

National Institute of Business Management
120/5, Wijerama Mawatha, Colombo 7

Hon. Minister of Enterprise Development, Industrial Policy
and Investment Promotion
Ministry of Enterprise Development, Industrial Policy and
Investment Promotion
No.73/1, Galle Road
Colombo 3.

Honourable Sir,

Annual Report of the National Institute of Business Management for the period
01st January 2002 to 31st December, 2002

In terms of the section 24 of the National Institute of Business Management Law No. 23 of 1976 as amended by the National Institute of Business Management (Amendment) Act No. 28 of 1991, I have the honour to submit the Annual Report of the National Institute of Business Management for the period **01st January, 2002 to 31st December, 2002.**

Yours faithfully,

Thusantha Wijemanna
Chairman
National Institute of Business Management

Acknowledgement

I take this opportunity to extend my grateful thanks to the Hon. Professor G.L.Peiris, Minister of Enterprise Development, Industrial Policy and Investment Promotion for the valuable advice and assistance rendered to the Institution.

My thanks are also due to the Hon. Rohitha Bogollagama, Minister of Industries for the corporation extended to the institute.

I wish to place on record my appreciation for the encouragement and guidance rendered by Mr. Ranjith Fernando, Secretary of the Ministry of Enterprise Development, Industrial Policy and Investment Promotion who always took a keen interest in all our activities.

I also wish to thank Mr. Roy Jayasinhe , Additional Secretary and the officials of the Ministry of Enterprise Development, Industrial Policy and Investment Promotion for the co-operation and assistance extended during the year.

I also wish to express my thanks and appreciation for the support provided both financially and other wise by the following organizations.

- ◆ Asian Productivity Organization (APO)
- ◆ Asia Foundation (AF)
- ◆ National University of Ireland (UCD)

Finally I wish to keep on record my appreciation of the support I received from the members of the Governing Council and the excellent corporation extended to me by the Management team and the staff without whose support our efforts would not have succeeded.

Thusantha Wijemanna
Chairman,
National Institute of Business Management

GOVERNING AS AT 31ST DECEMBER, 2002

1. Mr.Thusantha Wijemanna - Chairman, NIBM
Senior Vice President,
General Counsel
DFCC Bank, 73/5, Galle Road
Colombo 03.
2. Mr.N.G.Kularatne - Director General
National Institute of Business
Management
120/5, Wijerama Mawatha,
Colombo 07.
(Up to 30.04.2002)
3. Mr.N.S.Adhihetty - Director General (Acting)
National Institute of Business
Management
120/5, Wijerama Mawatha,
Colombo 07.
(From 30.04.2002)
4. Mr.A.S.Amarasuriya - Chairman
Sri Lanka Bank's Association
(Guarantee) Ltd
18 3/1A, Janadhipathi Mawatha
Standard Chartered Bank Building
Colombo 01.
(Upto 16.05.2002)
5. Mr.A.N.Fonseka - Director / General Manager
DFCC Bank, 73/5, Galle Road
Colombo 03.
6. Mr.Dian Gomes - President
Chartered Institute of Management
Accountants
365, Elvitigala Mawatha
Colombo 05.
(Upto 20.06.2002)
7. Dr.P.S.M.Gunaratne - Faculty of Mgt. & Finance
University of Colombo
(From 21.03.2002 to 30.04-2002)
8. Mr.Kapila Jayawardena - Chairman
Sri Lanka Bank's Association
(Guarantee) Ltd.
17 3/1, A, Janadhipathi Mawatha,
Standard Chartered Bank Bldg.,
Colombo 01.
(from 20.06.2002)

9. Prof.Gunapala Nanayakkara - Director
Post Graduate Institute of Management
No.28, Lesley Ranagala Mawatha,
Colombo 07.
10. Mr.P.Ranawakaarachchi - Lanka Ceramic Limited
Karolin Refinery
Boralesgamuwa
(From 21.03.2002)
11. Mr.Sudarshan Senaratne - President
Chartered Institute of Management
Accountants
365, Elvitigala Mawatha,
Colombo 05.
(from 18.07.2002)
12. Mr.A.D.B.Talwatte - President
Institute of Chartered Accountants Sri
Lanka
No.30A, Longdon Place,
Colombo 07.
13. Mr.Nihal Welikala - Director/General Manager
National Development Bank
40, Nawam Mawatha
Colombo 02.

ANNUAL REPORT 2002

NATIONAL INSTITUTE OF BUSINESS MANAGEMENT

1. Introduction

The National Institute of Business Management (NIBM) is a statutory body operating under the purview of the Ministry of Enterprise Development, Industrial Policy and Investment Promotion.

The institute was established in 1968 as the Management Development and Productivity Centre in collaboration with the UNDP and with ILO as the Executing Agency.

The original formation of the Institute was subsequently incorporated as the National Institute of Business Management on 1st June 1976 by an act of parliament, namely the National Institute of Business Management law No 23 of 1976 and was amended by Act No. 28 of 1991.

2. Objectives of the Institute

Main Objectives of the National Institute of Business Management are broadly outlined in the act as follows.

- 2.1 To provide and promote Business Management Education and Training.
- 2.2 To provide management Consultancy and Advisory services.
- 2.3 To facilitate the improvement of Productivity.
- 2.4 It shall be the duty of the institute to advise the Hon. Minister and the government on any or all the matters referred to the Institute in subsection (l) and on any other matter referred to the Institute for advice by the Hon. Minister and the Government.

3. Divisional Activities

To achieve the objectives of the NIBM four internal divisions have been established as given below. Each division is manned by professional staff and it is headed by a Functional Director.

- 3.1. Management Development Division
- 3.2. Consultancy Division
- 3.3. Productivity Facilitation Division
- 3.4. Management Information Systems Division

The National Institute of Business Management is in the pursuit of “excellence” in all the activities that the institute offers to clients drawn from the public and private sectors of Sri Lanka and also to the participants drawn from overseas countries. Moreover, the NIBM is a self-supporting body, which continues to offer a quality service to its larger public.

3.1 MANAGEMENT DEVELOPMENT DIVISION (DMD)

Management Development Division carried out its professional activities in the year 2002 manned by the Director Management Development, Deputy Director Management Development, Nine Permanent Management Consultants and Approximately 15 visiting lecturers.

3.1.1 Training Programmes

During the period under review (January 2002 - December 2002), Management Development Division conducted **103** programmes. **74** programmes of this number fell into the category of day-time (**9.00 a.m. - 4.00 p.m.**) programmes. As a percentage this number represented **71%** of the total number of programmes conducted during this period. Out of the **103** programmes conducted, **10** were one-year diploma programmes. **5** were day-time (**9.00 a.m. - 4.00 p.m.**) Computer Application & Management Information programmes and **10** were Computer Certificate Courses (weekend and evening), and **10** were evening general certificate programmes.

For the corresponding period (**January 2001 - December 2001**), the Management Development Division conducted **114** programmes. **70** programmes of this number fell into the day-time (**9.00 a.m. - 4.00 p.m.**) Management Development & Supervisory Development category. As a percentage it represented **61%** of the total number. Out of the **114** programmes conducted **09** were one-year diploma programmes, **10** were day-time (**9.00 a.m. - 4.00 p.m.**) Computer Application & Management Information programmes and **9** were Computer Certificate Courses (weekend and evening).

