Human Resource Management Foundation Course and Certificate Course due to various official difficulties.</p> | <p>Identify issues that are not able to complete the courses successfully and appropriate actions should be taken for that.</p> |
| (c) | <p>The institute had planned to conduct 08 academic and vocational training programs with the participation of 157 students in the year under review and had conduct only 02 programs with the participation of 47 students and considering the situation of the last 04 years, it was planned to conduct 50 programs with the participation of 760 students and 38 programs held with the participation of 609 students. In addition, it was planned to conduct 5 skill development programs with the participation of 74 students in the years 2019 and 2020 and only 3 programs were conducted with the participation of 38 students. It was observed that this situation was due to failure to improve the required facilities after revision of syllabus of these courses on time lapses.</p> | <p>The Pasku bombings and the Covid epidemic of the year 2020 led to decrease in the number of participants in academic programs and capacity development programs with practical sessions.</p> | <p>Attention should be paid to maintaining appropriate programs in the face of the Covid epidemic.</p> |

3.3 Human Resource Management

Audit Observations	Comments of the Management	Recommendation
<p>It was observed that the existence of 16 vacancies including Training Specialist (Plantation Management), Assistant Director (Marketing, Business Promotion and Planning), and Training Officer (Plantation Engineer) out of 71 approved carder of the institute will affect the achievement of the intended objectives of establishing the institute. In addition, although 08 posts have been approved under 06 titles in the years 2019 and 2020, recruitments could not be made due to non-approval of the relevant recruitment procedures.</p>	<p>Revised recruitment procedures for these 7 posts have been prepared and submitted to the Department of Management Services. All recruitments have been stopped due to a circular issued right now.</p>	<p>Necessary action should be taken to approve the recruitment procedures and to fill the vacancies in accordance with the regulations.</p>

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observations	Comments of the Management	Recommendation
<p>Although the draft annual report along with the financial statements should be prepared and submitted to the Auditor General within 60 days after the end of the year in terms of paragraphs 6.5.1 and 6.5.3 of the Public Enterprises Circular No.PED/12 dated 06 June 2003, the financial statements of the year under review were delayed 42 days and were issued on 12 April 2021 and the annual report was not submitted along with the financial statements.</p>	<p>Delays in the publication of financial statements and the annual report were due to the problems with the occasional closure of the country and the holding of board meetings during Covid situation and the occasional closure of the institution due to several cases of Covid disease.</p>	<p>The draft annual report should be submitted to the Auditor General along with the financial statements in accordance with the circular provisions.</p>

4.2 Tabling Annual Reports in Parliament

Audit Observations

Action had not been taken to table the Annual Report for the year 2019 in Parliament.

Comments of the Management

Action has been taken to submit the 2019 Annual Report to the Cabinet for approval.

Recommendation

Action should be taken to table the Annual Reports in Parliament within the stipulated time.