

**1.1 Qualified Opinion**

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The audit of the financial statements of the National Institute of Library Information Science for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, 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 Finance Act No. 38 of 1971. My comments and observations which I consider should be report 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 2019 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**

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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**

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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**

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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, 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 Company'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 Company'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 Company 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 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 Financial Statements**

### **1.5.1 Internal Control over the preparation of financial statements**

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

### **1.5.2 Non-Compliance with Sri Lanka Accounting Standard/Sri Lanka Public Sector Accounting Standards**

<b>Non Compliance with the reference to particular Standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
The effective lifetime of fixed assets had not been reviewed annually as per Sri Lanka Accounting Standards No.7. As a result, it had been fully depreciated by the end of the year under review, but the institute still had assets worth Rs. 8,473,359 to be utilized, no action had been	These asset classes will also be re-calculated at the time of revaluation of fixed assets	The stranded must be followed.

taken to rectify the estimated error in accordance with Sri Lanka Public Sector Accounting Standards No.03.

### 1.5.3 Accounting Policies

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All issues related to Accounting Policies are shown under this heading. Eg. No accounting policies developed, accounting policies not complied with, inappropriate accounting policies .

<b>Non Compliance with the reference to particular standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
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A Capital Grants Accounting Policy was introduced in 2017, but the capital grants received up to that year were not specified in the financial statements in accordance with that policy.	When preparing the accounts for the year 2020, the relevant adjustments will be made according to the accounting standards.	That the policy should be followed

### 1.5.4 Accounting Deficiencies

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All issues related to Accounting deficiencies may be shown under this heading. Eg. Understatements, overstatements, omissions etc.

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
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According to the Bank Reconciliation Statement as at 31st December 2019, Rs. 746,850 direct debits had not been identified and resolved by December 31, 2019.	Until the middle of last year, the identification of direct credits remained an issue and was then rectified. At present Rs. 248,900 has been identified. The rest is also being settled.	Direct credits should be identified and resolved expeditiously.

### 1.5.5 Unreconciled Control Accounts or Records

Item	as per Financial Statements Rs.	As per corresponding Record Rs.	Difference Rs.	Management Comment	Recommendation
Income	14,221,013	15,915,675	1,694,662	Although both the financial and the control section calculate income in the accrual basis, this change is due to the change in the number of days used. No difference will be made in the future.	Income should be properly accounted for by maintaining good coordination between sections.

### 1.5.6 Unauthorized Transactions

Audit Issue	Management Comment	Recommendation
Although the course fee of Rs. 638,610 due from 40 students from 2015 had been deducted from the financial statements. The approval of the Board of Management had not been obtained for that.	From now on, the approval of the Board of Management will be obtained in such a deduction.	Must act with relevant authority.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
As stated in the financial statement the receivable course fee income is Rs. 4,394,810 and out of which there were balances over one year Rs. 1,493,500 and over 4 years Rs. 53,000.	Reminders have been sent to students to collect fees. As a solution to this problem, non-issuance of certificates until the payment of fees has been	Action should be taken to recover the arrears.

implemented. The balance shown here is as the institution does not cancel the scholarship until more than 5 years without payment of fees.

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

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) Section 86 of the Inland Revenue Act No. 24 of 2017	The institute had paid Rs. 92,350 in payee taxes without recovering from the salaries of the relevant officers.	Action will be taken to deduct the payee tax from the relevant employee within the relevant month and send it to the Inland Revenue Department.	Should compliance with rules and regulation.
((b) Circular of the University Grants Commission No. 636 dated 14th July 1995	The results should be released within 3 months from the date of the examination. Due to delay in releasing the results of the semester until complete the final examination of the courses, the results of 20 examinations pertaining to 11 courses in the years 2018 and 2019 had not been released till the audited date of 30th June 2020.	The system followed by the institute so far has been to release the results after completing the final examination of the courses. Due to this, the above observations have been made. Action will be taken to release the results after complete the relevant semester in the near future.	Steps should be taken to issue examination results without delay as per the rules and regulations.

Meanwhile, the results of 16 examinations in 08 courses were released with a delay of 04 months to 1 year.

**2. Financial Review**  
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**2.1 Financial Result**  
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The operating result of the year under review amounted to a surplus of Rs. 1,794,584 and the corresponding deficit in the preceding year amounted to Rs. 1,165,398. Therefore an improvement amounting to Rs.2,959,982 of the financial result was observed. The reasons for the improvement are mainly due to the increase in academic income , government grants and other revenue for operational activities by Rs. 8,111,802 during the year under review and an increase in other recurrent expenditure by Rs. 4,626,043 with a lower value relative to income.

**3. Operational Review**  
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**3.1 Management Inefficiencies**  
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Audit Issue	Management Comment	Recommendation
<p>Establishment of a Development Fund in 2018 for the purpose of Equipment repair and maintenance, contributing and sponsoring research and development activities in Sri Lanka and abroad. Although Rs.1,832,790 and Rs. 1,503,565 were transferred to the fund from the course income in 2018 and the year under review respectively, the objectives of establishing the fund had not been implemented by the end of the year under review.</p>	<p>The specific objectives stated in the establishment of the Development Fund, which was established in 2018, this year the Fund will be used to install multimedia projectors in lecture halls, to repair and purchase lecture hall chairs and tables, and to train staff. Provisions are expected to be obtained.</p>	<p>The objectives of establishing the fund should be implemented.</p>

#### 4. Accountability and Good Governance

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##### 4.1 Sustainable Development Goals

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<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
Although the organization is aware of the United Nations' 2030 Agenda for Sustainable Development, it has not taken steps to identify sustainable development, goals and objectives that can be applied to the organization, milestones to be achieved and indicators to measure targeted achievement.	NILIS has clearly identified the Sustainable Development Goals and its significance and has incorporated those goals into the 2020 Action Plan. Although this is not included in the 2019 Action Plan of the Institute, the following objectives will be addressed.	The Sustainable Development Goals and Indicators (KPIs) should be included in the organization's action plan.