The information given for the year **2002** shows that there was a decline in the total number of training programmes conducted during the period under review compared with the year **2001** (corresponding period). The figure for the year **2002** was **103** compared with **114** for the year **2001**. However, there was an increase in the number of diploma programmes conducted for the year **2002** compared with the year **2001** from **09 programmes to 10 programmes**. There was also an increase in the number of Computer Certificate Courses (**weekend and evening**) from **09** programmes for the year **2001** to **10** programmes for the year **2002** (period under review). The number of evening examination oriented certificate programmes increased from **zero** in **2001** to **09** programmes in the year **2002**.

Some of the reasons for the decline in the total number of programmes conducted for the year **2002** compared with **2001** and for not offering a bigger number of training programmes were, cancellation of some programmes due to lack of participants, limitations to launch new programmes based on new training titles due to deficiencies in knowledge, skills and attitudes of the professional staff engaged in training, targeted to practising senior executives, managers, supervisors, lack of focus due to inadequate availability of information on the needs of the existing and potential clientele of the institute on management and supervisory training, inability to attract smart, high calibre professionals to the institute with recognised Post Graduate qualifications obtained locally and abroad from accredited universities and institutions, with practical experience in the corporate world, effective presentation skills in English, key competencies, to match demanding private sector training needs and expectations, **due to an unattractive emoluments package after paying very high pay as you earn taxes**, very unsatisfactory physical facilities revolving around classrooms, toilets, cafeteria, discussion rooms and training equipment on the second floor, the congested environment prevailing within the NIBM due to a large influx of young boys and girls to the NIBM to follow Information Technology related courses, resignation of number of members of the professional staff with long years of professional experience, non replacement of faculty members who went on

secondment, **non availability of a marketing person on a full time basis** to identify the training needs of the clientele on management and supervisory training and to relate our services to meet these specific needs and expectations of the clientele, lack of attention given to corporate relationship building by the institute, growing competition from free lance trainers with superior delivery capability, insufficient attention given to obtain a feedback from the course members on the institute's training activities.

3.1.2 Participation of course members in Management Development Division

For the period under review (**January 2002 - December 2002**), participation for Management Development Division related training, totalled **1803**. **66%** of this number totalling **1201** attended day-time (**9.00 a.m. to 4.00 p.m.**) Management Development and Supervisory Development programmes.

Participation for weekend diploma programmes totalled **260** and it represented **14.4** as a percentage of the total number of course participants who attended training courses. **52** course members of the total number represented **5** day-time Computer Application and Management Information programmes. **162** course members represented Computer Certificate courses (evening and weekend).

Participation for Management Development Division training for the corresponding period (**January 2001 - December 2001**) totalled **2155**. **55%** of this number totalling **1195** attended day-time Management Development and Supervisory Development programmes.

288 course members of the total number fell into **09** weekend diploma programmes. **110** course participants of this number represented, **10** day-time Computer Application and Management Information programmes.

According to the information given above, there was an increase in the number of course members who attended day-time programmes from **1195** in the year **2001** to **1201** in the year **2002**. However, the above information indicates a drop in the total number of course members for the year 2002 compared with the year **2001** from **2155** to **1803**. The main reasons for this decline were a tendency among corporate clients not to release their employees of all levels from **Monday - Friday** due to high performance standards expected from their employees during that period, a drop in the total number of programmes conducted, growing competition from similar providers of training facilities with superior faculty and excellent physical training infrastructure, inability to introduce new programmes to meet new market needs, lack of marketing revolving around relationship building with existing potential clients of NIBM, lack of knowledge and skills among the support staff to improve the levels of customer care and to establish cordial relationships with outside clients, lack of inter-departmental / divisional co-ordination within the institute, poor physical infrastructure revolving around lecture rooms and toilets, limitations in knowledge and skills among the professional staff to move into new training areas etc.,

3.1.3. REVENUE GENERATION

For the period under review (**January 2002 - December 2002**), Management Development Division related training generated a gross income of **Rs.15,391,370**. For the period under review the gross revenue generated from day-time Management Development and Supervisory Development training was **Rs.4,869,820**. As a percentage it was **31%** of the total **gross revenue**. Weekend diplomas generated a gross income of **Rs.7,028,300** and it represented as a percentage **46%** of the total gross revenue income generated for the division for the period under review. Computer Application and Management Information (day-

time) contributed **Rs.246,900** to the total gross income. Computer Certificate courses (**evening and weekend**) contributed **Rs.1,731,000** to the gross income. As a percentage of the total revenue it was **11%**. The gross revenue generated from evening certificate courses (general) was **Rs.1,762,250**. As a percentage of the total revenue it was **11%**.

For the corresponding period (**January 2001 - December 2001**) Management Development Division related training generated a gross income of **Rs.17,356,750**. During this period **33%** of the gross income amounting to **Rs.5,727,727** represented day-time (**9.00 a.m. to 4.00 p.m.**) Management Development and Supervisory Development training. Weekend diplomas generated a gross income of **Rs.7,657,150** and it represented as a percentage **44%** of the total gross income generated for the corresponding period (**January 2001 - December 2001**) under review. Computer Application and Management Information (day-time) and Computer Certificate courses (**evening and weekend**) contributed an income of **Rs.1,894,550** to the total income.

The above information shows the total income decrease from **Rs.17,356,750** in the year 2001 to **Rs.15,447,830** in the year 2002.

(The main contributing factors for this revenue decrease were a drop in the number of programmes conducted, growing competition from similar providers of training facilities with superior faculty and excellent physical infrastructure facilities, limitations faced by the institute to introduce new training programmes to meet new market needs on training, cancellation of some programmes due to lack of participants, lack of market focus due to non availability of information on market needs for Management Development and Supervisory Training, very unsatisfactory physical infrastructure facilities revolving around classrooms, toilets, cafeteria, discussion rooms and training equipment on the second floor, resignation and retirement of experienced members of the professional staff of the institute, non replacement of faculty members who went on secondment to work full time from Monday to Friday, growing competition from free lance trainers with superior presentation skills, non availability of strategic alliances with prestigious management institutions overseas, indefinite postponement of scheduled programmes etc.,).

3.1.4 Promotional Activities of the Management Development division for the year 2002

A special effort was made to conduct tailor-made customised training programmes targeted to private sector client organisations by establishing new corporate relationships. As a result, there was an increase in the number of tailor-made in-house programmes conducted by the division in the year 2002.

A special effort was made to establish close relationships with the Chambers of Commerce by inviting personnel from these chambers to be our distinguished panel members in our training programmes. These personnel were also invited as our Chief Guests to inaugurate divisional training programmes.

The prestigious Diploma Awards Ceremony held in the year 2002 at the Main Hall of the Bandaranaike Memorial International Conference Hall was used to the maximum to boost the image of the NIBM among its existing and potential clientele. The newspaper write-ups helped the institute to carry out a big awareness campaign of the training activities of the NIBM.

