

National Library and Documentation Services Board - 2022

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the National Library and Documentation Services Board for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 material accounting policy 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 provisions of the National Audit Act No. 19 of 2018 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 report to Parliament appear in this report.

In my opinion, because of the significance of the matters discussed in paragraph 1.5 of my report, the accompanying financial statements do not give a true and fair view of the financial position of the Board as at 31 December 2022, 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 Adverse Opinion

Matters have described in paragraph 1.5 of this report for my adverse opinion

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 Adverse 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 of the Board

1.4 Auditor's Responsibilities for the Audit of the 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 skepticism 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 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 the Board 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 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 Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

	Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a)	In accordance with Paragraph 48 of Sri Lanka Public Sector Accounting Standard No. 01 - assets and liabilities, revenue and expenses, should not be offset unless required or permitted but the purchase value of Rs.765,883 for the year was deducted from sales when calculating the cost of sales for the bookstore.	Matters regarding this will be investigated and necessary accounting corrections will be presented in the financial statements of the year 2023.	Action should be taken to identify income and expenditure separately.
(b)	The capital grant of Rs.3,250,000 received from the Treasury during the year under review was accounted for as a capital grant in the Statement of Financial Position, without being recognized as income for the year in accordance with Sri Lanka Public Sector Accounting Standard No. 11.	Action will be taken to recognize this as income starting from the year 2023 in accordance with Sri Lanka Public Sector Accounting Standard No. 11.	Action should be taken to recognize income for the year accurately according to accounting standards.
(c)	The purchasing cost of kiyawamu.lk website Rs.2,726,001 and the developing cost of Digital Collection software Rs.10,397,391 were classified under other non-current assets instead of intangible assets as required by Section 26 of Sri Lanka Public Sector Accounting Standard No. 20	Action will be taken to present the cost of kiyawamu.lk website Rs.2,726,001 and the digital collection of Rs.10,397,391 under intangible assets.	Action should be taken to correctly identify tangible and intangible assets as per the definitions in the standard.

1.5.2 Accounting Deficiencies

	Audit Issue	Management Comment	Recommendation
(a)	According to the financial statements, a trading loss of Rs2,117,895 was reported for the bookstore maintained by the Board as at 31 December 2022. The following observations were made during audit testing regarding how it was calculated:		
(i)	The closing stock of the bookstore maintained by the Board was Rs.2,819,907 as at 31 December 2021 but adjusting the opening stock to Rs.3,444,503 when calculating the cost of sales for the year under review resulted in the cost of sales and the deficit for the year were being overstated by Rs.624,596.	Action will be taken to recognize the book stock previously accounted at sales price at cost and present the necessary correction under prior-year adjustments in the financial statements for the year 2022.	Inventory should be valued and accounted for at the lower of cost or net realizable value.
(ii)	As per the audit test, the closing stock of the bookstore as at 31 December 2022 was Rs.934,696, but the cost of sales and the deficit for the year were understated by Rs.169,465 due to the closing stock being calculated as Rs.1,104,161 in the trading account. Also the current assets were understated by Rs.455,131 as the stock was stated as Rs.479,565 in the statement of financial position.	This matter will be further investigated and the necessary accounting correction will be presented through financial statements for the year 2023.	Action should be taken to accurately calculate and value the stock.
(iii)	Revenue of Rs.1,153,672 earned from selling classical works and publications at the bookstore was shown as other income without adjusting it in the trading account, due to this the trading loss was overstated by that amount.	This matter will be further investigated and the necessary accounting correction will be presented through financial statements for the year 2023.	When calculating trading profit/loss, book sales revenue should be presented as sales revenue in the trading account.
(iv)	Book stock amounting to Rs.362,423 obtained from external authors on a pay-after-sale basis during the year under review was brought to account only as closing stock, without being recorded as purchases and creditors.	This matter will be further investigated and the necessary accounting correction will be presented through financial statements for the year 2023.	Proper and complete double entry should be maintained according to the chosen accounting policy.

