

National Institute of Business Management and its subsidiary – 2018

Opinion

The audit of the financial statements of National Institute of Business Management and its subsidiary for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance for the year then ended, statement of changes in net assets and the 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 the 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, the financial statements give a true and fair view of the financial position of the National Institute of Business Management and its subsidiary as at 31 December 2018, 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

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

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 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 National Institutes of Business Management is financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, 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 Auditor's Responsibilities for the Audit of the 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 Institutes' 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 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 the 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

The following observations are made.

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
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a). Sri Lanka Financial Reporting Standard No. 9 (SLFRS 9) for preparing consolidated financial statements for the year under review: Financial assets and financial liabilities were not reported in terms of financial instruments	Financial assets and liabilities will be classified in the next years in accordance with SLFRS 9.	Should be complied with Financial Reporting Standards (SLFRS 9).
b). As per the Sri Lanka Accounting Standard No. 20 (LKAS 20) Government Grants and disclosure of Government Assistance. in	Action will be taken to amortize and update the register in future years based on the information available to the institution.	Government grants should be adjusted in accordance with the Accounting Standards (LKAS 20).

respect of other grants of Rs. 1,068,000 related to the National Institute of Business Management at the end of the year under review, the necessary adjustments had not made for

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to surplus of Rs. 30,259,836 and the corresponding surplus in the preceding year amounted to Rs. 62,081,538. Therefore a deterioration amounting to Rs 31,821,702 of the financial result was observed. The reasons for the deterioration compared to the preceding year are mainly due to the increase of direct expenses and administration expenses.

2.2 Trend Analysis of major Income and Expenditure items

- (a). Increased of administrative expenses by 18 per cent of Rs. 65,593,944 was attributed to the reduced of profit of the National Institute of Business Management by or 51 per cent of Rs. 31,821,702
- (b). Revenue increased by 20 per cent of Rs. 423,758,652 was attributed to the reduced of the loss of the National School of Business Management by 37 per cent of Rs. 154,717,422

3. Operational Review

3.1 Staff Administration

The following observations are made.

Audit Observation	Management Comment	Recommendation
a). Out of the 219 approved cadre there were 65 vacancies at the end of the year under review, out of which 30 were recruited on contract basis and therefore, actual number of vacancies were 35.	Action will be taken to fill the existing vacancies of the institute systematically.	The staff should be recruited as per the requirement of the institute
b). A Human Resources Development Plan had not been prepared based on Annexure 02 of the Public Administration Circular No. 02/2018 dated 24 January , 2018.	No reply had been made.	Action should be taken in terms of the instructions of the Circular.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
a). The National Institute of Business Management had acquired a building for Rs.2.5 million on monthly rent from May 2017 to set up the National Innovation Centre. Out of the 12 courses scheduled to be conducted under this, 4 courses had not been started till the end of the year under review. In addition to that, 14 courses which had not been planned in the areas of Marketing, Human Resource Management and Information Technology had been conducted.	No reply had been made	Action should be taken to conduct the planned courses
b). The number of students who dropped out the course in the year 2017 was 240 and it had increased to 428 students in the year under review.	These were occurred due to medical reasons, obtaining employment, migrating to foreign countries, attending government universities etc.	These facts should be focused on recruiting new students
c). The land of National School of Business Management was located, which the subsidiary of the National Institute of Business Management, had been obtained from the Urban Development Authority on lease basis for Rs. 112,000,000. However, it was unable to enter into a lease agreement even up to 31 July 2019.	Action will be taken to sign the agreement in due course.	Agreement should be signed before the expiry of the lease period.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Management Comment	Recommendation
----- Even though the Institute should submit financial statements to the Auditor General within 60 days of the end of the financial year as per Section 6.5.1 of the Public Enterprises Circular No. PED 12 of 3 June 2003, the financial statements for the year under review were submitted on 09 August 2019.	----- The reason for the delay was due to not appointing of the Governing Body.	----- Financial statements should be submitted in accordance with the statutory provisions.

4.2 Sustainable Development Goals

Audit Observation	Management Comment	Recommendation
----- All government agencies have been informed by the circulars of the Sustainable Development Act No. 19 of 2017 passed on 03 October 2017 and, accordingly, every Governmental entity should act in accordance with the United Nations Year 2030 "Agenda" for achieving the Sustainable Development Goals. Even though all government agencies should be aware of how to proceed with the tasks falling under their purview, the university did not identify the Sustainable Development Goals and the targets to be achieved.	----- No reply had been made	----- Action should be taken as per circular instructions

4.3 Implementation of Citizen / Client Charter

Audit Observation	Management Comment	Recommendation
The Citizenship / Client Charter introduced in the Ministry of Public Administration and Management dated 05/2008 dated 06th February 2008 as amended by the Circular No. 05/2018 (01) dated 24 January, 2018 has not been implemented.	No reply had been made	Action should be taken as per circular instructions

4.4 Acting under the Right to Information Act

Audit Observation	Management Comment	Recommendation
The register for recording the receipt of complaints made by the public and reasons for not providing the information requested by the public and the action taken in relation to the complaints under the Right to Information Act No. 12 of 2016 has not been maintained.	No reply had been made	Action should be taken as per circular instructions