A questionnaire was sent to course members who followed diploma and certificate programmes to obtain a feedback about training methodology, NIBM faculty, course syllabuses, physical infrastructure, evaluation methodology etc., These

postal questionnaires will also be administered in the near future to a sample of course members who have already followed training programmes at NIBM in the recent past.

The activities of the Management Education Board was activated and meetings were convened to look into areas such as, the syllabuses of diploma and certificate programmes, the subject coverage of all training programmes, response rate of clients to training programmes, training methodology, course evaluation methodology, training needs, development of new programmes etc., The Board will be strengthened by new appointments of individuals from prestigious professional institutions in Sri Lanka and from the private sector business organisations.

3.2 CONSULTANCY DIVISION

The consultancy division was able to earn Rupees 2.55 million during the period under review, by providing consultancy services to client organizations to improve their performance, business process, efficiency, effectiveness, competitiveness, productivity etc. Although the income generated from the completed assignments is lower than the budgeted figure, action was taken to bring in more consultancy assignments to the Institute from various client organizations.

In the year 2001 the Institute started competitive bidding to obtain consultancy assignments jointly with private sector consultancy organizations with relevant professional expertise in the field. This strategy was important to NIBM to undertake large - scale consultancies, which requires multi disciplinary expertise.

However, due to the economic recession that prevailed in the country during the last few years many organizations did not make any firm commitments that would have led to a decrease in the number of assignments undertaken by the division. It is hoped that things will improve in the year 2003/2004 with the proposed major infrastructure and reconstruction projects planned by the government.

3.2.1 Summary of Activities of the consultancy division performed during the year 2002

- 3.2.1.1 Manpower review for Ceylon Petroleum Corporation Corporation.
- 3.2.1.2 Developing a computerised maintenance System Property Development Ltd.
- 3.2.1.3 Developing a computerized database for National Secretariat for NGOs
- 3.2.1.4 Transport system for Loadstar Pvt. Ltd.
- 3.2.1.5 Updating a Corporate Plan for State Pharmaceutical Corporation.
- 3.2.1.6 Conducting number of Recruitment Examination for Peoples Bank, Nations Trust Bank, DFCC Bank, Export Development Board and National water Resources Development Board.
- 3.2.1.7 Stock control system for Property Development Ltd

3.3 PRODUCTIVITY FACILITATION DIVISION

Productivity Facilitation Division carried out its activities in the year 2002 manned by the Director, Productivity Facilitation and four members of the professional staff.

3.3.1. Performance

The Productivity division was able to earn Rupees 1.96 million during the period under review, by providing training and other productivity facilitation services to client organizations to improve their performance, business process, efficiency, effectiveness, competitiveness, productivity etc.

It conducted 21 public training programmes 3 in house training programmes and 2-consultancy assignment. A total number of 521 participants were trained

Some of the Programmes conducted by the division during the period of review

Workshop on 5'S' Productivity Improvement
Enhancement of Productivity through Work Study
Modern Tools of Creativity and Innovation for Productivity Improvement
Total Productive Maintenance (TPM) for Productivity Enhancement.
Productivity and Quality in the Office
Training Programme on Japanese 5S methods for CEB
Planning skills for Productivity Improvement
Just in time Production for Productivity Improvement
Quality Control Circle and work Improvement teams
Seminar on 5S for Productivity Improvement
Seminar on six Sigma Break through improvement

The division conducted 2001 national Productivity Award and the awards ceremony was held in the year 2002

3.4 MANAGEMENT INFORMATION SYSTEMS DIVISION

The Management Information Systems Division includes Director, Management Information Systems (MIS) and the Deputy Director, MIS with 10 Consultants and 25 Programmer Analysts. MIS division handles computer training, which consists basically of three Diploma Programmes, a Degree Programme and several Certificates Programmes and consultancy. The major computer programmes of the NIBM consist of a one-year Diploma in Computer Systems Design and a one-year programme leading to a Higher Diploma in Computer Based Information Systems.

The B.Sc. Degree Programme was commenced in 1996 with the collaboration of Dublin (UCD) National University of Ireland. These programmes have gained wide acceptance by the general public as a result of its being well structured to attract participants.

The MIS Division also undertook project for Government Departments.

The major activities performed by this division during the year are as follows:

3.4.1 Public Courses

3.4.1.1 One year Full Time Diploma in Computer Systems Design Course

Three courses commenced in this period with a total intake of 598 participants and the two courses, which commenced in 2001, continued in year 2002.

3.4.1.2. One year Full Time Higher Diploma in Computer Based Information Systems Course

Two programmes of one-year full time Higher Diploma course was conducted with an intake of 136 participants.

3.4.1.3. BSc. in Management Information Systems (Collaboration with University College Dublin)

Convocation for the fourth Part time B.Sc in MIS course 2000/2002 with 85 participants was held on 12th March 2002 and the convocation for the 5th batch which 2001/2003 commenced on 22nd July 2001 with total intake of 95 participants was held on 25th March 2003. The academicians of the University College Dublin / National University of Ireland were conducted lectures on part of the curricular and the rest of the lectures were conducted by the NIBM staff and visiting faculty.

3.4.2 Certificate Courses in Computer Science

Seven (07) 4 months part-time Certificate Courses in Computer Science were conducted in Colombo in February, June and October. Four courses were conducted in Kandy, and four courses were conducted in Kurunegala. Total No. of participants were 1059.

Three courses of three months Certificate Course on PC Based Application Packages on part-time basis were conducted in Colombo with 66 participants.

Four courses of Part time Certificate courses in Computer Hardware were conducted in Colombo with 75 participants.

There was a strong demand for the BSc in MIS, Diploma and Certificate training courses in MIS. A total of Rs. 66 million (14% increase in revenue) was earned from training activities of which the major parts were from the one-year Diploma Programme and the BSc. Programme. Graduates of the Diploma, Higher Diploma and BSc. Programme courses obtain employment in Sri Lanka and abroad.

3.4.3 Consultancy Assignments

Consultancy assignments were carried out for

3.4.3.1 National Lotteries Board

3.4.3.2 Government Payroll System

3.4.3.3 Central Freight Bureau

3.4.3.4 Western and Southern Provinces RMV Projects

3.4.3.5 Import Export Department

3.4.5.6 Health Ministry

Major revenue earned programmes are given below :-

Programme	No. of Par	Rate	Revenue ('000)
DCSD	598	52,000	31,096,000
HDCBIS	136	44,000	5,984,000
BSc. 5 th	91	100,000	9,100,000
BSc 6 th	93	110,000	10,230,000
CCS Colombo	641	8,800	5,640,000
CCS Kandy & Kuru	418	6,000	2,508,000
CCH	75	6,000	450,000
PCBAP	66	12,000	792,000
Total			65,800,800

Carrying out all the above activities related to Computer Training, Consultancy (computer) and the degree programme the Management Information Systems division could earn gross revenue of **Rs 71,482,955.00** by the end of December 2002.

4. **Other Activities**

4.1 **Regional Centres**

With the hope of extending the Management Training to the Outstations, the NIBM started two regional centres at Kurunegala and Kandy. The Kurunegala Centre was inaugurated on 11th August 1986 and the Kandy Centre in 1996.

