

## **National School of Business Management Limited - 2020**

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### **1. Financial Statements**

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#### **1.1. Opinion**

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The audit of the financial statements of the National School of Business Management Limited (“Company”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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. My comments and observations which I consider should be report to the Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **1.2 Basis for Opinion**

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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 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 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 Company’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 Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

As per section 16(1) of the National Audit Act No.19 of 2018, the Company 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 Company.

## 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 Company, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;

- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 2. Financial Review

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### 2.1 Financial Result

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The operational result for the year under review had a surplus of Rs. 468,968,670 as compared with the corresponding deficit of Rs. 125,789,894 in the preceding year thus indicating an improvement of Rs.594,758,564 in the financial results for the year under review. Increase in income by Rs.316,494,444 was the main reason for this improvement.

## 3. Operational Review

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### 3.1 Management Inefficiencies

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The following observations are made.

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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(a)	A contractor was selected through the procurement process and entered in to an agreement on 05 January 2016 to establish a Management Information System (UMIS) for the National Institute of Business Management and training and maintenance for a period of 2 years for a value of Rs. 49,500,000 (tax free). Although the contract was terminated in 2018 due to non-execution of the relevant contract as expected, no legal action was taken and even the invoices total amounted to Rs. 24,750,000 submitted by him had not been paid. Due to non-payment of invoices, the contractor had resorted to legal action against the National Institute of Business Management through an arbitration process.	Arrangements are being made for a settlement based on the agreement of both parties and action has been taken to obtain legal advice.	Attention of the management should be focused on getting the contract done on time.
(b)	Although many years have lapsed since the Urban Development Authority agreed to lease 25 acres of land which the National Institute of Business Management was established, valued at Rs. 322,350,000 and 15 acres of land under construction of a new building for a period of 30 years, the lease agreement was not signed with the Urban Development Authority until May 2021.	The Urban Development Authority has been informed to take necessary action to sign the lease agreement.	Arrangement should be made to sign the lease agreement.

### 3.2 Human Resource Management

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#### Audit Observation

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59 vacancies in 9 academic posts and 221 vacancies in 68 non-academic posts were available in the cadre at the end of the year under review.

#### Comments of the Management

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Minimum number of non-academic staff works at maximum efficiency. Academic staff will be recruited on the basis of vacancies by following the recruitment procedure.

#### Recommendation

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Necessary action should be taken to fill the vacancies only in essential posts.