

National Institute of Library and Information Sciences – 2016

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 2016 comprising the statement of financial position as at 31 December 2016 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 judgement, 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. Section 111 of the Universities Act, No.16 of 1978 gives 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 2016 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

The following non-compliances were observed.

(a) Sri Lanka Public Sector Accounting Standard 02

- (i) Even though the value of the non-current assets acquired in the year under review amounted to Rs.1,647,552, the amount paid by cash during the year amounted to Rs.1,528,552. However, the total value of the acquired assets had been considered as a cash outflow in the preparation of the cash flow statement.
- (ii) Even though the prior year adjustments made to the Accumulated Fund in the year under review and the adjustment of Rs.1,012,967 made to the opening balances had not made an impact on the operating profit, it had been adjusted to the operating profit in the preparation of the cash flow statement. In addition to this, despite having adjusted the payable pensions gratuity current liabilities as increases, it had not been deducted from the operating profit.

(b) Sri Lanka Public Sector Accounting Standard 07

The assets costing Rs.18,316,900 had been fully depreciated as the useful life of non-current assets had not been reviewed annually. However, they had still been in use. Accordingly, action had not been taken in terms of Sri Lanka Public Sector Accounting Standard 03 to revise the estimated error.

2.2.2 Accounting Policies

The grants given by the Government and other institutions in the year under review totalled Rs.42,812,944 and the net value of the non-current assets purchased from those grants as at the end of the year under review amounted to Rs.16,146,691. However, the Institute had not introduced a Policy on accounting of the grants.

2.2.3 Accounting Deficiencies

Even though the surplus amounting to Rs.4,800,000 generated through the revaluation of assets in the year under review, should be disclosed separately in the statement of changes in equity, it had been added to the Accumulated Fund.

2.2.4 Unexplained Differences

A difference of Rs.65,424 was observed in the comparison of provisions for depreciation relating to three classes of assets shown in the financial statements with the schedules made available to Audit.

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

The following instances of non-compliance with laws, rules, regulations, etc. observed during the course of audit, are given below.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliances

(a) National Institute of Library and Information Sciences Ordinance, No. 01 of 1999.

(i) Section 7 (3)

Even though the activities on the Courses of Master of Philosophy/ Doctor of Philosophy should be carried out by a Higher Degree Committee, functions relating to these courses had been carried out through the Academic Committee.

(ii) Section 12(1) (c)

The Heads of each Department of Library and Information Sciences of the Universities established under the Act as a member of the Academic Committee, had not participated in any meeting whatsoever during the year 2016.

(iii) Section 12 (1) (e)

The representative of the Sri Lanka National Library Association appointed as a member of the Academic Committee had only participated in 03 out of 09 meetings held in the year 2016.

(iv) Section 12 (1) (f)

Even though two Librarians nominated by the Inter University Committee of Librarians from among their members, should be appointed as members of the Academic Committee, two Librarians had been appointed only for the final quarter of the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Institute for the year under review had been a surplus of Rs.3,489,462 as compared with the corresponding surplus of Rs.14,850 for the preceding year, thus indicating an improvement of Rs.3,474,612 in the financial result as compared with the preceding year. The increase in the income by Rs.10,393,960 as compared with the increase in the expenditure by Rs.6,919,348 had been attributed to the above improvement of the financial result.

An analysis of financial results of the year under review and 04 preceding years revealed that the deficit of the Institute which was Rs.1,796,279 in the year 2012 had become a financial surplus in the years 2015 and 2016. However, in readjusting the employees' remuneration and the depreciation on non-current assets to the financial result, the contribution of the Institute which was of Rs.10,448,949 in the year 2012 had increased to Rs.25,327,683 in the year 2016.

4. Operating Review

4.1 Performance

The National Institute of Library and Information Sciences was established on 20 April 1999 and attached to the University of Colombo with a view to training the human resources required for the Librarians enrolled for the development of school libraries under the General Education Project 2(GEP-2) (1994-2002) implemented under the World Bank aid and the Teacher Librarians of those schools.