4.1.1 **Performance of the Kurunegala Centre**

Corse Title	No of Programmes
Diploma in Business Management	01
Diploma in Personal Management	01
Certificate in Computer Science	04

4.1.2 **Performance of the Kandy Centre**

Corse Title	No of Programmes
Certificate in Computer Science	04

4.2 **New Appointments**

Since Mr N.G Kularatne Director General NIBM was appointed as the Director Administration and Finance of the Asian Productivity Organization Japan, the governing Council appointed Mr N.S. Adhihetty, Director Management Development w.e.f. 04-05-2002 to act in the post of Director General until the permanent appointment is made.

4.3 Releases from Service

It was continued the release of Mr.S.C.Kaluarachchi - Deputy Director, Management Development division to the Ministry of Urban Development, Construction and Public Utilities as the Deputy Director Evaluation and Follow ups in the project Community Water Supply and Sanitation Project. This release was done according to the requests of the Ministry of Urban Development, Construction and Public Utilities.

4.4 New projects

Mr. Thusantha Wijemanna Chairman NIBM visited the university College Dublin and the McCauley Institute of Management U.K to explore the possibility of conducting a new B.Sc. programme in Human Resource Management and a MBA programme with the collaboration of the University College Dublin and to launch a joint venture of Consultancy with the McCauley Institute of UK.

Negotiations between the NIBM and the National University of Ireland regarding the B.Sc. in Human Resource Management (HRM) programme is in progress and the agreement is being drafted with the hope of starting a B.Sc programme in HRM in the latter part of the year 2003.

4.5 Retirements/ resignations

Mr W D.P G Fernando Management Consultant Grade six, resigned from his duties on 31-01-2002

Ms. Lanka Abeweera, Management consultant Grade six resigned from her duties on 25-06-2002

Mr. H.P Dharmasena, Manager Administration relinquished his duties on 30-09-2002.

Mr Neil Thewarapperuma, Management Consultant special grade was, retired from 06-11-2002 after competing the age of sixty years.

5.TRAINING AND DEVELOPMENT OF NIBM STAFF

5.1 Local training programmes

Members of the Academic staff as well as the members of the non-academic staff were nominated to the NIBM training programmes and Outside Training programmes for local Self-Development projects, as given below.

No. of Local Training programmes attended during the year 2002

	Title of the Programme	Organizer	Duration	Participant
01	Short Course on Business Statistics with Computer Applications	Postgraduate Institute of Science - Peradeniya	23 - 25 Feb 2002	Mrs.Damayanthi Fernando
02	Seminar on "Core Competence Capability and Corporate Strategy	Global Conventions (Pvt) Ltd	4 - April 2002	Mr.N.S.Adhietty
03	National Management Conference Beyond Competition Success Strategies for the 21 st Century	National Management Conference	4 - 5 April 2002	Mr G E F C Fernando

04	Launch of E-Consciousness	SUNFO Human Development Centre	11 th , 12 th May & 15 th Jun 2002	Mr.N.S.Adhietty
05	24 th National Conference - Leadership in the New Economy	CIMA	9 - 10 May 2002	Mrs. K.Karanayake Mrs. P. Basnayeke Mr.D.P.Abeysinghe Mrs.C.Wimalaratne Miss.S.Nadarajah
06	Seminar on Library Automation	National Library and Documentation Services Board	7- 24 May 2002	Mrs.D.N.S.Mahanthege
07	National Workshop on "Protection against Lightning"	Postgraduate Institute Science, Uni. of Peradeniya	19 th May 2002	Mr.D.P.Abeysinghe
08	Sustainable Development in the Plantation Sector	Environmental Resources Management Lanka (Pvt) Ltd	10 th May 2002	Mrs. K P D Fernando
09	Seminar on Quality Management	Global Conventions (Pvt) Ltd	16 th May 2002	Mr.D.M.A.Kulasooriya Mrs.S.Ameelan
10	Seminar on General Agreement on Trade in Services	Department of Commerce	18 - 20 June 2002	Mr. J L P Fernando
11	A Public Lecture on Ergonomics "Aims and benefits for Sri Lanka"	National Science and Technology Commission	1 - July 2002	Mr.H P Dharmasena
12	Time Management	Sri Lanka Institute of Development Administration	07 - 09 Aug 2002	Mrs.C.Wimalaratne
13	21 st National Information Technology Conference	Computer Society of Sri Lanka	10 th & 11 th Jul 02	Mrs.K.Karanayake Mr.G.Manchanayake Mr.TTD Jayanetti Mrs.P.Basnayake Mrs.K.Wijesiriwardena Ms.G.Wickremasinghe Ms.T.Jayawardena Mrs.A.Dodanwela
14	Safe & Scientific Driving Techniques Programme	Lanka Tractors Ltd	20 th - 21 st Aug 2002	Mr.D.P.Abeysinghe Mr.K.P.Sunil
15	E-Business Workshop for CEOs and Senior Mgrs	Postgraduate Institute of Mgt.	12 th Sep 2002	Mr.N.S.Adhietty Mr.C.Gunadasa
16	Seminar on VAT	Vidudaya Masco	16 th Sep 2002	Mr.N.S.Adhietty Mr.C.Gunadasa
17	Workshop on WEB Interface (Genesis) for ISIS Database	Sri Lanka Library Association	3 - 4 Oct 2002	Mrs.D.N.C.Mahanthege
18	Seminar on Corporate Planning A half day seminar	Merchant Bank of Sri Lanka Limited	24 Oct 2002	Mr.T.Wijemanna Mr.P.Ranawakaarachchi Mr.N.S.Adhietty Mr.C.Gunadasa Mr.D.P.Nanayakkara Mr.G.D.Bernard Silva MrWKSD Fernando
19	Negotiation skills	British Council	24 Oct - 26 Nov 2002	Mr.J.L.P.Fernando Mr.K.G.Weeratunge

20	Effective Public Speaking	British Council	12 th Dec 2002	Mrs.K.M.W.Perera Mrs.J.Abeyratne Mrs.A.Dodanwela Ms.G.Wickremasinghe Mrs.S.Ameelan Mr.H.H.L.Amarasinghe
21	Presentation Skills	British Council	3 - 5 Dec 2002	Mrs.Damayanthi Fernando
22	Report Writing	British Council	15 Nov 2002	Mr.Tissa Kariyawasam
23	CIMA Workshop on IT Strategies for the New Economy	CIMA	9 Dec 2002	Mr.N.S.Adhietty Mr.C.Gunadasa Mrs.K.Karanayake Mrs.P.Basnayake
24	Seminar on Financial Reporting	Institute of Govt. Accounts & Finance	10.Dec .2002	Mr.G.D.Bernard Silva Miss.S.Nadarajah

5.2 Training Abroad

Members of the Academic Staff were sent for Foreign Training Programmes and workshops under career development activities during the year 2002 to update their knowledge and to enhance their skills. Details are given below.

