

1.1 Qualified Opinion

The audit of the financial statements of the of National Institute of Library and Information Science for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and the Finance Act, No. 38 of 1971. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements of the Institute give a true and fair view of the financial position of the Institute as at 31 December 2018, 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 based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 intends 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 Sub-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 Auditor's Responsibilities for the Audit of the Financial Statements

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 the 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 Financial Statements

1.5.1 Internal Control over the preparation of financial statements

The Institute is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under the following headings.

1.5.2 Non-compliance with the Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
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Due to failure in annually reviewing the useful life of fixed assets belonging to 02 classes of assets in terms of Sri Lanka Public Sector Accounting Standard 07, assets costing Rs. 8,205,088 were still in use despite being fully depreciated. The estimated error had not been revised in terms of Sri Lanka Public Sector Accounting Standard 03.	The said classes of assets will be revalued when the fixed assets are revalued again.	The Standards should be adhered to.

1.5.3 Accounting Inefficiencies

----- Audit Observation -----	Management Comment -----	Recommendation -----
a) The cost of 15 items of assets shown as at 31 December 2017 amounted to Rs. 545,430 as per the Register of assets. However, when revalued, the assets had been eliminated from the accounts stating the value as Rs. 514,039. Hence, assets had been overstated by Rs. 31,391 in the account.	Will be rectified when accounts are prepared for the year 2019	The value of the cost should accurately be brought to the accounts.
b) Rectifications made on the errors relating to course fees of the preceding year, had been adjusted to the deficit of the year under review. Thus, the deficit had been overstated by a sum of Rs. 35,000.	Will be rectified when accounts are prepared for the year 2019.	Only the income and expenditure relating to the year under review should be adjusted to the financial performance account.

1.5.4 Unreconciled Control Account or Records

All issues related to unreconciled control accounts or records may be shown under this heading.

Item -----	As per Financial Statements ----- Rs.	As per Correspondin g Records ----- Rs.	Difference ----- Rs.	Management Comment -----	Recommendation -----
Receivable course fee income.	2,009,186	2,717,950	708,764	This difference has been resulted in due to reasons such as, omissions in recording the receipts and the students who vacated the courses, and	Registers should be maintained up-to- date and accurately.

				failure to maintain registers on accrual basis. Action will be taken to rectify the said difference in this year.	
Cost on fixed assets	11,453,378	11,411,522	41,856	Those differences will be examined, and action will be taken to rectify in the year 2019.	Registers should be maintained up-to-date and accurately.
Allocations for fixed assets and accumulate depreciation	8,667,740	8,638,680	29,060	Those differences will be examined, and action will be taken to rectify in the year 2019.	Registers should be maintained up-to-date and accurately.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Management Comment	Recommendation
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The receivable course fee income of Rs. 5,241,921 shown in the financial statement comprised balances of Rs. 1,740,025 and Rs. 163,500 that had exceeded one year and 4 years respectively.	The course fees older than one year are relevant to the courses being still in progress, and action will be taken to recover the outstanding fees before the courses end.	Action should be taken to recover the outstanding course fees.

1.6.2 Payables

Audit Observation -----	Management Comment -----	Recommendation -----
The balance of accrued expenses amounting to Rs. 1,812,161 shown in the financial statement comprises a sum of Rs. 228,900 older than one year, and a sum of Rs. 366,018 older than 3 years.	Not replied.	Adjustments should be made at the end of the year.

1.6.3 Advances

Audit Observation -----	Management Comment -----	Recommendation -----
The loan balance of Rs. 163,534, recoverable from an officer considered to have vacated the service due to his proceeding abroad without informing in the year 2017, had not been recovered even up to 19 March 2019.	Action is being taken for the recovery.	Recovery should be done efficiently.

1.7 Cash Management

Audit Observation -----	Management Comment -----	Recommendation -----
a) Direct credits totalling Rs. 1,279,435 relating to a period ranging from 01 to 34 months in accordance with the bank reconciliation statement prepared as at 31 December 2018 had not been identified and settled even up to 31 December 2018	Of that sum amounting to Rs. 1,279,435, an amount of Rs. 578,115 has been identified by now whilst a sum of Rs. 701,319.80 remains out of that balance at present and action is taken to identify that amount in the future.	Action should be taken to promptly identify and settle the direct credits.
b) The balances in the 3 bank current accounts of the Institute totalled Rs. 5,792,569 as at 31 December of the year under review. A balance ranging from Rs. 7,805,185 to Rs. 14,312,156 remained idle at the end of every month.	A sum of Rs. 6 million had been invested in fixed deposits in September 2018. Action is taken to invest the monies still in excess in the fixed deposits in the year 2019.	Monies in excess should be invested properly.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs. 1,165,398 as against the surplus of Rs. 7,073,855 in the preceding year thus observing a deterioration of Rs. 8,239,253 in the financial result. This deterioration was mainly attributable to the reasons such as, the decrease in the fees, fines and revenue by a sum of Rs. 3,239,284 in the year under review, decrease in other income by a sum of Rs. 2,761,944, and the increase in other recurrent expenses by Rs. 2,991,661.

3. Sustainable Development Goals

Audit Observation	Management Comment	Recommendation
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<p>The Institute had become aware of the “2030 Agenda” of the United Nations on sustainable development. However, action had not been taken to identify the sustainable development goals, targets, milestones in reaching such targets, and the indicators to measure the achievement of targets.</p>	<p>The following action has been taken to provide everyone with equal learning opportunities under Sustainable Development Goal No. 04.</p> <p>(i.) Conducting courses in all three languages. (ii.) Courses are conducted regionally. (iii.) Courses are conducted covering all the categories from certificate courses up to doctorate.</p> <p>The National Institute of Library and Information Sciences (NILIS) continuously conducts programmes to provide skills required for lifelong learning – the main objective of sustainable development.</p> <p>Action has been taken to prepare all of our courses in accordance with SLQF recommended by the University Grants Commission. In the year 2018, syllabus had been prepared for the post graduate diplomas and master of arts courses (PGLIS / MILS) in accordance with SLQF. Action will be taken in the future to include sustainable development targets and indicators (KPI) in the Action Plan of the NILIS.</p>	<p>The sustainable development programme, and the targets and indicators (KPI) should be included in the Action Plan of the Institute thereby implementing them.</p>