

## **National School of Business Management Limited – 2015**

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The audit of financial statements of the National School of Business Management Limited for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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. My observations on the performance of the Company which I consider should be presented to Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

### **1.2 Management’s Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### **1.3 Auditor’s Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements 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 Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## 2. Financial Statements

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### 2.1 Opinion

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In my opinion, the financial statements give a true and fair view of the financial position of the National School of Business Management Limited as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Accounting Standards.

## 3. Financial Review

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### 3.1 Financial Results

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According to the financial statements presented, the operating result of the Company for the year under review had been a profit of Rs.483, 970,922 as compared with the corresponding profit of Rs.159, 798,584 for the preceding year, thus indicating an improvement of Rs.324,172,338 in the financial result of the year under review as compared with the preceding year. The increase in the course fees by Rs.360,760,251 and increase in the registration of students for new courses by 5 per cent had been the main reasons for the above improvement in the financial result.

## 4. Operating Review

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### 4.1 Performance

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According to the information made available by the Company, the details of the number of students participated in the courses (including the postgraduate courses), the income, the expenditure and the gross profit from the inception of the Company up to the end of the year under review are given below.

		<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
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Income from Courses	Rs.	381,848,973	582,371,274	782,648,252	1,138,195,911
Direct Expenditure	Rs.	171,649,995	308,164,021	510,773,271	514,361,234
Gross Profit	Rs.	210,198,978	274,207,253	271,874,981	623,834,677
Gross Profit as a percentage		55.04	47.08	34.73	54.80
Expenditure on Advertising	Rs.	972,805	6,204,841	5,186,354	7,961,906
Number of Students participated in the Courses		2,212	2,364	1,979	2,080

The following observations are made.

- (a) According to the above information, even though the number of students enrolled during the year under review had increased by 101 or 5.1 per cent as compared with the preceding year, it had decreased by 284 students or 12 per cent as compared with the year 2013.
- (b) Even though the expenditure on advertising had increased by Rs.2,775,552 or 53.5 per cent as compared with the preceding year, the number of students increased had been only 101 as compared with the preceding year.
- (c) According to the information made available, 2,862 graduates and 197 postgraduates had been produced and 719 students had dropped out of the courses from the inception of the Company up to the end of the year under review.

#### **4.2 Staff Administration**

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Even though the actual cadre of the Company as at the end of the year under review stood at 55, the cadre had not been approved.

#### **5 Systems and Controls**

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Weaknesses in the following systems and controls were observed during the course of audit, thus special attention is needed in this connection.

<b>Areas of Systems and Controls</b>	<b>Observations</b>
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(a) Accounting	(i) Facility to identify the receipts during the year and the income of the year separately was not available in the computer system, thus the adjustment entries had to be made by separately computing the receipts of the year, the income relating to the year and the deferred income from the inception of the Company.  (ii) Failure to number the journal entries orderly so as to correctly identify the journal entries included in the ledger accounts.  (iii) Non-maintenance of the Accounting Software in an updated manner.

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| (b) Assets Management | Non-maintenance of the Register of Fixed Assets in the updated manner.  |
| (c) Stores Control    | Non-maintenance of the Inventory Register in the updated manner.  |
| (d) Internal Control  | Receipt of cash and accounting are being done by the same person due to the lack of a proper methodology for segregation of duties. |