

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the National Institute of Library Information Science for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 2022 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

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

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 Responsibility of Auditor on audit of Financial Statements

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 Institute'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 Institute'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 Institute 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 Audit Observation on Preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Comment of the Management	Recommendation
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(a) Since useful life time and the residual value of non-current assets had not been reviewed annually in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, library books costed for Rs.8,146,724 were further in use despite being the carrying value was zero. However, action had not been taken to revise the said estimated error in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 03. Further, action had not been taken to verify of these library books since the year 2020.	Action will be taken to revalue during the year 2023/2024	Sri Lanka public Sector Accounting Standard should be followed.

- (b) The institution and one faculty of the University of Colombo had obtained electricity from one electricity meter and although the University of Colombo had informed to pay a total sum of Rs.3,703,858 as the electricity consumption share of the institution from the year 2019 to 2022, provision had not been made for electricity charges from the year 2019 to the year under review in terms of paragraph 22 of Sri Lanka Public Sector Accounting Standard 08.
- Since both the Faculty of Education and NILIS have only one electricity account, the Vice-Chancellor agreed that it was possible to pay 33.33% of the total electricity bill received by the Faculty of Education to the University of Colombo.
- As per the Government Accounting Standards, action will be taken to get the approval of the Board of Management to allocate a certain amount for the next year in the preparation of the budget.
- Sri Lanka public Sector Accounting Standard should be followed.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Comment of the Management	Recommendation
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(a) The excess allocation for accrued expenses of Rs.398,000 in the previous year had been deducted from the expenses of the year under reviewed instead of being adjusted to the profit of the previous year. As such, the surplus of the year was overstated by that amount.	Action will be taken to rectify the accounts in the next year.	The standard should be followed.
(b) A sum of Rs.776,850 received directly to the bank in the year under reviewed had not been recognized and accounted for as income. As such, the surplus of the year was understated by that amount.	Out of that amount a sum of Rs.490,950 had been identified so far and the remaining amount is only Rs.285,900.00. Necessary actions are being carried out to identify this amount.	A proper mechanism should be introduced to periodically identify the direct credits and credit to the income of the relevant year.

1.6 Accounts Receivables and Payables

1.6.1 Accounts Receivables

Audit Observation	Comment of the Management	Recommendation
A balance of Rs.2,685,280 over 01 year was in the receivable student income as on 31 December 2022 and was unable to collect the said student income.	Course fees due for more than 2 years are for students who have left the courses. After their course period exceeds 03 years, course fees will be removed from the records with the approval of the Management Board.	Action should be taken to recover the income due in relation to each accounting year.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Sections 7 and 8 of Chapter xxiv of the Establishment Code of the Democratic Socialist Republic of Sri Lanka and Public Administration Circular No. 15/2007 dated 12 June 2007	Contrary to the referred regulations, vehicle loans amounted to Rs.220,000 had been granted to three officials in the year under review based on the University Grant Commission Circular No. 691 dated 14 October 1996.	Vehicle loans are issued based on the University Grants Commission Circular No. 691 dated 14 October 1996. Circular No. 691 has not been canceled and the Public Administrative Circular has not been adopted by the University Grants Commission.	Circular provisions should be followed.
(b) Section 3.1 of Chapter XX of the Establishment Code for the University Grants Commission and Higher Education Institutions and	Salaries and allowances amounted to Rs.28,789,031 had been paid to four academic staff during the year under review	The Chairman of the University Grants Commission has informed the Committee of Vice-Chancellors (CVCD) to submit proposals for a common system of arrival and departure of academic	Provisions in the Establishment Code for the University Grants Commission and Higher Education Institutions should be followed.

University Grants Commission Circular No. 10/2017 dated 10 July 2017 without verification of attendance and departure. and non-academic staff. Accordingly, until working on it in the future an attendance register is being maintained.

(c) Circular of the University Grants Commission No. 636 dated 14 July 1995 Release of results in 03 examinations conducted in the year under review were delayed from 123 days to 190 days and the results in 07 examinations had not been released even till 28 February 2023. Due to the Covid-19 situation and the answer sheets of the subjects conducted through the online system are received through WhatsApp system at the same time, the answer papers were examined only after receiving them by post etc. were the reasons. Circular provisions should be followed.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.3,229,596 and the corresponding deficit in the preceding year amounted to Rs.5,136,404 thus observing an improvement of Rs.8,366,000 in the financial result. The increase in government grant and increase in institutional income had mainly attributed to the said improvement.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
Although the Postgraduate Diploma in Teachers Librarianship, Master's Program and Diploma course should be included in to the teacher service constitution on the approval of the cabinet on 27 August 2009, the Ministry of Education had not done the related works, as such, the teachers had not applied for those courses. Therefore, these courses were	The National Institute of Library Information Science was established to develop 4000 school libraries and recruit 4000 teacher librarians for those libraries and provide further higher education qualifications and train them according to the second component of the General Education Project (GEP 2) launched in Sri Lanka in 1998 under World Bank assistance.	According to the objectives of establishment of the institution, actions should be taken to achieve the goals.

suspended between the period from the year 2014 to 2019. Accordingly, the institute had taken action to implement library information study courses and short-term courses targeting other groups. Since 2017 in order to cover the lack of application for targeted teacher librarianship courses according to the objectives of establishing the institute.

It will be the task of the Ministry of Education and the Public Service Commission to amend the Teacher Service Constitution relating to the promotions of teacher librarians. Our institution has not avoided its responsibility to repeatedly inform the Ministry of Education and other relevant parties in this regard and mediate through discussions.