

National Library and Documentation Services Board - 2018

1.1 Qualified Opinion

The audit of the financial statements of the National Library and Documentation Services Board for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, 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 the 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 National Library and Documentation Services Board as at 31 December 2018, 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 based 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board 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.

1.4 Auditor's Responsibility in Auditing 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.
- Obtained 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 Board'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 Board'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 to cease to continue as a going concern.
- Evaluate the 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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board ;
- Whether the it 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 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The audit observations with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under these headings.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to Relevant Standards	Comments of the Management	Recommendation
(a) Due to the indicating of payment of accrued gratuity payments amounted to Rs.208,479 under gratuity expenses in preparing cash flow statements in terms of Standard No.2, the cash flow generated from the operational activities had been understated by the same amount and the investment activities as well had been understated by Rs.694,657 in the cash flow statement.	Necessary instructions have been given to prepare the cash flow statement so as not to cause such errors in future.	Actions should be taken in accordance with Standards.

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Even though the value of 5 stock items included in financial statements was Rs. 4,581,263 and thus that value was Rs. 9,953,188, a difference of Rs.5,371,925 was observed among those figures.</p>	<p>Stock counting errors, double counting errors and adding errors have been expected to cause such a situation due to the renovation works of the building and an accurate stock verification will be done in future years and necessary actions will be taken.</p>	<p>The value of stock shown according to the financial statements should be confirmed by physical verification and if there is any difference, they should be reconciled and ascertained.</p>
<p>(b) The amount which should be paid to the authors during the period had not been identified and adjusted in the financial statements from 15 May 2018 to 31 December 2018 for books obtained from the author on a post-sale payment basis.</p>	<p>This situation has arisen due to non-receipt of balance payable to the authors and submission of financial reports without delay due to errors occurred in the computer software and necessary corrections will be made in future.</p>	<p>Liabilities should be accurately disclosed in the financial statements.</p>

1.6 Non-compliance with Laws, Rules and Management Decisions

Reference to Laws, Rules, Regulations	Non-compliance	Comments of the Management	Recommendation
<p>(a) Directive of the Committee on Public Enterprises dated 22 May 2012</p>	<p>Even though it had been directed the Chief Accounting Officer to recover a sum of Rs. 247,500 that had been over paid as salaries to the former Director General of the Board in a non-legal manner in the year 2010 and report to the Committee on Public Enterprises the Directive had not been complied with</p>	<p>Various attempts were made in accordance with the Committee Order. Moreover, further advices have also been sought from the Attorney General's Department and the Board had taken necessary actions as per the instructions given by the Department from time to time. However, all of it had failed and</p>	<p>The action should have been taken in accordance with the order of the Committee on Public Enterprises to recover the relevant amount before submitting to the Prescriptive Right.</p>

even by 13 February 2020 .

finally, the Attorney General's Department has stated that the legal action cannot be taken in this regard under the Prescriptive Right.

- (b) Financial Regulation 756 of Financial Regulation of Democratic Socialist Republic of Sri Lanka
- Stock of international books included in the financial statements valued at Rs. 108,537,706 and archive of books in the National Library had not been verified during the year under review.
- Complete book collections were scheduled to be reorganized after the completion of the renovation of the building. Once those works were done, the complete collection of books in the Library would be verified.
- Actions should be taken in terms Financial Regulation .
- (c) Section 6.5.1 of Public Enterprises Circular No. PED /12 No. 02 of June 2003
- Although the Financial Statements with Draft Annual Report should be submitted to the Auditor General within 60 days from the end of the financial year, the financial statements for the year 2018 were submitted to the audit on 30 December 2019 and the financial statements for the year 2019 had not been submitted to the Auditor General even by 31 December 2020
- Continuous delay in submission of financial statements of the Board and elapsing some additional times in making corrections after receiving the audit report pertaining to the previous financial year and that the financial statements have been delayed and also having to make changes with the new accounting software system is a factor affected.
- Financial statements and Draft Annual Report should be submitted to the Auditor General with adapted to circular provisions.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs. 15,513,944 and the corresponding deficit for the preceding year was Rs. 7,801,955. Accordingly, a deterioration of Rs. 7,711,989 was observed in financial results. The increase in administrative expenses by Rs. 13,811,785 had mainly attributed for this deterioration.