Foreign Training during the year 2002

	Title & Country	Duration	Participant
01	The 42 nd Workshop Meeting of Heads of NPOs Chiangmai, Thailand	19 – 21 February 2002	Mr.N.G.Kularatne
02.	02-IN-GE-SEM-06: Seminar on Total Productivity Management Republic of Korea	9 – 13 April 2002	Mr.H.H.L.Amarasinghe
03.	SPE-INT5-01: Workshop and Seminar on Green Energy for Green Productivity, India	11 - 15 November 2002	Mr.S.Sivaloganathan
04.	02-RP-GE-DON-03-B: Development of Productivity Specialists: Advanced Program, Malaysia	20 Oct - 5 Nov 2002	Mr.D.M.A.Kulasooriya
05	02-EV-GE-SYP-04: International Conference on Green Productivity (GP) Manila, Philippines	9 - 11 December 2002	Mr.G E F C Fernando
06	02-RP-GE-STM-04: The Study Meeting on the development and Application of Productivity Measurement at Sectoral and enterprise levels. Singapore	3 - 5 December 2002	Mr.K H G Upatissa

6. EMPLOYEE MOTIVATION

Earning potential of the NIBM consultants staff was increased during the year 2002 by increasing the lecture fees, project supervision fees and paper making fees.

Gift vouchers amounting to Rs.2000/- were distributed among all employees of the NIBM in appreciation of their service.

Action was initiated to develop a promotion scheme to the NIBM employees in order to enhance employee motivation through avoiding stagnating in same position with salary points for a longer duration.

7. PURCHASING

NIBM has purchased goods for both Capital and recurrent worth of approximately Rs14.2 million during the year 2002 to perform activities of the NIBM smoothly and efficiently.

8. APO ACTIVITIES

National Institute of Business Management was the acknowledged National Productivity Organization of Sri Lanka. The Director General of NIBM acted as the Alternate Director for Sri Lanka for the Asian Productivity Organization.

The NPO status were transferred to the Ministry of Labour in the year 2002 and the APO liaison Office was also transferred to the Ministry of Labour

However until the above transfer the APO sponsored various programmes for experts of various Management and Technical fields through our institute and it has to be admitted that their services have greatly benefited Sri Lanka.

9. NIBM LIBRARY - 2002

National Institute of Business Management is proud to have a fully-fledged library. It plays a very vital role catering to the educational needs of both course participants and professional staff of the NIBM.

9.1 Objectives

The Main objective of the library is to build up and maintain adequate resources to serve the Information needs in the fields covered by the institute's Training Programmes and consultancy needs; while providing information required for enhancing of knowledge.

9.2 Classification System

Classification system used by the library is Universal Decimal Classification (UDC). In April 1990, it commenced using the computer-based bibliographical information systems introduced by the UNESCO. This is Micro CDS/ISIS software package. Other information on software packages is using the WINISIS new version and Visual Basic with ACCESS.

The library is open on weekdays during the normal working hours and on Saturdays.

9.3 Subjects

Some of the subjects covered are Business Management, Accounting & Financial Management, Industrial Engineering Marketing, Economics, Computer Science, Statistics, Public Relations, Office Administration, Productivity, Electronics, Business Law, Communication, Small Scale Industries, Research Methodology, Training, Mathematics and Psychology etc.

9.4 Resources

Books	23000	Maps	10
Consultancy Reports	200	Project Reports	4218
News paper Clippings	300	Pamphlets	75
Video Collection	70	CD-ROMs	375
Periodicals (current availability)	65	Holdings	175
Audio Collection	29		

9.5 Special Collection

Asian Productivity Organization (APO) Publications
Sri Lanka Collection
Company Annual Reports
Training Materials
NIBM Consultancy & Student Project reports
Socio-Economic Statistics
Audio-Visual Materials

9.6 Services

The Services provided by the library are briefly given below :-

Reference, Lending, Circulation of Indexes and Acquisition List, Journal Content Page Service, Selective Dissemination of Information (SDI), Literature Searches using Library Database, Current Awareness Services, Inter-Library Loans, Documentation Services, Photocopying Service, Inquiry Service and Information Consultancy.

9.7 Special activities

The special activities of the library are collection of newspaper articles including NIBM activities, compilation of indexes, book exhibitions, exchange services, library link, and national & international co-operation in development of information.

9.8 Publications

The publications of the library are Journal Content Pages, Audio-visual materials & CD-ROMs index, Periodical Holdings Index and Current Awareness Service.

9.9 Library Purchases for 2002

The following statistics indicate the total purchases of material for the Library during the year 2002.

Value of books	Rs. 569,660.00
Value of periodicals	Rs. 198,975.00
Total	Rs. 768,635.00

9.10 Library membership

Membership of the library was open to the professional staff, executive staff of the NIBM and participants who were nominated to attend Diploma and Certificate programmes, higher diploma in Computer Systems Design and B.Sc Degree performed by the institute. These course participants were offered Library facilities by keeping a deposit of Rs. 3000/- Total enrolment for the year 2002 was 963 members as given below:

Professional Staff of NIBM	-	32	Executive Staff of NIBM	-	08
Computer students	-	835	Other course participants	-	88

The library has introduced Institutional and Personal membership categories for others who have interested to use the library.

10. WELFARE FACILITIES

Medical Scheme Renewal

The NIBM has paid Rs335,633.80 to the Sri Lanka Insurance Corporation as the insurance premium and renewed the staff medical re-imburement scheme.

Welfare contribution for welfare activities was Rs 75,000/- per year.

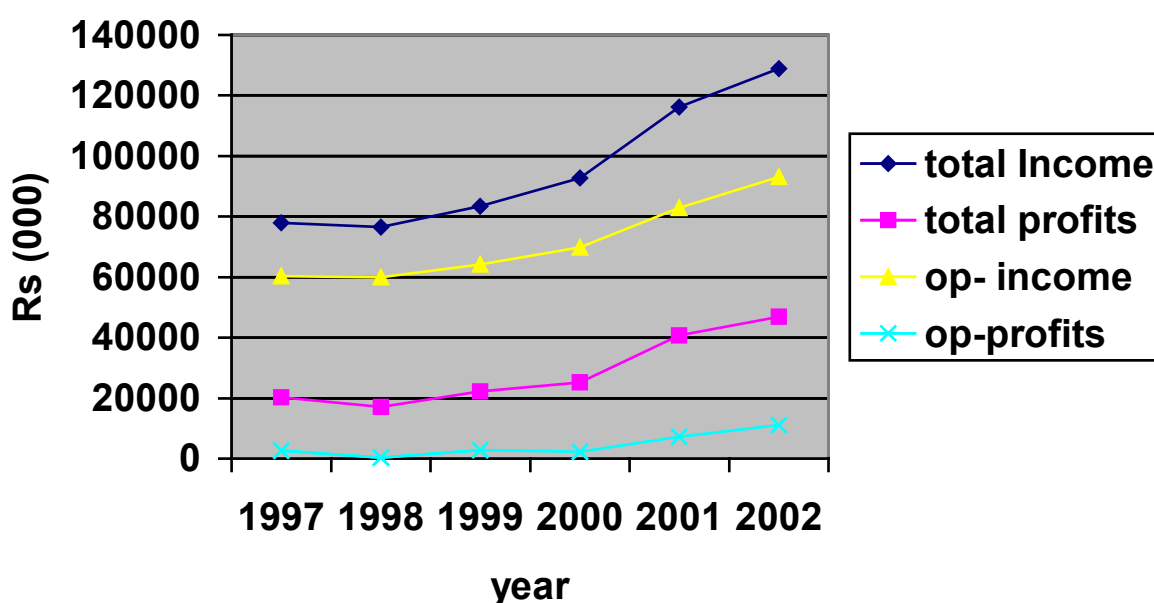
Employees were given meals at a very nominal concessionary rate while offering morning and evening teas at the expense of the NIBM.

