

National Library and Documentation Services Board – 2014

The audit of financial statements of the National Library and Documentation Services Board for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 22 of the National Library And Documentation Services Board Act No. 51 of 1998. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14 (2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements 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 Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2:2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the National Library and Documentation Services Board as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Policies

When financial statements are prepared by the Board, the total utilization of the capital grants relating to the relevant year is transferred to the accumulated fund. However, the said policy had not been disclosed in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 03.

2.2.2 Accounting Deficiencies

The following observations are made.

- a) The stock worth Rs. 2,542,351 as at 31 December 2014 in accordance with the survey report on stocks, had not been shown in the financial statements.
- b) Due to failure in the identification of a policy to record and account the donations, 13,623 publications received by the Board as donations in the year 2014 from various projects, institutions, and the private sector, had not been shown in the financial statements after being valued.

2.2.3 Unexplained Differences

The following observations are made.

- a) The balance of the distress loans shown in the financial statements as at 31 December 2014, totalled Rs. 13,156,972, but according to the distress loan register, the said balance amounted to Rs. 13,188,849, thus observing an unexplained difference of Rs. 31,877.
- b) The balance of Rs. 25,999,058 shown in the financial statements as at 31 December 2014 relating to library equipment, office furniture, and fittings included unidentified assets valued at Rs. 1,306,631.

2.3 Accounts Receivable and Payable

The following observations are made.

- a) Action had not been taken either to settle or identify and pay the balance of advances totalling Rs. 139,844 brought forward in the financial statements relating to the years 2012 and 2013.
- b) The audit fees in arrears relating to the years 1990 and 1991 and the audit fees of the year 2010 totaling Rs. 701,110 had not been settled.
- c) The retained tax monies of Rs. 89,150 continued to exist for 3 – 10 years that should have been remitted to the Commissioner of Inland Revenue after being recovered from the contractors, had not been remitted to the Commissioner of Inland Revenue even up to the date of audit, 09 January 2018.

2.4 Non-compliances with Laws, Rules, Regulations, and Management Decisions

The following instances of non-compliances with Laws, Rules, Regulations, and Management Decisions were observed.

Reference to Laws, Rules and Regulations, etc.	Non-compliances
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a) Management Audit Circular, No. DMA/2009 (2), dated 01 September 2009.	A survey had not been conducted on the stock of national library books for a period of 36 years from 1976 to 2014. According to the financial statements, the value of the said stock amounted to Rs. 35,618,611 as at the end of the year under review.
b) Treasury Circular, No. I/A/I/2002/02, dated 28 November 2002.	A Register of Fixed Assets had not been maintained for computers, computer accessories, and software.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Board for the year ended 31 December 2014 had been a deficit of Rs. 1,383,674 as compared with the corresponding deficit of Rs. 13,747,104 for the preceding year. As such, a decrease of Rs. 12,363,430 in the deficit of the financial result for the year under review was observed as compared with the preceding year. The increase in the Government grants by a sum of Rs. 23,235,000 despite the increase in the total expenditure of the year under review as compared with the preceding year, had mainly attributed to the said decrease in the deficit.

The analysis on the financial results of the year under review and 04 preceding years indicated a continuous deficit. Nevertheless, considering the employee remuneration, and depreciation on non-current assets, the contribution of the Board for the year 2010 amounting to Rs. 3,484,240 had increased up to Rs. 10,459,097 by the year 2014.

4. Operating Review

4.1 Performance

The following observations are made.

