

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the National Institute of Library Information Science affiliated to the University of Colombo including the Financial Statements for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in sub-section 107(5) of the Universities Act enacted under Section 18 of the Universities Act No.16 of 1978 read in conjunction with Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka and the provisions of the National Audit Act No.19 of 2018. 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 2024 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 Audit Scope

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 Observations on the preparation of Financial Statements

1.5.1 Non Compliance with the Public Sector Accounting Standards

Non-compliance with reference to the relevant standard	Comments of the Management	Recommendation
Since the residual value and useful lifetime of an asset had not been reviewed annually in accordance with Paragraph 65 of Sri Lanka Public Sector Accounting Standards 7, library books and other assets costing Rs.8,284,259 and Rs.12,509,438 respectively were further in use despite being fully depreciated. Accordingly, action had not been taken to restate the said estimated error in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 03.	Action had already been taken to rectify this, and it will be restated accordingly in future financial statements.	Action should be taken according to the Standards.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although the cash flows related to all investments in the cash flow statement should be recognized as investing activities, the cash received from the realization of the cash invested in fixed deposits during the year under review had been offset and the net value had been shown under operating activities, and in the	The investment in new fixed deposits and the realization of fixed deposits had been shown under changes in working capital and will be shown under investing activities in the next year.	Deposit investments and realizations, should be separately shown in the cash flow statement.

stating of that amount, an understatement of Rs.273,847 had been recorded.

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| (b) | Although the interest income received from fixed deposit investments during the year under review should have been shown as Rs.5,173,235 under investing activities in the cash flow statement, it was shown as Rs.3,087,166. | This interest income shown in the income statement has been deducted under adjustments in the cash flow statement and added as interest income in investing activities. | Interest income should be accurately calculated. |
| (c) | Although the interest income receivable as at 31 December 2024 was Rs.1,938,045, according to the calculations in audit, it was Rs.1,551,805 and therefore the interest income receivable had been overstated by Rs.386,241 in the financial statements. | The investment income receivable calculated in relation to fixed deposits was Rs.1,138,045 and that income was shown under current assets. | -do- |
| (d) | A sum of Rs.4,510,602 had been transferred to the Institute Development Fund, despite a deficit of Rs.12,493,893 in operating activities during the year under review and a debit balance in the accumulated fund. | The transfer made to the Development Fund had been already identified as an expense in the relevant course accounts and accounted for and, that amount has only been shown in the financial statements as a transfer from the net profit of the year. | Despite there was a deficit, credits should not be made to the funds. |

1.5.3 Unreconciled Control Accounts or Records

Subject	Value as per the Financial Statements Rs.	Value as per the correspondent Reports Rs.	Difference Rs.	Comments of the Management	Recommendation
Investment Value	28,505,907	28,779,754	273,847	This difference has arisen in the adjustment of interest income received.	The investment value should be accurately presented.

1.6 Accounts Receivables and Payables

1.6.1 Receivables

Audit Observation	Comment of the Management	Recommendation
There was a more than 02 years old debtors balance of Rs.3,345,530 in course income receivable from students in the year under review, and although it was 63 percent of the total debtors balance, the management had not taken sufficient actions to recover that balance.	Since most of this value was the money due from students who had left the respective courses, actions will be taken to remove that income.	Action should be taken to remove un-receivable income.

1.7 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 9(2)(f), 10(5)(1) and 11(a) of the Finance Act No. 38 of 1971	A sum of Rs.28,779,754 had been invested in fixed deposits during the year under review by the Institute, without obtaining the prior approval of the relevant Minister and the Minister in charge of Finance.	The fixed deposits had been made from course income, and other recurrent expenses and capital expenditures were borne from that interest income and this had been done in accordance with the Public Enterprise Circulars.	Action should be taken in accordance with the Act.
(b)	University Grants Commission Circular No.15/2015 dated 17 November 2015	Although it has been stipulated that the results should be released within 03 months from the date of the examination, the release of the results of 37 examinations held from the year 2023 to year 2024 had exceeded 03 months and it had delayed for a period from 02 months to 17 months.	The delay was due to the supervisors of the examination papers were out of the Colombo, the strike of the non-academic staff, and the students being delay in submitting their assignments and project reports.	Action should be taken in accordance with the Circulars.

