

National Institute of Library and Information Science Affiliated to the University of Colombo - 2012

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1. Financial Statements

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The financial statements for the year 2012 removed on 28 February 2013 had been rejected by the Institute on 01 June 2013 due to existence of material errors in the preparation and presentation and the amended financial statements had been resubmitted on 19 June 2013.

1.1 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the National Institute of Library and Information Science Affiliated to the University of Colombo as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Comments on Financial Statements

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1.2.1 Continuous Existence of the Institute

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The net assets as at 31 December 2008 amounting to Rs.8,682,094 had diminished up to Rs.4,288,464 as at 31 December 2012 (within 05 years) by Rs.4,393,630 or 50 per cent due to occurrence of deficits continuously in the annual income and expenditure statements of the Institute. However, attention had not been drawn in this regard.

1.2.2 Sri Lanka Public Sector Accounting Standards

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Even though assets, liabilities, net assets, income and expenditure should have been brought to account by adopting accrual basis in terms of Sri Lanka Public Sector Accounting Standards 1 and 3, it was the policy of the Institute for accounting the expenditure on courses of the Institute on “cash basis”.

1.2.3 Accounting Policies

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Making provision for depreciation for whole year in the year of disposal for fixed assets for which provision for depreciation should be made from the date of purchase in terms of Circular No.649 dated 05 October 1995 of the University Grants Commission, but not making provision for depreciation in the year of purchase was the policy of the Institute. According to the above circular instruction, the motor vehicles and office equipment which should have been depreciated at the rate of 20 per cent had been depreciated at the rate of 10 per cent. The office equipment that should be brought to account separately as per instruction of the above circular, had been brought to account under the furniture and as such it was unable to identify them.

1.2.4 Accounting Deficiencies

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The following observations are made.

- (a) An amount equal to the course expenditure had been brought to account as course income without computing the course income correctly for the year under review. Further, it was unable to assure the correctness of the course income amounting to Rs.3,096,293 and the course income received in advance amounting to Rs.3,232,110 illustrated in the final accounts due to not bringing the receipt of course fees to the ledger accounts correctly and not maintaining the documents of course income properly.

(b) Even though the amount to be paid to the students for three courses which were not conducted due to decrease of number of students, amounted to Rs.33,500, it had been brought to account as Rs.61,000 and Rs.35,300 credited to the income and expenditure account as course income.

1.2.5 Lack of Evidence for Audit

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Evidence relating to the following items of accounts shown in the financial statements had not been submitted.

Item -----	Value -----	Evidence not Submitted -----
	Rs.	
(a) Library Deposits Payable	310,000	Detailed Schedule
(b) Course Income (Certificate Courses)	974,270	-do-
(c) Course Income (Postgraduate Degree)	2,122,023	-do-
(d) Workshop and Conference Income	1,755,341	-do-

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

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The following instances of non-compliance were observed.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----
(a) National Institute of Library and Information Science Ordinance No.01 of 1999.	

- (i) Paragraph 10(9) Although not less than 08 meetings of the Board of Management should be conducted during one year, only 05 meetings had been conducted during the year under review.
- (ii) Paragraph 12(6) Although not less than 10 meetings of the Scientific Committee should be conducted during one year, only 05 meetings had been conducted during the year under review.
- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.  
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- (i) Financial Regulations 371(2)(b) Total advances amounting to Rs.802,000 ranging from Rs.20,500 to Rs.312,500 had been granted in 07 instances without deciding the purpose for which the advances to be granted, officers and limits. A sum of Rs.269,416 or 50 per cent had been saved out of the advances amounting to Rs.543,000 granted in 07 instances without proper estimates.
- (ii) Financial Regulations 570 and F.R 571 A sum of Rs.150,000 obtained as library deposits from 56 students who had completed the courses during the period from 2004 to 2009, had not been credited

to the income.

- (c) Paragraph 6.5.2 of the Public Enterprises Circular No.PED 12 dated 02 June 2003
- Even though the report of the Auditor General on the accounts should be presented to the Board of Management within 30 days and action taken on the matters included therein should be reported to the Auditor General, action had not been taken accordingly.
- (d) Treasury Circular No.IAI/2002/02 dated 28 November 2002
- The Register of Computer Accessories and Software was an incomplete level and the cost of those assets as at end of the year under review amounted to Rs.6,994,523.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the working of the Institute for the year ended 31 December 2012 had resulted in a deficit of Rs.11,244,162 before taking into account the Government Grant for recurrent expenditure as compared with the corresponding deficit of Rs. 9,086,796 for the preceding year. The deficit for the year under review had reduced to Rs.1,781,162 due to the Government Grant of Rs.9,463,000 received for the recurrent expenditure for the year under review while the deficit for the preceding year had reduced to Rs.1,331,723 due to the Government Grant of Rs.7,755,073 received for the recurrent expenditure of that year. Even though the entire income of the Institute including Government grants had increased by Rs.3,613,519 as compared with the preceding year, the financial results had deteriorated by Rs.449,439 due to increase of total expenditure by Rs.4,062,958 or 32 per cent than the preceding year.

