

## **National Institute of Library and Information Sciences - 2017**

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The audit of financial statements of the National Institute of Library and Information Sciences affiliated to the University of Colombo for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Sub-section 107(5) of the Universities Act, No. 16 of 1978. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Sub-section 108(1) of the Universities Act appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor's Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Section 111 of the Universities Act, No.16 of 1978 gives discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **1.4 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the National Institute of Library and Information Sciences affiliated to the University of Colombo as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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Due to non-reviewing of the useful life of the fixed assets annually as per the paragraph 65 of Sri Lanka Public Sector Accounting Standard 07, even though the assets costing Rs.17,667,497 had been fully depreciated, they had been further in use. The estimated error occurred accordingly had not been revised in terms of Sri Lanka Public Sector Accounting Standard 03.

#### **2.2.2 Accounting Deficiencies**

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Even though it had been introduced the policy on Accounting for Capital Grants in the year under review and accordingly, Rs.3,106,150 had been amortized only for the year under review, actions had not been taken to calculate the amortization relating to the previous years and to adjust retrospectively.

#### **2.2.3 Unexplained Differences**

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Even though the course fees income receivable as at the end of the year under review amounted to Rs.6,094,210 as per the financial statements, that income amounted to Rs.5,983,586 as per the respective register and hence a difference of Rs.110,624 was observed.

### **2.3 Receivable and Payable Accounts**

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The following observations are made.

- (a) Even though it had been elapsed more than half of the course duration from the commencement of the courses, course fees of Rs.1,294,498 receivable for the respective period had not been charged from 121 students.
- (b) Out of the receivable course fee income of Rs.6,094,210 shown on the financial statements, Rs.443,742 from a period of more than one year and Rs.451,000 from a period of more than two years had been in arrears. Adequate actions had not been taken to charge the course fee of Rs.789,500 included in that balance and receivable from 72 students relating to 06 courses of which courses had been completed and certificates had been issued.

## **2.4 Non –compliance with Laws, Rules, Regulations and Management Decisions**

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As per the Section 4.2.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003, even though it is required to review the Corporate Plan, Budget and the Performance of the Institute by the Board of Directors from time to time to certify the actual performance of the planned activities, action had not been taken accordingly.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the financial result of the year under review had been a surplus of Rs.7,073,855 as compared with the corresponding surplus of Rs.3,489,462 for the preceding year, thus indicating an improvement of Rs.3,584,393 in the financial result as compared with the preceding year. The increase in fees, penalties and the recurrent income by Rs.4,419,852 in the year under review had been mainly attributed to the above improvement of the financial result.

In analyzing the financial results of the year under review and 04 preceding years, the deficit of the Institute occurred in the year 2013 and 2014 had been a financial surplus in the years 2015, 2016 and 2017. However, in readjusting the employees' remuneration and the depreciation on non-current assets to the financial result, the contribution of Rs.14,107,064 of the Institute in the year 2013 had been increased up to Rs.32,712,686 in the year 2017.

## **4. Operating Review**

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### **4.1 Performance**

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#### **4.1.1 Operation and Review**

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The following observations are made.

- (a) Activities such as introducing short term courses for Piriven Studies, Publishing a magazine, establishing a new unit for the regional programmes and approving a new Scheme of Recruitment planned to be implemented in the year under review had not been performed in the year under review.
- (b) It had been unable to determine the achievement of the targets and the objectives of the Institute, due to interpreting of activities very broadly and non-interpreting of cost allocation for each activity and not taking actions to identify the indices for measuring the achievement of the targets in preparing the annual action 2017.

### **4.2 Management Activities**

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Actions had not been taken to identify and account Rs.282,500 of direct credits as per the bank reconciliations prepared and presented as at 31 December 2017 in relation to a current account of the Institute.

### 4.3 Utilization of Funds

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There had been a balance of Rs.8,293,906 of 02 current accounts of the Institute as at 31 December in the year under review and it was observed that a balance in a range of Rs.8,293,906 to Rs.14,277,182 had been retained at the end of each month. Attention had not been paid towards utilizing these funds to fulfill the objectives of the Institute or receiving an income by engaging in a short term investment.

## 5. Sustainable Development

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### 5.1 Achieving Sustainable Development Goals and Targets

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- (a) Even though it is required to take actions regarding the by all public institutions as per the United Nations Year 2030 “Agenda” on Sustainable Development, Institute had not been aware on how should be implemented regarding the activities which comes under own scope relating to the year under review.
- (b) Due to the Institute had not been aware on Year 2030 Agenda, actions had not been taken to identify the Sustainable Development Goals, Targets, Road maps for achieving those targets and Indices for measuring the achievement of the targets, relating to the activities of it.

## 6. Systems and Controls

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Deficiencies observed during the course of audit were brought to the notice of the Director from time to time. Special attention is needed in respect of the following areas of control.

<b>Areas of Systems and Controls</b>	<b>Observations</b>
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(a) Documentation of course income	Income registers had not been maintained up-to date and completely.
(b) Conducting training workshops and programmes	(i) Signatures and the time of arrival of the participants had not been mentioned in the attendance registers.  (ii) Separate files had not been maintained for the programmes.
(c) Procurement Activities	Actions had not been taken according to certain guidelines of the Procurement Guideline 2006