

1. Financial Statements

1.1 Opinion – Institute

In my opinion, the financial statements give a true and fair view of the financial position of the National Institute of Business Management as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion – Group

In my opinion, the financial statements give a true and fair view of the financial position of the National Institute of Business Management and its Subsidiary, as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Financial Statements of the National School of Business Management

National School of Business Management, as a fully owned affiliated institute of the National Institute of Business Management had been established on 07 October 2011.

1.2.2 Non – disclosure of Transactions with Related Parties

A person who performed as a member of the Board of control at the time of the functions carried out on establishment of the National School of Business Management, had also performed as a partner of the professional audit firm which is the auditor of the Institute. Nevertheless it had not been disclosed in the financial statements

1.2.3 Sri Lanka Accounting Standards

Thirteen items of net assets shown at one rupee had not been revalued and brought to account as at 31 December 2012, in terms of the provisions of Sri Lanka Accounting Standard No 16.

1.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc	Non-Compliance
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(a) Section 6 of the National Institute of Business Management Act No 28 of 1991	<p>The Board of Control should consist of 11 members including Director General, three members appointed by the Minister and 7 members representing other business institutes. Nevertheless the Chairman of the Advisory Council of Sri Lanka Industries, General Manager of the National Development Bank and Chairman of the Association of Commercial Banks had not been appointed as members for the year 2012.</p> <p>The Chairman informed me in March 2013 that as the above institutions are not functioning at present, the appointments had not been made and action had been taken to amend the National Institute of Business Management Act at present.</p>
(b) Public Administration Circular No. 09/2006 of 30 May 2006	<p>Action in terms of the provisions of the Circular had not been taken in recording the arrival and departure of two Directors and one officer who held the post of Sectional Head, in the Time Recording Machine.</p>
(c) Section 5 of the approved procedure of Recruitment of the Institute referred to in the letter No.DMS/E4/47/7/276/1 of 08 March 2011.	<p>Confirmation from the Department of Examinations had not been obtained on the accuracy of the educational qualifications of the staff recruited.</p>

(d) Public Enterprises Circulars

- (i) Circular No.PED 55 of 14 December 2010 Even though a Treasury Representative should have been appointed for the Audit and Management Committee, the Institute had not acted accordingly.
- (ii) Circular No PED 12 of 02 June 2003 Section 7.4.5 Even though the Annual Boards of Survey on Fixed Assets should have been carried out, the Institute had not carried out a Board of Survey for the year under review.

2. Financial Review

2.1 Financial Results

According to the Consolidated Financial Statements presented, the operations of the Institute for the year ended 31 December 2012 had resulted in an after tax net surplus of Rs. 380,802,552 as compared with the corresponding after tax net surplus of Rs. 244,475,986 for the preceding year, thus the surplus for the year under review had increased by Rs.136,326,566.

2.2 Analytical Financial Review

The operating income for the year under review, as compared with the preceding year, had increased by 32 percent while the after tax profit as compared with the preceding year had shown an improvement of 56 per cent. Details appear below.

	2012 ----- Rs. millions	2011 ----- Rs. millions	Variance ----- Rs. millions Percentage	
Operating Income	957.07	726.56	230.51	32
Cost of Sales	340.21	281.54	58.67	21
Gross Profit	616.87	445.02	171.84	39
Operating Profit	420.49	291.82	128.66	44
Finance Cost	0.80	0.17	0.63	371
Finance Income	1.52	1.40	0.12	9
Profit before Tax	421.21	293.05	128.16	44
Profit After Tax	380.80	244.48	136.33	56

3. Operating Review

3.1 Management Inefficiencies

Thirteen consultants who are holding permanent posts in the Institute had recorded their arrival and departure in the finger print Recording Machine during the period from January 2012 to September 2012 and had conducted lectures for 887.75 hours in National School of Business Management during their official duty hours. The Chairman informed in March 2014, that the lecture hours have been minimized since then.

3.2 Operating Inefficiencies

It was observed that the operating income of each division of the National Institute of Business Management for the year under review as compared with the preceding year had decreased between the range of 17 per cent to 25 per cent, as the degree courses are being conducted by National School of Business Management. Details appear below.

Division	2012	2011	Decrease	Decrease as a Percentage
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	Rs. millions	Rs. millions	Rs. millions	
Management, Training and Productivity	285.88	345.70	59.82	17
Computer Training	229.14	304.52	75.39	25
Languages	54.06	71.64	17.58	25

3.3 Identified Losses

A loss of Rs. 5,243,000 had occurred by selling the removed parts of the building owned by the Jaffna Branch of the Institute as the Branch was closed down.

3.4 Staff Administration

It was observed in audit that the officer who is holding the post of Director of the Management and Information Systems of the Institute had also acted as the Head of the Computer Division of the National School of Business Management. The Board of Control had given the approval to perform the duties of another institution to the officer who is holding the permanent post of the Institute.

4. Accountability and Good Governance.

4.1 Presentation of Financial Statements.

The revised consolidated accounts of the National Institute of Business Management for the year 2012 had been presented to audit only on 11 December 2013.

4.2 Budgetary Control

The following observations are made.

- (a) It had been entered into an agreement on 17 September 2012 to obtain a new building for Kandy Branch on lease basis for a sum of Rs. 90 million at the rate of 1.5 million per month for a period of 5 years. Provisions for security deposits paid for the building and expenditure incurred for renovation (Partition) of the building amounting to Rs. 26,668,360 had not been made in the Budget for the year 2012.
- (b) Even though a sum of Rs. 2,000,000 had been estimated as Research and Development Expenditure for the year under review, any expenditure had not been incurred thereof.

5. Systems and Controls

The weaknesses 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) Assets Management
- (b) Conduct of Courses
- (c) Human Resources Management