3. Operating Review

3.1 Operational Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Amount received from the sale of vehicles in the year 2017 amounted to Rs. 2,710,862 had been retained to pay the monthly leasing amount of the vehicles proposed to be obtained by the Board under the Operating Lease Scheme without being credited to the Consolidated Fund. Out of that a sum of Rs. 1,534,880 had been used to pay the monthly installments on the two vehicles leased out on an operating lease basis during the year under review.	From the capital gain received from sale of vehicles, a sum of Rs. 1,534,880 for payment of operating lease instalments, a sum of Rs. 1,175,982 has been spent to acquire various capital assets and in granting capital provisions by the General Treasury, it has been reimbursed in less .	The amount received from the sale of vehicles should be credited to the Consolidated Fund and the recurrent expenses should not be incurred from the capital gains.
(b)	A number of 9,145 Publications of the Board which were printed by the Board from 2014 to 2018 valued at Rs. 2,357,948 had remained in the warehouse and in the Bibliographic Control Division even by 12 February 2020, the date of audit.	Actions will be taken to distribute the books remaining in the Store of the Board and the publications belonging to the Bibliographic Control Division at various workshops and seminars organized by the Board both externally and internally.	A permanent plan should be prepared for the sale and distribution of publications of the Board.
(c)	Even though it was stipulated to plan to start 26 digital libraries in two years in association with main public libraries including the National Library of Sri Lanka including the National Library of	Although the certain time had elapsed to sign agreements because it took some time between the parties to reach certain agreements on responsibilities and the	Arrangements should be made as per plans.

Sri Lanka, those activities had not been accomplished. Further, updating of National Integrated Index Database which was planned for the year 2018 and compilation of "Post Graduate Thesis Series" relating to the year 2011-2016 had not been carried out.

agreements have been signed and the work on the libraries related to the first phase is yet to be officially opened at present and it was instructed to complete the work within the project period as planned in future.

(d) Even though it had been planned in the year under review to identify subject areas which are not covered by books acquired for the National Library Collection and to acquire those books and to acquire palm-leaf books to increase a collection of palm-leaf books, to conduct surveys on the present condition of libraries in the island, to automate libraries using KOHA software it had not been fulfilled.

It was able to acquire publications through a variety of methods to make the Sri Lanka National Library Collection to a complete collection by acquiring old collections. Book donation requests have been received and acquisition has been suspended until repairs to the building are completed. Steps have been taken to purchase publications for the year 2018 to cover new trends in the field of Library and Information Science.

Arrangements should be made as per plans.

4. Accountability and Good Governance

4.1 Procurement Plan

Audit Observation	Comments of the Management	Recommendation
<p>(a) A sum of Rs.2,881,696 out of capital grants amounted to Rs.37,592,602 including the balance remained unspent on 01 January 2018 had been retained as at 31 December 2018 due to not carrying out procurement activities within the planned year.</p>	<p>Even though a procurement work has been completed during the year, withholdings and unresolved taxes are retained within the Monetary Board. Similarly, funds should also be retained for payments for the works which were not completed within the year itself depending on the limitations and problematic situations that may arise in practice, that the balance is shown as above.</p>	<p>The Procurement Plan should be followed.</p>

- (b) Even though the renovation works of the building complex of National Library and Documentation Services Board had been completed, there were shortcomings in the renovation works of the building. It was observed during the physical inspection conducted on 24 February 2020 that there were 20 unfinished works and due to shortcomings in the renovation works, it has been an obstacle in fulfilling the objectives and functions of the Board.
- The construction works of the building of the Board is supervised by the Ministry of Education. Since the construction of the building has not been completed, the construction of the building agrees with the submissions made by the Government Audit Division.
- The public money should be used efficiently and effectively.
- As informed verbally by the Special Projects Unit of the Ministry of Education 110.5 million is required to complete the construction of the building and since there is a problem with receiving money, the work has been slowed in the year 2020 and necessary steps will be taken to complete the work as soon as the relevant funds are allocated.

4.2 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
(a) Without prior planning of the programmes proposed to be conducted for the purposes stated in the Action Plan of the Board, programmes were selected and implemented considering the requests received during the year.	Responsible officers of the relevant divisions will be made aware to prepare plans in advance for all projects in the coming year and to be implemented accordingly.	Plans should be prepared in advance and actions should be taken as per the plans .
(b) The progress of sub-activities such as indexing of National Library Resources and Computerization of National Library Index included in the Action Plan, formulation of the book Post Graduate Thesis Series 2011 – 2016, updating the National Integrated Index Database, conducting two committee meetings to prepare the National Library Disaster Management Plan to protect	Information up to the year 2018 has been compiled in the year 2019 and the postgraduate dissertation sequence is scheduled to be completed in between 2011-2018 during this year.	Act according to the Action Plan and the progress of the activities mentioned in the Plan should be presented in the Progress Reports.

the national collection in the event of a disaster, Providing advice on conservation issues and conducting advisory committees for formulation of standards, reforming of document to take steps to protect documents, developing a collection of palm leaf books, implementation of Dummala Resin Oil Distillation to contribute to the Preservation of palm leaf books, obtaining Foreign Publications about Sri Lanka had not been furnished by Progress Reports.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
<p>Although the Board was aware of the United Nations' 2030 "Agenda" for Sustainable Development, actions had not been taken to identify the sustainable development goals, objectives related to its functions and the milestones to be achieved towards those goals and indicators also for measuring achievements on targets.</p>	<p>The Letter No. VL / General/ 2018/19 and 18.02.2018 which had been referred to our institution by the Department of Auditor General's with regard to the United Nations 2030 Agenda for Sustainable Development</p>	<p>The Sustainable Development Goals and Indicators (KPIs) should be included in the Action Plan of the organization.</p>