11. OVERALL PERFORMANCE IN BRIEF

The NIBM income and profit generation for the last six years (before taxation) are as follows :-

	1997	1998	1999	2000	2001	2002
Total Income	77897	76582	83446	92772	116196	128847
Total Profit	20207	17142	22170	25154	40681	46869
Operating Income	60278	59868	64172	69851	82831	93184
Operating Profits	2589	419	2897	2233	7316	11180

(figures are given in Rs (000))



The above data and the graph clearly indicate the changes in the overall performance trend of the NIBM during the year 2002.

The Chairman,
National Institute of Business Management.

**Report of the Auditor General on the Accounts of the National Institute
of Business Management for the year ended 31 December 2002
in terms of Section 14(2)(c) of the Finance Act No.38 of 1971.**

The audit of accounts of the National Institute of Business Management for the year ended 31 December 2002 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 24 of the National Institute of Business Management Law No.23 of 1976 and Section 13(1) of the Finance Act No.38 of 1971. My 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 Scope of Audit

Audit opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and the extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards, methods and practices to obtain reasonable assurance as to whether the financial statements are free of material misstatements. The audit included examination of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles and significant estimates and judgements made in the preparation of financial statements, evaluation of their overall presentation and determining

whether accounting policies adopted were appropriate, consistently applied and adequately disclosed. 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.

2. Accounts

2.1 Opinion

Except for the effects of the adjustments arising from the matters referred to in paragraph 2:3 of this report, I am of opinion, that the financial statements have been satisfactorily prepared to present fairly in all material respects, the financial position of the Institute as at 31 December 2002 and the results of its operations for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Financial Results

According to the accounts presented, the working of the Institute for the year ended 31 December 2002 had resulted in a surplus of Rs.42,037,624 after taxation as compared with the after tax surplus of Rs. 32,504,196 in the preceding year, arrived at as follows.

	<u>Year ended 31 December</u>	
	<u>2002</u>	<u>2001</u>
	Rs.	Rs.
Operating Income	93,184,860	82,831,130
<u>Less: Operating Expenses</u>	(82,004,832)	(75,514,827)
Operating Surplus	----- 11,180,028	----- 7,316,303

<u>Add</u> : Non-operating Income		
Investment Income	34,263,596	32,063,126
Other Income	1,425,546	1,301,543
	-----	-----
Total Surplus Before taxation	46,869,170	40,680,972
<u>Less</u> : Taxation	(4,831,546)	(8,176,776)

Total Surplus After Taxation	42,037,624	32,504,196
	=====	=====

2:3 Comments on Accounts

2:3:1 Accounting Deficiencies

Accounting deficiencies observed in audit test check on the sample of transactions valued at Rs.19,925,072 shown in the draft accounts were brought to the notice of the Director General of the Institute. Those deficiencies had been corrected subsequently. The possibility of the existence of further accounting deficiencies cannot be ruled out.

2:3:2 Accounts Receivable and Payable

The following observations are made.

- (a) Of the debtors aggregating Rs.5,671,479, a sum of Rs.2,207,031 had remained outstanding for more than 2 years.
- (b) The position regarding the delay in the recovery of debtors had been referred to in the audit reports on the accounts of the previous years. But, the progress of collection had been poor. A balance of Rs.6,396,142 was outstanding for periods between 1 and 5 years as at 1 January 2002. Out of this only a sum of Rs.2,112,591 had

been collected whilst a sum of Rs.172,220 had been written off during the year under review.

- (c) There was an unusual delay in collection of debts and as a result a sum of Rs.172,220 had to be written off during the year. But, further credit facilities had been granted to the same institutions which had defaulted in the settlement of previous bills.

2:3:3 Lack of Evidence for Audit

The Minutes of the meetings of the Governing Council had not been made available for examination although called for. Therefore, it was not possible to ascertain whether the activities had been conducted by the Institute in accordance with the Laws, Rules and Regulations. Further, such practice tantamount to lack of transparency and good corporate governance. Apart from the above, the following information had also not been submitted for audit.

- (a) Names of the officers who went abroad for various activities during the year under review and the sources of funds for scholarships etc.
 (b) Particulars of the officers who had breached the bonds and agreements.

2:3:4 Transactions not Supported by Adequate Authority

Following payments had been made during the year under review by the Institute on the approval of the Council of the Institute contrary to the provisions in the Circular No.95 of 4 June 1994 of the Department of Public Enterprises.

	<u>Item</u>	<u>Amount</u> Rs.
(a)	Incentive Allowances	8,673,203
(b)	Payments to consultants as lecture fees, direction fees, fees for preparation of question papers and examination of answer scripts etc.	3,628,772

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

Several instances of non-compliance with the provisions in the following Laws, Public Finance Circulars, Public Enterprises Circulars, Public Administration Circulars, Financial Regulations of the Government and Establishments Code of the Democratic Socialist Republic of Sri Lanka observed in audit had been pointed out to the Director of the Institute from time to time.

- (a) Finance Act, No.38 of 1971.
- (b) Public Finance Circular No.393, PF/PE 3, PF/PE 4, PF/PE 9, PF/PE 14,
- (c) Public Enterprises Circular No.95
- (d) Public Administration Circular No.2/99

3. Financial and Physical Performance

3:1 Financial Performance

3:1:1 Financial Results

The Institute performs its functions under 4 Divisions. Information given below depicts the financial performance of those Divisions excluding depreciation.

Division	Income	Expenditure Excluding Depreciation	Surplus/(Deficit)
-----	-----	-----	-----
	Rs.	Rs.	Rs.
Productivity Division	1,960,903	6,611,390	(4,650,487)
Management Development Division	17,286,731	22,207,715	(4,920,984)
Management Information System Division	71,482,956	41,038,782	30,444,174
Consultancy Division	2,558,962	6,272,216	(3,713,254)
Total	93,289,552	76,130,103	17,159,449
	=====	=====	=====

The operations of 3 Divisions out of the 4 had resulted in losses.

3.1.2 Identified Losses

A sum of Rs.119,622 spent in 1997, for the purchase of air tickets in respect of three officers, which was reimbursable could not be claimed as copies of the relevant air tickets, acknowledgements and quotations had not been submitted. When this matter was brought to the notice of the Director General, he informed me on 12 July 2002 that action will be taken to recover this amount. However, no recoveries had been made up to the end of February 2003.

3.1.3 Uneconomic Transactions

- (a) Loss of interest amounting to Rs.52,500 had resulted due to the investment made at a lower interest rate.

- (b) Commission amounting to Rs.240,754 had been paid to a private firm in respect of newspaper advertisements channelled through the firm instead of being handled directly by the Institute. All the newspaper advertisement had been channelled through that firm and a sum of Rs.1,811,683 had been spent on advertising without following the tender procedure.

