

## **National School of Business Management Limited - 2021**

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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 2021 comprising the statement of financial position as at 31 December 2021 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 2021 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 Auditor's Responsibilities on the Audit of the Financial Statements

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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.

## 1.5 Non-compliance to Laws, Rules, Regulations and Management Decisions

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 The following observations are made.

<b>Reference to laws, rules, regulations</b>	<b>Non compliance</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
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(a) Paragraph 371 (2) (b) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	Although an ad-hoc imprest could be issued only to staff officers, ad-hoc imprests total amounted to Rs.4,808,370 were issued to non-staff officers in 70 occasions in the year 2021.	The ad-hoc imprests cannot be issued only to a small number of staff officers.	Financial Regulations should be complied.
(b) Section 04 (A) of Public Enterprises Circular No. 01/2018 dated 18 September 2018	A vehicle, imported under a concessional vehicle import license, had been purchased at a cost of Rs. 34,000,000 under the direct purchase system contrary to circular provisions.	The approval of the Board of Directors and the Department of Public Enterprises had been received for this transaction and the procurement had been done through a newspaper advertisement and the purchase has been made at the lowest price. As a self-financed institution, action have always been taken to ensure the best value for money.	Even if the purchase of vehicles had been approved, the circular states that vehicles imported under a concessional vehicle import license cannot be purchased, so the circular provisions should be followed.

(c) Public Enterprises  
Circular No. PED/12  
dated 02 June 2003

- (i) Section 7.4.5      An annual board of survey was not conducted for the year 2020.      It could not be conducted due to the Covid-19 situation and presently the survey activities are in progress.      According to the circular, the board of survey should be completed on the scheduled date.
- (ii) Section 8.3.3      According to section 6.5 of the circular, the annual report including the company's annual accounts and the Auditor General's report of the previous year should be tabled in the Parliament for the payment of annual incentives, but it had not been done accordingly.      Every year the annual report is prepared in English and submitted to the line ministry.      Circulars should be followed.

## 2. Financial Review

### 2.1 Financial Result

The operational result for the year under review had a surplus of Rs.677,822,872 as compared with the corresponding surplus of Rs. 468,968,670 in the preceding year thus indicating an improvement of Rs. 208,854,202 in the financial results for the year under review. Increase in the income by Rs.189,932,802 was the main reason for this improvement.

## 3. Operational Review

### 3.1 Un-economical Transactions

The following observation is made.

#### Audit Observation

#### Comments of the Management

#### Recommendation

A sum of Rs. 1,505,836 had been taken as advances in 34 occasions during the year 2021 for the cooking activities of the Vice-Chancellor's official residence.

This expenditure is for a daily meeting conduct at the Vice-Chancellor's official residence with the participation of department heads, and the board of directors' approval had not been obtained for this.

The meeting reports related to the daily meetings were not submitted to the audit and the company's money should be spent only for essential expenses upon the approval of the board of directors.

### 3.2 Management Inefficiencies

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The following observation is made.

#### Audit Observation

#### Comments of the Management

#### Recommendation

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The approval of the Treasury had not been obtained for the financial manuals related to the internal control of the company.

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The manuals have been approved by the Board of Directors as the Board of Directors has all the necessary powers.

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Action should be taken to obtain the approval of the Secretary of the Treasury upon the approval of the Board of Directors.

### 3.3 Operational Inefficiencies

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The following observation is made.

#### Audit Observation

#### Comments of the Management

#### Recommendation

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Although the internal audit had recommended that a risk management policy should be prepared in the university, its' functions were not completed even by 31 December 2021.

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A risk management framework covering all functions is currently being developed and a separate committee will be appointed for that purpose in the upcoming board meeting.

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Necessary action should be taken to formulate a risk management policy.