The performance on conducting courses during the year under review by the Institute had been as follows.

(a) The following observations are made in respect of conducting courses on Masters in Teacher Librarianship (MTL) and Postgraduate Diploma in Teacher Librarianship (PGTL).

(i) Even though the approval had been granted by the Decision No.09/1448/316/055 of 19 August 2009 of the Cabinet of Ministers stating that the Ministry of Education should take action for the inclusion of

qualifications such as Masters in Teacher Librarianship (MTL) and Postgraduate Diploma in Teacher Librarianship (PGTL) for the Recruitment and Promotion Scheme of Teacher Librarians, these qualifications had not been included in the Teachers' Service Minute.

- (ii) The students had not registered for the academic years 2012, 2013, 2015 and 2016 of the Course on Postgraduate Diploma in Teacher Librarianship (PGTL) and the total number of students registered for the years 2010 and 2014 stood at 20. Out of them, 09 students had successfully completed the course and the remaining 11 students had dropped out of the course.
 - (iii) The students had not registered for the academic years 2013, 2015 and 2016 of the Course on Masters in Teacher Librarianship (MTL). Twenty six students had registered for the years 2012 and 2014 and out of them, 13 students had successfully completed the course and the 13 students had dropped out of the course.
 - (iv) It was further observed that failure in taking action according to (i) above, had caused the decrease in the demand of students for the courses.
- (b) Even though action had been taken to publish the details on the website, by newspapers and gazettes and admit the students in every academic year continuously to the Degree Course on Master of Philosophy / Doctor of Philosophy on Library and Information Sciences, commenced in the year 2007, students had not applied for the Course for 6 academic years out of 10 academic years from 2007-2010 to 2016-2019 and 19 students had been enrolled for other academic years.
- (i) Out of 07 students who had registered for the academic year 2007/2010, one student had successfully completed the Degree on Master of Philosophy in the year 2017 and another student had successfully completed the Degree on Doctor of Philosophy in the year 2016 and remaining students had dropped out of the course.
 - (ii) The academic period of 3 scheduled years of the students who had registered for the academic year 2011/2014, had elapsed and the course period had been extended by those students.
- (c) The Degree Course on Masters in Library and Information Science (MLS-FT) was a 02 year course and the number of registered students for the 02 academic years 2013-2015 and 2014-2016 stood at 11 and 05 students had completed the course. However, it was observed that two students had dropped out of the course and 04 students had remained in the course as at 31 December 2016.
- (d) Twenty seven students had registered for the 02 academic years 2013-2014 and 2014-2015 for the Postgraduate Diploma on Information Management (PGDIM) which was a 18 month course and only 07 students had completed the course while the course period had been extended by 10 students. Moreover, another 10 students had dropped out of the course. Eleven students had registered for the academic year 2015-2016 and no student had been registered for the academic year 2016-2017.

4.2 Underutilization of Funds

The following observations are made.

- (a) Purchases in terms of the Procurement Plan had not been made during the year itself and as such, the Unspent State Capital Grants Account included a sum of Rs.2,362,641 as at 01 January 2016. Grants amounting to Rs.4,200,000 had been received for the year under review and out of that, sums of Rs.762,910 and Rs.1,301,006 had been transferred to the Rehabilitation Grants Account and the Human Capital Development Grants Account respectively. A sum of Rs.1,528,552 had been spent during the year for purchases and as such, the balance as at 31 December 2016 amounted to Rs.2,970,173.
- (b) Even though action should be taken to invest effectively the money not urgently required for the purposes of the Institute in terms of Section 11(2) (p) of the National Institute of Library and Information Science Ordinance No. 01 of 1999, contrary to that, there were balances amounting to Rs.12,366,248 in the current accounts of the Institute as at 31 December 2016 and Rs.9,664,521 in the normal bank current accounts as at the end of every month.

5. Systems and Controls

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

Areas of Systems and Controls	Observations
-----	-----
(a) Fixed Assets Control	Non- maintenance of Registers so as to identify the cost of computers and accessories.
(b) Operating Control	Failure in taking action to increase the demand of students for the courses.