

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the National Institute of Library Information Science for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in equity 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 Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the institute as at 31 December 2020 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 on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 intend 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 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 Audit Scope

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 Company'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 Company'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 Company 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 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 Audit Observation on Preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Comment of the Management	Recommendation
When make correction for material prior years errors, it should be adjusted retrospectively to the comparative values presented for the period in which the error occurred as per the paragraph 47 of the Sri Lanka Public Sector Accounting Standard 03 but corrections of previous years errors amounted to Rs. 3,735,649 were adjusted to the cumulative profit.	This matter will be further studied and attention will be paid at the preparation of accounts in the future.	Should comply with the Sri Lanka Public Sector Accounting Standard.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Comment of the Management	Recommendation
(a) According to the bank of reconciliation statement	All of these direct credits had been identified and	Mechanism of identify direct credits should

prepared as at 31 December 2020, the total direct credits balance for the period 01 month to 05 years amounted to Rs. 983,150 had not been identified and accounted for.

accounted in the year 2021.

be established and accounted for in a timely manner.

(b) Expenses incurred from the grants received from the Ministry of Higher Education many years ago amounted to Rs. 23,132,739 and Corporate Development Fund amounted to Rs. 1,839,127 had been written off against the accumulated fund as amortization during the year under review but relevant information in this regard had not been submitted for audit.

As it has been confirmed from the study of the documents that all the items purchased at the expense of those grants have now been completely depreciated, relevant documents were attached and the relevant grants were fully amortized through the journal entries.

Journal entries should be made with sufficient evidence and relevant approvals.

1.5.3 Lack of Written Audit Evidence

Audit Observation	Comments of the Management	Recommendation
When there was a vacancy for a lecturer post in the institute, 68 external lecturers had been recruited to conduct the academic courses and a total sum of Rs. 3,245,000 had been paid during the year under review. Evidence which a resource personnel pool had been build- up and approval had been taken for the use of external lecturers was not presented to the audit.	Applications were called for the vacant lecturer position but was unable to conduct interviews due to Covid-19 epidemic situation. The institute had only two lecturers by 2020 and one had taken sabbatical leave. As a result, services of more external lecturers had to be taken.	Approved vacancies should be filled and if not, action should be taken to utilize external lecturers from an approved resource pool annually.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Guidelines 4.2.1 and 4.2.2 of the	A major procurement plan	A procurement plan and time table have been	Act in accordance with the

Government Procurement Guidelines	had not been prepared in accordance with the provisions of the Government Procurement Guidelines.	Relevant procurement plan and time table are prepared in accordance with the instructions of the Ministry of Education and submitted to the Ministry annually. A detailed procurement plan had not been submitted to the procurement plan as large-scale procurement activities such as building construction, other development projects and rehabilitation activities which was spending large sums of money had not been carried out by the institute.	Government Procurement Guidelines.
(b) Public Finance Circular No. 01/2014 dated 17 February 2014	An action plan had not been prepared as per the circular for the year under review.	There were several reasons for the delay in getting approval for the institute's action plan and arrangements will be made to submit an action plan as scheduled in the future.	Action should be taken to achieve the desired objectives of the organization annually through an action plan prepared in accordance with the circular provisions.
(c) Circular of the University Grants Commission No. 636 dated 14 July 1995	The results of 13 examinations held from 2018 to 2020 had not been released until April 2021. Also, there was a delay in 03 months to 01 year in releasing the results of 20 examinations in 21 courses.	There were also delays in the exam activities and releasing results of the university due to non-academic staff strike (September 2019) and Covid-19 virus epidemic in 2020. So far, the institute releases the results after submitting all the semester tests and project reports. Examination results will be released in semester in future.	Circular provisions should be followed.

- (d) Section 8.2.2 of the Public Enterprise Circular No. PED / 12 of 02 June 2003
- The institute had invested Rs. 4,000,000 in fixed deposits without obtaining the prior approval of the Minister in Charge of Finance.
- Treasury approval has been obtained for all fixed deposit investments. This can be confirmed by examining the relevant documents.
- Action should be taken to invest after obtaining prior approval in accordance with the circular provisions.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 2,523,877 and the corresponding surplus in the preceding year amounted to Rs. 1,794,584 thus observing a deterioration of Rs. 4,318,461 in the financial result. The decrease in income by Rs. 3,140,645 and increase in expenditure by Rs. 1,177,816 had mainly attributed to the said deterioration

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>The management had not paid attention to recover over 01 year debtor balance of Rs2,515,788 out of the receivables from Students amounted to Rs. 6,394,845 as on 31 December 2020.</p>	<p>According to the information provided, the debtor balance of more than 1 year also includes the amount due from the students for the courses which are still in operation. Action will be taken to recover those money in the future.</p>	<p>Action should be taken to recover receivable students income.</p>