3.2 Operating Review

3.2.1 Achievement of Objectives

Performance for the achievement of objectives were as follows.

- (a) 257 training courses had been scheduled to be conducted during the year under review. According to information made available, out of 257 courses only 142 courses had been conducted.
- (b) Actual number of training courses conducted including the courses commenced in the previous years was 195. Actual number of students participated was 5,911. Actual number of lecture hours conducted was 11,949 and a total of 790,205 student lecture hours had been delivered during the year under review. Total income and expenditure of those training courses amounted to Rs.75,041,526 and Rs.12,873,004 respectively and income and expenditure per student lecture hour had been Rs.208,281 and Rs.53,032 respectively.

3.2.2 Training Programme of the Management Development Division

The following matters were observed in audit.

- (a) Cost estimates for training programmes had not been prepared.
- (b) Out of the credit facilities granted to the participants, a sum of Rs.872,730 had remained outstanding from 1997 due to the failure to recover from the participants prior to the award of certificates.

3.2.3 Conduct of Lectures

- (a) The number of consultants employed during the year under review was 24 and the actual number of lecture hours delivered by them during the office time of 192 working days amounted to 4139. Salaries, allowances and incentive payments made during the period for those 24 consultants amounted to Rs.9,220,131 and the cost per lecture hour amounted to Rs.2,277.
- (b) Actual number of lecture hours delivered by those 24 consultants on part- time and weekends amounted to 3,832. Remuneration paid for those hours amounted to Rs.3,628,772 and the cost per part-time lecture hour amounted to Rs.946.

3.2.4 Staff of the Institute

The Institute had not taken action to revise the cadre of the Institute since 1990. 37 officers had been recruited to the staff without revising the cadre.

3.2.5 Library Activities

The following matters were observed in audit.

- (a) A physical verification of library books had not been carried out for several years. The value of library books as at 31 December 2002 amounted to Rs. 5,597,768.
- (b) According to the library rules of the Institute, books issued to the officers should be returned within 3 months. However, 25 officers had not complied with this requirement in respect of 97 books.
- (c) Action had not been taken to ascertain the value of books received as grants from outside parties and record in the Accession Register.

- (d) Action had not been taken to convert the value of the books purchased from the foreign countries for US Dollars into Rupees.

3.2.6 Corporate Plan and Action Plan

A Corporate Plan had not been prepared in terms of Section 7 of the Finance Act and Treasury Circular No. PED/52 of 16 June 1989. Action Plan for the year under review also had not been prepared. Therefore, it was not possible to ascertain whether the budget had been prepared to achieve the objectives of the Institute. These lapses would adversely affect the achievement of the objectives of the Institute which is one of the premier institutions in Sri Lanka entrusted with the task of enhancing the quality of management practices.

3.2.7 Budgetary Control

Significant variations were observed between the budget and the actual thus indicating that the budget had not been made use of as an effective instrument of management control. For example, the actual income of Productivity Division for the year amounted to Rs.1,953,811 as against the budgeted income of Rs.9,175,150. It has to be emphasized that lapses of such nature should not occur in an institution whose main objective is providing Management Consultancy Services.

3.2.8 Matters arising from previous audit reports

The Institute had not taken any corrective measures in respect of the following matters pointed out in the previous audit report. This can be considered as a serious lapse on the part of the management

<u>Reference to the Report</u>	<u>Particulars</u>
<u>Paragraph</u>	
(a) 2:3:2	Accounts Receivable and Payable
(b) 2:3:3	Lack of Evidence for Audit
(c) 2:3:4(a)(i)	Non transferring of surplus to the

Consolidated Fund.

(d) 2:3:4(a)(2)	Investments made without approval.
(e) 2:3:4(b)(i)	Payments on account of holiday pay.
(f) 2:3:4(b)(ii)	Availing of lapsed leave
(g) 2:3:4(c)	Mobile telephones
(h) 2:3:4(d)	Audit and Management Committee
(i) 2:3:4(f)	(i) Incentive Payments
	(ii) Payments of interest on loans
(j) 3:3	Corporate Plan and Action Plan
(k) 3:4	Purchase of a Motor Vehicle
(l) 3:7	Identified Losses

4. Systems and Controls

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

- (a) Stock Control
- (b) Granting and Settlement of Advances.
- (c) Vehicle Utilization
- (d) Awarding of Certificates.

(S.C. MAYADUNNE)
AUDITOR GENERAL.

2.3.2 Accounts Receivable and Payable

Reference item (a), (b) and (c)

The institute has now introduced a new system to recover overdue course fees and overdue fees of consultancy assignments to bring down the Institute's outstanding debts. Other measures, as given below are also taken to overcome the problem of outstanding debtors facing the institute.

- (i) When course details relating to Management Training and Supervisory Training are sent to client organisations of the institute to attract course members. Special mention is made in the document that all those who are enrolled will have to make the course fees paid in full prior to participation. The need to settle course fees prior to the commencement of the programme is also indicated in all **acceptance letters** sent to client organisations prior to the inauguration of the training programmes.
- (ii) Course Directors of training programmes are also reminded, at meetings convened regularly to take action to collect full course fees of training programmes before the commencement of these programmes. The certificates issued at the end of the programme will be withheld until payment of fees are made.
- (iii) Action is also taken to send reminders to client organisations that have delayed the payment of course fees in previous years.
- (iv) The Council is also exploring the possibility of engaging a debt-collecting agency for this purpose.

2.3.3. Lack of Evidence for Audit

Arrangements were made by the institute for the Government Auditors to examine the Governing Council minutes in the Director General's Office, in response to the request made by them.

- (a) & (b) All relevant files relating to this subject area, were made available by the Administration of the institute to the Government Auditors, for auditing purposes.

2.3.4. Transactions not supported by adequate authority

- (a) Treasury has granted permission to such incentive payments by the **[Section d] of the Management Service Circular No.17 of 3/12/2002.**
- (b) Action will be taken to obtain the necessary approval.

2.3.5. Non-compliance with Laws, Rules, Regulations and Management Decisions

- (a) **Finance Act No.38 of 1971**

A letter has been already sent to the Treasury through our supervising Ministry dated **08th August, 2001** seeking the approval for retention of such surpluses and to make investments. Subsequently, it was agreed to pay **Rs.6,000,000/- to the Treasury in favour of Deputy Secretary to the Treasury as per Department of Public Enterprises letter dated 18th November, 2002.**

(b) Public Enterprises Circular PF/PE 3 and 4

The Governing Council made a decision to act as the management and audit committee. Therefore, the minutes of the Governing Council should be considered as the record of management and audit committee.

Public Enterprises Circular PF/PE 9

A letter was sent to the Treasury through our line Ministry on **08th August, 2001**, seeking approval for retention of such surpluses and to make investments.

Public Enterprises Circular PF/PE 14

The Governing Council had discussed this matter at length at **Council meetings** and decided that the limits given in the **Circular** will adversely affect business development, promotional and client / customer care related activities / programmes of the NIBM. **The institute as a self-supporting body** markets its professional services in a **fiercely competitive market environment**. As a result, **close relationships with domestic and international clients of the institute** are very necessary for the institution to **increase and sustain its market share for the professional services offered to its clientele**.

