

**1. Financial statements**

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**1.1 Qualified Opinion**

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The audit of the financial statements of the National Institute of Library Information Science 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 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 2021 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**

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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**

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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 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**

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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 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**

<b>Non Compliance with the reference to particular Standard</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Since useful life time of the non-current assets had not been reviewed annually in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, property, plant and equipment relevant to 04 assets classes costed for Rs. 13,462,474 were further in use despite being fully depreciated. 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.	All fully depreciated assets will be revalued and included in the accounts in the year 2023. The carrying value of Quick book Accounting package will be accounted in the preparation of accounts in the year 2022.	Sri Lanka public Sector Accounting Standards should be followed.

## 1.5.2 Accounting Deficiencies

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The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) The project grants received to the institute during the year under review amounted to Rs. 1,000,000 had not been recognized and measured in the financial statements in accordance with Sri Lanka Public Sector Accounting 11.	The capital grants will be recognized in the next accounting year as per the Accounting Standard 11.	Sri Lanka public Sector Accounting Standards should be followed.
(b) A sum of Rs.4,173,405 received directly to the bank by 31 December 2021 had not been recognized and accounted for as income.	The reason for receiving a large sum of Rs.4.1 million as direct credits was that a large number of courses were commenced in December 2021. This amount can be identified.	Direct credits should be recognized in the income of the relevant year and the income of the year should be accounted accurately.

## 1.5.3 Lack of Written Evidence for Audit

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Although a vacancy for a lecturer post was available in the institute, the services of 68 external lecturers had been obtained for conducting of academic courses and a total sum of Rs. 3,215,000 had been paid during the year under review. Evidence that a resource personnel pool had been established and approval obtained for the use of external lecturers was not submitted to the audit.	The external lecturers who contribute to the courses conducted by the institute have been selected among the qualified people working in the field of library and information science. They are paid out from the amount charged for the courses as per University Grants Commission circulars. The institute had only two lecturers in the year 2021 and one of them had taken sabbatical	According to the requirement, the posts should be approved and the necessary recruitments should be made.

leave. Accordingly, service of more lecturers had to be obtained.

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

	<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Section 40 (1) of the National Audit Act No. 19 of 2018	A separate internal audit unit was not established for the institution.	Approval was granted to recruit an Assistant Internal Auditor and the supporting staff at the Board of Management meeting. Accordingly, the request for the approval to recruit the staff to the Internal Audit Division had been submitted to the Management Services Department of the Ministry of Finance through the University Grants Commission and the Ministry of Higher Education on 11 June 2020, but the approval had not been given yet.	The act should be followed.
(b)	Section 371 (2) of the Finance Regulations as amended by Public Finance Circular No. 03/2015 dated 14 July 2015	Although sub imprest should be settled soon after the relevant work is completed, settlement of advances issued in 09 occasions amounting to Rs.120,880 during the year under review were delayed for 05 days to 106 days	Signing of Voucher was delayed due to the closure of the institute for prolonged period and offices were not operating at full capacity in 2021 due to COVID 19. But soon after the advance was received, advance had been used for the related works and it had been completed.	Circular provisions should be followed.

(c) Circular of the University Grants Commission No. 636 dated 14 July 1995	The results of 21 examinations related to 24 courses conducted from the year 2020 to year 2021 had not been released until 14 February 2022. Also, releases of results in 13 examinations related to 23 courses were delayed from 67 days to 535 days.	Due to the Covid-19 situation, Delay in submitting assignments by students, office duties were performed only for few days a week, and even the answer papers of the subjects conducted through the online system were called in the same time through WhatsApp, the answer papers were examined only after receiving them by post etc. were the reasons.	Circular provisions should be followed.
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**2. Financial Review**  
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**2.1 Financial Result**  
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The operating result of the year under review amounted to a deficit of Rs. 3,092,628 and the corresponding deficit in the preceding year amounted to Rs. 2,444,277 thus observing a deterioration of Rs. 648,351 in the financial result. The decrease in other income had mainly attributed to the said deterioration.

**3. Operational Review**  
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**3.1 Management Inefficiencies**  
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Audit Observation	Comment of the Management	Recommendation
<p>The receivable student fee income as on 31 December 2021 was Rs.5,337,762 and the outstanding balance of more than 01 year amounted to Rs.2,450,000 was included thereof. It was 46 percent of the total debtors and was unable to recover the money.</p>	<p>Most of the course fees due less than 01 year have been received by now. Balance course fee will be recovered before the completion of the course.</p>	<p>Action should be taken to recover the receivable income in relation to each accounting year.</p>

The amount due between 1-4 years represents the students who had registered and paid for the first year of the courses but dropped out of courses due to failing exams or difficult. Action will be taken to remove those balances from the records with the approval of the management board this year after exceeds their course period of 03 years. Also, a proper mechanism has already been introduced to avoid arrears of course fees by students.