

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 2023 comprising the statement of financial position as at 31 December 2023 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 2023 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 Responsibility of Auditor on audit of 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 Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5.1 Financial Statements

1.5.2 Accounting Deficiencies

The following observation is made.

Audit Observation	Comment of the Management	Recommendation
A sum of Rs.1,909,146 from the course fee income of the year under review had been credited to the development fund without being adjusted to the financial performance statement as income of the year. As such, the surplus and development fund of the year under review were understated and overstated respectively by that amount.	No reply was made.	All income related to the year should be included in the financial performance statement.

1.6 Accounts Receivables and Payables

1.6.1 Accounts Receivables

Audit Observation	Comment of the Management	Recommendation
The receivable students income as at 31 December of the year under review was Rs.3,905,827, and there was a balance of Rs.1,924,500 due from 29 students over 04 years.	Most of this value was money due from students who have dropped out of the respective courses. Action will be taken to remove that income in the future.	Action should be taken to collect due income without delay.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
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(a)	Sections 11(a), 9(2)(e) and 10(5)(1) of the Finance Act No. 38 of 1971	A sum of Rs.8,000,000 had been invested in fixed deposits during the year under review, without obtaining the prior approval of the concerned Minister and the Minister in charge of Finance.	Only around 60 percent of the employee's salary of the institute is currently provided by the Treasury. As such, income of the institute will be invested in fixed deposits and the interest received will be used to cover the balance amount of the salaries and other recurrent expenses.	Investments should be made with formal approval as per the Finance Act.
(b)	Financial Regulations 756 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	The board of survey on the library book stock costing for Rs.8,432,225 had not been conducted since the year 2020.	Due to the epidemic situation in the years 2020 and 2021, board of surveys were not conducted in those two years. That action will be taken to conduct the board of survey for the year 2022 according to the new circular of the University Grants Commission.	Financial Regulations should be followed.
(c)	Section 3.1 of Chapter XX of the Establishment Code for the University Grants Commission and Higher Education Institutions and University Grants Commission Circular No. 10/2017 dated 10 July 2017	Salaries and allowances amounted to Rs. 23,611,956 had been paid to four academic staff during the year under review without verification of attendance and departure.	A common system of arrival and departure of academic and non-academic staff will be introduced in the near future and till then arrangements have been made to maintain an attendance register.	Provisions in the Establishment Code and circulars should be followed.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 9,547,396 and the corresponding surplus in the preceding year amounted to Rs. 3,229,596 thus observing a deterioration of Rs.12,776,992 in the financial result. The decrease in government recurrent grant by Rs.18,080,000 had mainly attributed to the said deterioration.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	The cabinet approval had been given on 27 August 2009 to include the professional qualifications to be obtained by library and information science teachers in the Sri Lanka teacher service constitution. But the teachers had not applied for those courses as the Ministry of Education had not done the related work. As a result, the relevant courses were suspended between the year 2014 to the year 2019, and the institute had taken action to implement library information study courses and short-term courses since 2017, deviate from the objectives of establishing the institute.	Although the matter was discussed in the Parliamentary Committee on Public Enterprises (COPE) meetings and the Ministry of Education was informed to resolve the related issue as soon as possible, but no positive action has been taken so far.	Action should be taken to achieve the objectives of the establishment of the organization.
(b)	It was recognized in the Library Advisory Committee Meeting held on 21 May 2019 that the Library Advisory Committee should establish a new Library Information Management System (KOHA), but the institution had unable to enter data into the system even by 15 May 2024.	This could not be implemented due to the special situation in the years 2020 and 2021, and that its activities were started in May 2022 and entering of data is still being done.	Immediate action should be taken to establish library information management system.