Therefore, the Governing Council decided to control within a reasonable limit, these expenses without curtailing its day-to-day **promotional / developmental activities**. Moreover, the institute recovers these expenditures by incorporating these expenses in fixing course fees for **computer and management development training**. The same practice is adopted in **determining consultancy fees** on assignments undertaken by the institute.

(c) Public Enterprises Circular No.95

Refer 2.3.4 (a)

(d) Public Enterprises Circular No.2/99

To cope up with the business / promotional activities of the NIBM in a **fiercely competitive market environment**, the NIBM purchased mobile telephones with the covering approval of the supervising Ministry. A copy of the letter was submitted to the Auditor General for reference.

(3) Financial and Physical Performance

3.1 Financial performance

3.1.1. Financial results

The Governing Council has already directed the Director General to **draw up a Corporate Plan** with a **future vision** and **with a clear strategic direction for the institute to make all revenue earning divisions of the institute as profit centres and profit making divisions**. The Governing Council has also given top priority to review the financial performance of the divisions and to take corrective action on a **monthly and quarterly basis**.

3.1.2. Identified Losses

As, the necessary documents are not available to take necessary action, yet, the institution is hoping to negotiate with the **Ministry of Labour** and the **Asian Productivity Organisation** in order to explore the possibility of obtaining the reimbursement.

3.1.3. Uneconomic Transactions

- (a) According to a confidential due diligence report on the State Mortgage Bank, it was revealed that the financial status of the institute was not very satisfactory, although, it offered the highest interest rate. Therefore, action was taken to deposit the sum involved in government backed two other financial institutions with financial stability based on accepted banking fundamentals.
- (b) As the NIBM has no expertise in this area, the services of an advertising firm was obtained to give publicity to NIBM's professional services. Furthermore, the V.A.T. paid by the NIBM to the agency is only 10% and not 20% thereby an accrued saving of 10% to the NIBM. In a highly competitive market advertising and marketing is of paramount importance to NIBM.

3.2. Operating Review

3.2.1. Achievement of objectives

- (a) Action has been taken to closely monitor the postponement and cancellation of scheduled programmes of the NIBM on a monthly basis by the Divisional Director and the Governing Council.

Decision has been made not to **cancel or postpone training programmes without the prior approval of the Divisional Director and the Director General**. Action has also been taken to find out the reasons for **cancellation and postponement** of programmes. It has been decided to remove from the list of scheduled programmes, the programmes that do not have a market demand. Furthermore, action has also been taken to instruct Course Directors to develop new programmes in place of training programmes which have been repeatedly cancelled or postponed in the recent past due to poor response from the clientele of the institute.

- (b) Action will be taken to review the situation in due course.

3.2.2. Training programmes of the Management Development Division

- (a) Action will be taken to fix course fees after carrying out a comprehensive analysis of costs of programmes to be conducted by the institute.
- (b) Action will be taken to recover the outstanding debts as stated in reply 2.3.2.

3.2.3 Conduct of lectures

- (a) Action has been taken to increase the number of programmes conducted from **Monday to Friday** to increase the utilisation of unallocated professional time of NIBM Consultants. Further, this action will lead to reduce the average cost per lecture hour. If the need arise action will be taken to change the working hour of the NIBM.

3.2.4 Staff of the Institute

Action will be taken to revise the cadre with the new Corporate Plan for the institute to be prepared by the Director General.

3.2.5. Library activities

- (a) A physical verification will be carried out at the end of year 2003.
- (b) Action will be taken to regularise the library rules regarding this matter.
- (c) Action will be taken to assign nominal values for books, where the actual values cannot be obtained. Action will be taken to value books received as grants from outside donor agencies according to accession registers.
- (d) Action will be taken

3.2.6. Corporate plan and Action plan

Initiative has been taken by the Governing Council to draw up a Corporate plan for the institute incorporating a new vision, mission, values, strategies, and action programmes. In drawing up this corporate plan, new market niches available to the institute will be given special attention.

3.2.7. Budgetary control

The budgets were prepared taking into account, the **productivity activities** scheduled to be carried out in collaboration with the **Asian Productivity Organisation and the Ministry of Enterprise Development, Industrial Policy and Investment Promotion**. However, the subject of productivity enhancement and promotion was transferred from **the institute to the Ministry of Labour in the year 2002 as a result of government policy**. Due to this transfer, most of the productivity related activities that were planned by the institute was not implemented.

3.2.8. Matters arising from previous audit

- (a) **2.3.2** - Refer 2.3.2 of this report
- (b) **2.3.3** - Refer 2.3.3 of this report
- (c) **2.3.4 (a) (i)** - Refer 2.3.5 (a) of this report

- (d) **2.3.4 (a) (2)** - A letter was sent to the Treasury through our line Ministry on **08th August, 2001**, seeking approval for retention of such surpluses and to make investments.
- (e) **2.3.4 (b) (i)** - Since the NIBM is conducting courses during 7 days of the week, the management is compelled to deploy staff on weekends to avoid any disruption of training courses provided by the NIBM resulting from absenteeism of staff. This involves giving the employees the privilege of claiming overtime and lieu leave.
- (f) **2.3.4 (b) (ii)** - A policy decision was taken by the Governing Council to allow the staff to avail of their lapse leave **before 31st of March of the following year.**
- (g) **2.3.4 (c)** - To cope up with the business activities of the NIBM in a **fiercely competitive market environment mobile telephones were purchased with a covering approval of the supervising Ministry.**
- (h) **2.3.4 (d)** - The Governing Council made a decision to act as the management and audit committee. Therefore, the minutes of the Governing Council should be considered as the record of management and audit committee.
- (i) **2.3.4 (f) (i)** - Refer 2.3.4 (c) of this report
- 2.3.4 (f) (ii)** - The Governing Council has approved the payment of 15% of the interest for vehicle loans for professional staff.
- (j) **3.3** - Refer 3.2.6 of this report
- (k) **3.4** - The Purchase of the vehicle was done at the rate of **Rs.1.61 million** with the approval of the **Director General of Budget of the Government Treasury.** The other accessories were also purchased at a sum of **Rs.250,000/-** and these expenses came within the **financial authority of the Director General of the NIBM.** On this matter an investigation was done and necessary action was taken.
- (l) **3.7** - Refer 3.1.2 of this report.

4. Systems and Controls

Steps have been already taken to rectify shortcomings and instructions were issued to follow the procedures.

28th April, 2003

My No : NIBM/GO/AC/01/02
Your No : EC/F/NIBM/2002/1

Auditor General
Auditor General's Department
Independence Square
Colombo 07.

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE NATIONAL INSTITUTE OF BUSINESS MANAGEMENT FOR THE YEAR ENDED 31 DECEMBER, 2002 IN TERMS OF THE SECTION 14 (2) (C) OF THE FINANCE ACT NO.38 OF 1971

This has reference to your letter dated 26th March, 2003 on the above subject. Herewith we are sending the replies in this report for your information.

Thusantha Wijemanna
Chairman
National Institute of Business Management

- cc : (1) Secretary, Ministry of Finance
(2) Secretary, Ministry of Enterprise Development, Industrial Policy and Investment Promotion
(3) Acting Director General, NIBM