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| (c) | Section 3.1 of Chapter IX of the Establishment Code for the University Grants Commission and Higher Education Institutions and University Grants Commission Circular No.10/2017 dated 10 July 2017 | Salaries and allowances amounted to Rs.20,842,876 had been paid during the year under review to four academic staff without having verification of arrival and departures. | The Committee of Vice-Chancellors (CVCD) had been informed to submit proposals for a common system of arrival and departure, but we have not yet been informed of such a system. Actions will be taken accordingly in the future and until then, action has been taken to maintain an attendance register. | Provisions in the Establishment Code and circulars should be followed. |
| (d) | University Grants Commission Circular No. 01/2022 dated 03 January 2022 | Although library books verification should be carried out annually and reports should be forwarded to the Auditor General promptly, the relevant verification for the year 2024 had not been conducted. | The preliminary verification activities had been completed and the report had been submitted to the supervision committee, and the verification process can be completed by June 2025. | Circular provisions should be followed. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.12,493,893 and the corresponding deficit in the preceding year amounted to Rs.7,638,250. Therefore a deterioration amounting to Rs.4,855,643 of the financial result was observed. The decrease in other income by Rs.3,280,655 and increase in operating expenses by Rs.5,511,961 had mainly contributed to this deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) The Institute was unable to	There had been a problem in	Action should be

recover a loan balance of Rs.163,533 as at 31 December of the year under review due from an officer who left the service since the year 2016.

obtaining the relevant money to the Institute as the relevant documents had not been completed and submitted, and further clarification will be obtained from the University Grants Commission in this regard.

taken to recover the loans promptly.

- (b) Although the Teacher Librarian Postgraduate Diploma and Teacher Librarian Master's Degree courses should have been included in the Teachers' Service Constitution based on the approval of the Cabinet of Ministers given on 27 August 2009, since the relevant actions had not been taken by the Ministry of Education, the said courses had been suspended since the year 2014 and 2019, but actions had not been taken to include the said courses in the Teachers' Constitution in coordination with the Ministry of Education.

The courses which can be conducted by the Institute are not limited to the subject of teacher library only and, in accordance with the powers granted by the regulations, NILIS currently conducts about 10 courses ranging from the Advanced Certificate Course in Library and Information Science to the Doctoral Degree.

Action should be taken in accordance with the decision of the Cabinet of Ministers.

The Cabinet decision on 27 August 2009 to make these changes to the Teachers' Service Constitution has not yet been implemented. Although the Ministry of Education had been informed from time to time to discuss this issue and resolve the relevant issue promptly at the meetings of the Committee on Public Enterprises (COPE) held on 16 August 2012 and 12 September 2014, positive action had not been taken. The Institute had not neglected its responsibility to repeatedly inform the Ministry of Education and other relevant parties about this matter and to intervene and take actions through discussions.

- (c) According to the Action Plan of the year, it was expected to achieve 25 percent performance during the year through activities such as toilet renovation for the improvement of physical/visual environment, ceiling renovation,

Action will be taken to fulfill these activities very soon in the future.

Action should be taken to achieve the goals of the Action Plan.

and installation of a separate electricity meter, and to develop networks with the national professional organization to achieve the goals of fulfilling social responsibility and ensuring national and international visibility, conducting training programs for external organizations, and strengthening the presence of the institution through websites and social media, no relevant activities had been carried out. Furthermore, although it was planned to complete 50 percent of the work on the amendment of the National Library and Information Science Institute Act, only a Committee had been appointed for that purpose.