

National Institute of Library and Information Sciences - 2015

The audit of financial statements of the National Institute of Library and Information Sciences affiliated to the University of Colombo for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance, 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 read in conjunction with Sub-section 107(5) of the Universities Act, No. 16 of 1978. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Sub-section 108(1) of the Universities Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector 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

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 judgements, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute'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 Institute'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. In terms of the Section 111 of the Universities Act, No.16 of 1978 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

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

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the National Institute of Library and Information Sciences affiliated to the University of Colombo as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

In view of the failure to review the effective life of fixed assets annually in terms of Sri Lanka Public Sector Accounting Standard 07, the fully depreciated assets costing Rs.22,286,717 were being utilized further. Action had not been taken in terms of Sri Lanka Accounting Standard 03 to revise the resultant estimated error .

2.2.2 Accounting Deficiencies

The elimination of the cost of Rs.472,340 of 06 computers and accessories fully depreciated and identified in the years 2011 and 2014 as damaged goods and provisions for depreciations had been duplicated.

2.2.3 Unexplained Differences

Differences of Rs.458,907 and Rs.558,376 were observed respectively in the comparison of the cost of furniture and office equipment and computers and printing machines and depreciations according to the financial statements presented with the schedules.

2.2.4 Lack of Evidence for Audit

Supporting documents relating to the Journal Vouchers valued at Rs.18,372,855 had not been furnished to the audit.

2.3 Non –compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances was observed.

Reference to Laws, Rules, Regulations ,etc

Non-compliance

(a) Treasury Circular No.IAI/2002/02 dated 28 November 2002

Registers of Computer Software had not been maintained to fulfil the requirements of the Circular.

(b) Paragraphs (V) and (VI) of the Public Finance Circular No.02/2014 dated 17 October 2014.

After completion of the activities relating to the disposal of 35 goods including 25 fixed assets identified as unusable at the Board of Survey conducted by 31 December 2015 the reports thereon had not been furnished to the Auditor General with a copy to the Chief Accounting Officer before 17 March 2016 .

(c) Section 5.4.12 of the Government Procurement Guideline 2006

Reports on Value Added Tax of Rs.118,438 paid for 09 suppliers from January to December 2015 had not been furnished to the Commissioner General of Inland Revenue with a copy to the Auditor General.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Institute for the year ended 31 December 2015 had resulted in a surplus of Rs.14,850 as against the deficit of Rs.985,307 for the preceding year, thus indicating an improvement of Rs.1,000,157 in the financial result as compared with the preceding year. Even though the employee benefits including salaries and wages and other expenditure in the year under review had increased by Rs.2,327,372 ,increase of the money granted by Government institutions and recurrent grants and other income by Rs.3,409,690 had been the main reason for this increase.

Even though an analysis of financial results of the year under review and 04 preceding years, indicated deficits in the financial results from year 2011 to the year 2014 it had increased to a surplus in the year 2015. Taking into consideration the employees emoluments and the depreciation on non-current assets, the contribution of Rs.7,922,814 made in the year 2011 had continuously increased to Rs.16,425,692 in the year under review.

4. Operating Review

4.1 Performance

The primary objective of the National Institute of Library and Information Sciences is to train the human resources required for the librarians enrolled for the School Libraries under the Second General Education Project 2(GEP-2) (1994-2002) of the World Bank and the Teacher Librarians of those schools.

The following matters were observed in the examination of the performance relating to conduct the Courses.

- (a) Even though the approval of the Cabinet of Ministers had been granted for the inclusion of professional qualifications such as Masters in Teacher Librarianship(MTL) and Postgraduate Diploma in Teacher Librarianship (PGTL) for the Recruitment and Promotion Scheme of Teacher Librarians , the demand for that courses had been at a minimum level as that had not been included in the Teachers' Service Minute .
- (b) According to Section 4(a) and (c)of the National Institute of Library and Information Sciences Ordinance No. 01 of 1999, the approval for the Courses conducted by the Institute and the concurrence for the determination of Postgraduate Degrees, Diplomas Certificates and other Academic Distinctions should be obtained from the University Grants Commission. Nevertheless, the Institute had conducted 91 Sessions of Courses comprising 39 Sessions of Postgraduate Courses, 18 Sessions of Diploma Courses and 34 Sessions of Certificate Courses within the period of 13 years from the year 2003 up to 31 December 2015 without obtaining such approval.
- (c) It was observed that the Institute had granted a greater contribution for the short term courses as 37 per cent of the sessions conducted by the Institute had been Certificate Courses and 42 per cent of the total students registered in the year 2015 had been registered for Certificate Courses .
- (d) Even though the total number of students participated for the courses conducted during the period of one year up to 31 December 2015 in the National Institute of Library and Information Sciences was 293 ,certificates had been awarded only for 56 students.
- (e) Even though 9 years and 5 years respectively had elapsed after commencing the three year course of Master of Philosophy (M.Phil.)/ Doctor of Philosophy (Ph.D.) 2007/2010 and 2011/2014 commenced in the years 2007 and 2011 , the courses had not been completed.
- (f) Only one student out of 4 students who registered for the academic year 2013/2015 for the Masters in Library and Information Science Course (MLS-FT) had been completed the course and obtained certificates .
- (g) Nine meetings of the Academic Committee had been conducted in the year 2015 under Section 12(6) of the National Library and Information Science Ordinance No.01 of 1991 and the following observations are made on the participation of the Committee members for the Committee meetings in terms of Sections 12(1) (c) and (e) of the Ordinance.
 - (i) Even though the Head of the Library and Information Science Division in each Library of the Universities which were established or considered as established under the Ordinance had been nominated under Section 12(1)(c) of the Ordinance , none had participated in any Committee meeting held in the year.
 - (ii) Even though a representative of the Sri Lanka National Library Association had been nominated under Section 12(1) (e) of the Ordinance, he had participated only in one Committee meeting held during the year.

4.2 Management Activities

The following observations are made.

- (a) As the computers and computer accessories had not been shown in the Register of Fixed Assets and the Inventory Register in a manner to facilitate separate identification, those could not be compared with the physical balance as at 31 December 2015 according to the Board of Survey Reports.
- (b) An Accounting Package had been purchased at a cost of Rs.107,500 in September 2014 for facilitating the accounting activities. However, in view of the installation of the Computer System without properly identifying the requirements of the Institute properly, defects such as erroneous printing of totals of Journal Entries, debits and credits not being equal, incomplete printing were observed. Therefore, it was observed at audit that the expected task from the software system had not been achieved .

5. 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.

Areas of Systems and Controls

Observations

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| (a) Fixed Assets Control | <ul style="list-style-type: none"> (i) Failure to identify the cost of computer accessories due to action not taken in terms of the Circulars. (ii) Dispose of all other accessories used at present therewith in the disposal of a computer accessories. (iii) The Register of Fixed Assets not agree with Accounts. |
| (b) Control over Refundable Library Deposits | <ul style="list-style-type: none"> (i) The Register of Library Deposits had not been maintained in an updated manner. (ii) Differences existed in the deposits between the Register of Refundable Library Deposits and the schedule . (iii) The Schedule of Refundable Library Deposits had not reconciling with accounts. |