- a) As the income expected to earn from the activities generating income had not been estimated, and the income earned through many activities had not been recorded, the progress of earning income could not be evaluated. For instance, earning amounted to Rs. 4,638,501 with respect to 7 activities, but no forecasts had been made in that connection.
- b) The Educational Publications Department had been assigned to reprint the “*Pansiya Panas Jathaka Potha*” consisting of 4 volumes and a preface. But, it had not been done. Hence, approval had been obtained in the year 2015 to carry out printing by the Board. Of the 5 books, the preface and 2 volumes had been completed within the year 2017 whereas volumes III and IV had not been completed even up to the date of audit, 09 January 2018.
- c) Although the activities relating to the compilation of “*Sadhikari Sinhala Grantha Nama Lekhanaya*” comprising the names of the old literature books published prior to the year 1850 and between 1850 – 2000 together with the editions published relating thereto, had been included in the Action Plan for the year 2014, the compilation had not been completed even up to the date of audit, 09 January 2018.
- d) The Sinhala Department of the University of Colombo had been assigned to edit the book “*Buthsarana*” on 23 April 2009 under the reprinting of classical books. However, the dates of completing the editing had not been agreed upon with the client institution. The editing had been completed and handed over to the Board on 13 August 2012. Later, the Educational Publications Department had been assigned for typesetting and printing on 02 December 2013. Having been typeset by the Department and proofread by the Board again, the Department had assigned a printer for printing in the year 2014. However, the printing activities had not been completed even up to the date of audit, 09 January 2018.

4.2 Management Activities

The following observations are made.

- a) As for the sale of books obtained from the writers on the basis of paying cash after being sold, the Director in charge of the Division, the Director – Library Promotion and Standardization, and the Chairman of the Board, had revised the prices frequently. A fixed pricing policy approved by the Board of Management, had not been introduced by the Board.

- b) A stock of 3,813 Board publications valued at Rs. 413,897 printed by the Board since the year 2011 along with a stock of 7,255 items with unknown value had remained in the stores and the Bibliographic Control Division even by 31 December 2014.
- c) The Board of Survey had identified a shortage of 7,917 books at the Reader Services Division at the survey conducted in the year 2012. In the wake of an investigation conducted by the Board in that connection, 2,908 books had been found, but no action had been taken on the shortage of 5,009 books that had further existed.
- d) The Board did not have a separate project to accept the books donated by various local and foreign donors. Such donations had not been inventoried properly, nor had a methodology been introduced for the safety of those assets.

4.3 Underutilization of Funds

Due to failure in making purchases within the period specified in the Procurement Plan, the capital grants provisioned thereon had not been fully utilized, and hence, the balance of Rs. 8,715,000 that had remained unutilized as at 01 January 2014, had increased to Rs. 12,972,000 as at 31 December 2014.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

According to Section 6.5.1 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003, the draft Annual Report and the financial statements should be presented within a period of 60 days after the closure of the year of accounts. However, the financial statements of the year under review had been furnished to Audit on 31 August 2017 after a delay of 2 years and 6 months.

5.2 Action Plan

Action had not been taken to update the Action Plan of the Board approved by the Board of Management on 28 January 2014, by including the relevant facts in accordance with the instructions of the Public Finance Circular, No. 01/2014, dated 14 February 2014. Owing to that, organizational structure of the Board, budget including the overall income and expenditure, and the Procurement Plan had not been included in the Action Plan.

5.3 Internal Audit

Reports on the activities fulfilled in the year had not been furnished to the Secretary to the Ministry with copies to the Ministry of Finance and Planning, and the Auditor General in terms of Audit and Management Circular, No. DMA/2009 (1) , dated 09 June 2009, and Department of Management Audit Circular, No. 98/1, dated 13 February 1998.

5.4 Budgetary Control

As significant variances ranging from 25 per cent to 100 per cent were observed between the budgeted income and expenditure, and the actuals, it was observed that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

Areas of Systems and Controls	Observations
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a) Control of Assets	<ul style="list-style-type: none">- Failure to update the Register of Fixed Assets.- Failure to record the donation of books.
b) Accounting	<ul style="list-style-type: none">- Failure to maintain the ledger accounts in an up-to-date manner and non-maintenance of stocks control ledger.- Failure to maintain a register for cancelled cheques.
c) Procurement	<ul style="list-style-type: none">- Failure to make procurements in line with plans.- Failures in maintaining the contract register in an updated manner.
d) Control of Advances	<ul style="list-style-type: none">- Failure to maintain the register of advances in an updated manner.- Delays in recording the advance settlement vouchers after being certified.