

## National Institute of Business Management and its subsidiary - 2021

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### 1. Financial statement

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#### 1.1 Opinion

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The audit of the financial statements of the National Institute of Business Management and its subsidiary for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in equity and the 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 presented in Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the National Institute of Business Management and its subsidiary as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### 1.2 Basis for Opinion

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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 opinion.

#### 1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka 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 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 Responsibility for the Audit of the Financial Statements

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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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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.

## **2 Financial Review**

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### **2.1 Financial Result**

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The operating result of the Subsidiary and the Institute in the year under review had been a profit of Rs. 837,737,921 and Rs. 159,915,049 respectively as compared with the corresponding profits of Rs. 597,699,994 and Rs.128, 731,325 respectively for the preceding year, thus indicating an improvement of Rs. 240,037,927 and Rs. 31,183,724 in the financial result respectively. The increase in income had been the main reason for the above improvement.

## **3 Operating Review**

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### **3.1 Management Inefficiencies**

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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(a) Although the National School of Business Management has been established for conducting degree courses under the full supervision of the National Institute of Business Management after obtaining the proper approval of the General Treasury and the Ministry of Finance and Planning as per the Cabinet Memorandum dated 28 February 2012 on the establishment of the National School of Business Management and the Cabinet decision dated 06 June 2014, due to the request to pull out of the	The National Institute of Business Management has appointed two members for its Director Board and affairs, progress and decisions taken at every Director Board meeting are divulged through these agents. And that the affairs of the two institutions are being successfully carried out by now.	Supervision activities should be done as scheduled.

National Institute of Business Management made through the letter No dated 30 April 2021 by the Vice Chancellor of the National School of Business Management to the Secretary of the State Ministry of Skills Development, Vocational Education and Research and innovations, it was observed that the National School of Business Management has not been under the full supervision of the National Institute of Business Management.

- (b) Since the National School of Business Management had failed on the test conducted on its solvency in the years 2020 and 2021, no action had been taken to pay the dividends in respect of Rs.800,000,000 invested by the institute. However, the National School of Business Management had taken steps to pay a sum of Rs.739,618,042 as incentive without obtaining the approval of the General Treasury during the period from 2017 to 2021. It was observed at the audit that the payment of such an amount as incentive could have created an adverse impact on its going concern as against the backdrop where it had failed in the solvency test.
- It can be pointed out that the National School of Business Management is not in a position to pay dividends following the test conducted on its solvency. The National Institute of Business Management had taken steps in this regard.
- The National School of Business Management limited must be concerned about the going concern when paying incentives.