

**National Institute of Library and Information Sciences Affiliated to the University of Colombo**

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1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the National Institute of Library and Information Sciences had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the National Institute of Library and Information Sciences as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Accounting Deficiencies

The following observations are made.

- (a) Fixed assets had been purchased in the year under review by utilizing a sum of Rs.673,198 from the “Development Fund” created by using a portion of the course fees collected up to the year 2008 which should have been credited to the income of the Institute contrary to Section 99 of the Universities Act, No. 16 of 1978 and the letter No. UGC/FA/GH/2002 of the Chairman of the University Grants Commission dated 13 January 2003. The value thereof had been credited to the “Government Capital Grants Account” instead of adjusting to the General Reserve.
- (b) Income amounting to Rs.16,710 receivable in the year under review in connection with the Intermediate Certificate in Library and Information Management Course 09 had been shown as a set off to the course income received in advance.

## 1:2:2 Non – compliance with Laws, Rules, Regulations and Management Decisions

The Quarterly Performance Reports had not been prepared in terms of Section 4:2:6 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

## 2. Financial and Operating Review

### 2:1 Financial Review

#### 2:1:1 Financial Results

According to the financial statements presented, the working of the Institute for the year ended 31 December 2010 had resulted in a deficit of Rs.8,430,218 before taking into account the Government grant for recurrent expenditure as compared with the corresponding deficit of Rs.7,670,113 for the preceding year. The deficit for the year under review had been reduced to Rs.2,575,218 after taking into account the Government grant of Rs.5,855,000 received for the recurrent expenditure for the year under review. The deficit for the preceding year had been reduced to Rs.2,173,113 after taking into account the Government grant of Rs.5,497,000 received for the recurrent expenditure of that year.

### 2:2 Operating Review

#### 2:2:1 Performance

The following observations are made.

- (a) The primary objective of the National Institute of Library and Information Sciences established under the aid from the Second General Education Project of the World Bank is the training of between 300 – 400 students per annum. Nevertheless, the number of students registered since the commencement of the course in the year 2003 to the year 2010 was less than that and a considerable number of them had not successfully completed the courses.

Year	Number of Courses	Number of Registered Students	Number of students who successfully completed the Course	
			Number	Percentage %
Up to 31				
December 2004	09	344	201	58
2005	08	191	80	42
2006	06	133	70	53
2007	10	215	96	45
2008	06	178	114	64
2009	03	111	63	57
	02	16	Courses not completed	
2010	07	102	Courses not completed	

- (b) The following 06 activities of the Annual Action Plan scheduled for implementation had not been implemented.
- (i) NILIS Symposium
  - (ii) Implementation of 03 Small Scale Research Projects
  - (iii) Distributions of Brochures for publicity
  - (iv) Preparation of the E – journal
  - (v) Implementation of Distance Education Programmes
  - (vi) Implementation of the Co-operation Programmes conducted with the Sri Lanka Library Association.
- (c) Six courses conducted by the Institute had not been completed within the specified periods. The delays ranged from 02 months to 01 year and 05 months.

## 2:3 Management Inefficiencies

The following observations are made.

### 2:3:1 Tsunami Programme

A sum of Rs.533,000 provided on 05 October 2007 by the Canadian Library Association as aid for development activities in the library sector had been retained idle in a Bank Current Account over a period of nearly 03 years up to the end of the year under review without being used for the intended purposes.

### 2:3:2 Stocks and Fixed Assets Control

- (a) The Goods Received Notes and the Goods Issue Notes had not been used while the supervision of the stock book and the balancing of the stock book at the end of the year had not been done. The physical stock balance had been shown in the Board of Survey Report as the balance of the stock book.
- (b) The letters of appointment of the Board of Survey did not indicate the dates on which the survey should be conducted.
- (c) A Register of Fixed Assets and a Register of Computers, Accessories Software had not been maintained in terms of Treasury Circular No. 842 of 19 December 1978 and No. IAI/2002/02 of 28 November 2002 respectively. The cost of the computers, accessories and software as at the end of the year under review amounted to Rs.7,383,559 and the cost of other fixed assets excluding library books amounted to Rs.13,551,498.
- (d) A survey of the books and periodicals in terms of Financial Regulation 756 had not been conducted since the inception of the Institute up to the end of the year under review. The cost of the stock of books as at 31 December 2010 amounted to Rs.6,878,681.
- (e) Action had not been taken to compute the value of 07 computer monitors sold at the auction of obsolete goods held on 30 June 2010 and to eliminate them from the accounts and record in the Inventory Register.
- (f) Action as applicable had not been taken in connections with 18 Units of goods recommended for repair, sale and to be destroyed.

### 2:3:3 Financial Control

The following observations are made.

- (a) Contrary to the provisions of Financial Regulation 395 (h) banking of daily receipts, maintenance of the cash book and the preparation of Bank Reconciliation Statements had been done by the same officer.
- (b) Cash receipts had not been recorded in the cash book on the respective dates.
- (c) Cheques had been written without a sufficient cash balance in the cash book.
- (d) Action had not been taken for the prompt cashing of the Money Orders received.

### 2:4 Transactions without Adequate Authority

The following observations are made.

- (a) Contrary to Section 89 of the Universities Act, No. 16 of 1978, Section 47 of the Employees' Provident Fund Act, No. 15 of 1959 and Section 16 (2) of the Employees' Trust Fund Act, No. 47 of 1988, the "Academic Allowance" had been taken into consideration in the computation of contributions to the Universities Provident Fund, the Pensions Fund and the Employees Trust Fund and as such a sum of Rs.96,309 had been over paid to the respective Funds.
- (b) A sum of Rs.20,190 had been paid as the language proficiency allowance contrary to the instructions of the Public Enterprises Circular No. BD/PF/1/174/1 of 25 October 2002.

## 2:5 Corporate Plan and Action Plan

The Corporate Plan and the Action Plan of the Institute had not been prepared in accordance with the Public Enterprises Circular No. PED/12 of 02 June 2003 and those had not been used as an instrument of control.

## 2:6 Budgetary Control

Variances ranging from 65 per cent to 82 per cent were observed between the estimated expenditure and the actual expenditure of 03 courses and as such the budget had not been used as an effective instrument of management control.

## 3. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Financial Control
- (b) Accounting
- (c) Stocks
- (d) Fixed Assets
- (e) Performance
- (f) Planning