2.2 Unusual Increase of Expenditure

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Out of 06 Expenditure Heads except the provision for gratuity and depreciation included in the income and expenditure account, the total expenditure of 05 Expenditure Heads as at 31 December 2011 amounting to Rs.11,127,268 had increased up to Rs.14,789,606 as at 31 December 2012 by Rs.3,662,338.

2.3 Working Capital Management

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Ratio between the current assets amounting to Rs.5,952,221 and the current liabilities amounting to Rs.4,376,961 in the Balance Sheet was 1.36:1 whereas only the balance of Cash Book amounting to Rs.503,506 representing the value of payables amounting to Rs.3,542,110 consisting of course fees received in advance amounting to Rs.3,232,110 and the library deposit payables amounting to Rs.310,000 had existed. Accordingly, it was observed in audit that it could create a liquidity problem of the Institute.

3. Operating Review

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3.1 Performance

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Although the primary objective of the Institute of Library and Information Sciences established under the Secondary General Education Aid Project of the World Bank was to train 300 – 400 students and necessary powers had been entrusted by the National Institute of Library and Information Science Ordinance No.01 of 1999 to award postgraduate degrees, credentials, certificates and other scientific excellencies on library and information science. However, number of students who had registered themselves under 73 courses during 10 years from the year of commencement of courses in 2003 to the year 2012 was 1614. Of this, 642 students of the balance courses except 16 courses which were not completed

so far, had not completed their courses satisfactorily. It represented 47 per cent of the registered students.

### 3.2 Management Inefficiencies

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(a) Conducting Courses  
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The following observations are made.

- (i) The budget of the courses had not been made use of as an instrument of control due to delays in preparation of budget for courses as a normal practice and existence of considerable variances between the budgeted and actual expenditure.
- (ii) Even though expenditure of 03 courses had incurred exceeding the budgeted income by Rs.361,325, the manner of settlement of those expenditure had not been identified.
- (iii) Expenditure amounting to Rs.23,281 incurred for 04 courses which could not be conducted due to registration of 05 students only for those courses, had become fruitless expenditure.
- (iv) Postgraduate degree courses commenced in the month of August 2007 for 02 years period with 07 registered students could not be completed even after elapse of 05 years and 07 months and the studentship of 03 students had been nullified. Coordinating charges for courses had been paid exceeding the approved provision by Rs.130,000 without making revision for the course budget.
- (v) Lecture halls had not been arranged so as to fit for the courses and those halls had been underutilized as most of the courses are conducted during weekends.

(b) Research Conference

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A budget had not been prepared for research conference held during the period from 22 to 23 November 2012 and a sum of Rs.943,426 had been spent exceeding the income thereon amounting to Rs.850,740 by Rs.92,686.

3.3 Vehicle Utilization

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A vehicle at a cost of Rs.3,603,493 obtained 09 years ago through the Ministry of Education had not been registered in the name of the Institute and the log book of that vehicle had not been completed.

4. Accountability and Good Governance

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4.1 Corporate Plan

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Objectives such as conducting of researches, carrying out activities in collaboration with the local and foreign institutes possessing equal objectives and granting scholarship included in the National Institute of Library and Information Science Ordinance No.01 of 1999 had not been considered in the Corporate Plan prepared for the period 2012 – 2016 and particulars such as targeted time period, number of students and estimated income and expenditure had not been included in the courses which were included as targeted functions.

4.2 Action Plan

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Time period and volume of functions included in the Action Plan and estimated income and expenditure for those functions had not been shown and it was unable to carry out 09 functions included therein. Performance Report had not been prepared so as to measure the progress of functions included in the Action Plan.

#### 4.3 Budgetary Control

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The following observations are made.

- (a) A budget had not been prepared in accordance with the instruction of the Public Enterprises Circular No. PED 12 dated 02 June 2003 and the estimated value had not been included in the Corporate Plan and Annual Action Plan and as such it was unable to confirm the equality of them.
- (b) The budget had not been made use of as an effective instrument of management control due to the reasons such as earning of income amounting to Rs.5,478,808 exceeding the budgeted internal income estimated amounting to Rs.2,866,000 by Rs.2,612,808 or 91 per cent without evaluating the courses and incurring expenditure of Rs.14,789,606 without the approval exceeding the budgeted expenditure for 05 Recurrent Expenditure Heads amounting to Rs.12,319,000 by 20 per cent or Rs.2,470,606.

#### 4.4 Tabling of Annual Report

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Annual Reports for the years 2010 and 2011 had not been tabled in Parliament.

#### 5. Systems and Controls

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

- (a) Cash and Bank
- (b) Accounting
- (c) Preparing Plans
- (d) Budgetary Control
- (e) Library Administration
- (f) Organizing and Conducting of Courses
- (g) Granting Advances