- | | | | |
|-----|--|--|--|
| (v) | Payments made to authors after selling books during the year under review were recorded by debiting the sales account. The actual revenue of Rs.868,273 generated from the sale of works during the year was reported as Rs.313,739 in the financial statements. Consequently, sales were understated by Rs.554,534 | This matter will be further investigated and the necessary accounting correction will be presented through financial statements for the year 2023. | Payments to creditors should not be made through the sales account. |
| (b) | The cost value of Rs.211,349 for library stationery sold at the bookstore during the year under review was credited to the library stationery stock account of the Board. Consequently, the library stationery stock of the Board was understated by that amount. | This matter will be further investigated and the necessary accounting correction will be presented through financial statements for the year 2023. | Double entries should be correctly identified and accounted for according to accounting principles. |
| (c) | Out of the collection of books received by the Board through legal deposits, donations, purchases, exchange services, etc., only Rs.115,165,111 representing purchases and a portion of the year 2022 donations was included as fixed assets in the financial statements. Although the Board retains books and publications whose values were not identified, no action was taken to measure and account for their value; hence, the accuracy of the total value of books owned by the Board could not be verified in the audit. | Work is ongoing to resolve issues identified to date within the KOHA Library Management System. As a first step, a project has been prepared to rapidly ingest older publications into the database that have not yet been entered into the KOHA system. | All donations received from any sources should be evaluated and brought to account. |
| (d) | Depreciation for office furniture & equipment and computers & computer accessories purchased during the year under review amounted to Rs.27,135 and Rs.294,788 respectively for the year 2022. However, the financial statements showed Rs.24,446 and Rs.185,749 respectively, due to this, the deficit for the year and fixed assets were overstated by Rs.111,728. | This will be further examined, and necessary action will be taken to correctly account for the annual depreciation on furniture, equipment, and computer accessories for the year 2023. | Annual depreciation should be correctly calculated and accounted for according to accounting policies. |
| (e) | Direct bank deposits of Rs.136,161 received for providing services during the year under review were not recognized as income according to income source. Consequently, the deficit of the year was overstated by that amount. | The direct deposit sum of Rs.136,161 received by the bank has been identified and taken into income for the final accounts of the year 2023. | Full and accurate income relevant to the period should be recognized and accounted for. |

- | | | | |
|-----|---|--|--|
| (f) | Accrued expenses of Rs.454,429 were recorded as at 31 December 2022 for 03 foreign grant projects but an equivalent amount was not removed from the grant account to be recognized as income for the year. This understated income for the year and overstated the balance of grant account by that amount. | Accrued expenses of Rs.454,429 relating to 03 foreign projects will be further examined and necessary corrections will be made. | Full and accurate income relevant to the period should be recognized and accounted for. |
| (g) | Expenses of Rs.125,000 incurred by the Board under a foreign grant project during the year under review were debited to the seminar, lecture, and training expense account of the Board instead of debiting the relevant project grant account. Consequently, foreign grant income was understated by that amount and the balance of the project grant account and deficit for the year were overstated by that amount. | Action will be taken to further examine project-related expenses of Rs.125,000 and take necessary actions to make the required corrections. | - Do - |
| (h) | According to the financial statements as at 31 December 2022, retention payable for services obtained was Rs.527,461. This included Rs.151,856 settled in the year 2020, Consequently, current liabilities were overstated by that amount. | Action will be taken to present the necessary accounting correction through the financial statements for the year 2023. | Transactions should be accurately identified and accounted for according to accounting principles, and financial statements should be accurately prepared. |
| (i) | The value of furniture and library books received as donations to the Soma Jayakody Library in the year 2019 had not been assessed and accounted for, resulting to this, fixed assets and current assets were understated by those values. | The value of library books received as donations to the Soma Jayakody Library has been assessed, and necessary steps are being taken to assess and account for the value of the furniture. | All donations should be evaluated and brought to account. |

1.5.3 Unreconciled Control Accounts or Records

Item	As per financial statements Rs.	As per corresponding Record Rs.	Difference Rs.	Management Comment	Recommendation
Stock	9,889,852	7,859,921	2,029,931	Matters regarding this will be investigated and necessary accounting corrections will be presented through financial statements for the year 2023.	Physically counted stock should be reconciled with stock records, reasons for variances should be identified and necessary corrections should be made.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	Financial Regulation 571	Money held in suspense in a deposit account should be credited to the relevant account or revenue or refunded as quickly as possible without allowing it to become lapsed deposits but retentions exceeding 02 years totaling Rs.394,961 had not been settled as at 31 December 2022.	Necessary action will be taken to settle the retention amounts exceeding 2 years.	Deposits should be settled in accordance with Financial Regulations.
(ii)	Financial Regulations 756 & 757	Physical verification had not been conducted on the fixed assets of Board from 2012 up to 30 November 2025.	Stock verification activities of Board are being conducted in phases.	Assets should be verified annually to confirm their physical existence.

(iii)	Financial Regulation 371(5) as amended by Public Finance Circular No. 01/2020 dated 28 August 2020	Ad-hoc sub-imprest should be settled within 10 days of completing the task. But 19 ad-hoc sub-imprest totaling Rs.155,486 granted from year 2011 to the end of year 2022 remained unsettled as at 31 December 2022.	Steps are being taken to settle these advances.	Actions should be taken to settle sub-imprest in accordance with Financial Regulations.
(b)	Treasury Circular No. 842 dated 19 December 1978	An updated Register of Fixed Assets had not been maintained for property, plant, and equipment valued at Rs.650,464,392.	Necessary actions are being taken to accurately compile the Fixed Assets Register of the Board.	A Fixed Assets Register should be properly maintained in terms of circular provisions.
(c)	Paragraph 6.6 of Public Enterprises Circular Operational Manual No. 01/2021 dated 16 November 2021	Financial statements should be submitted to the Auditor General within 60 days of the end of the financial year. However, the financial statements for the year 2022 were submitted 02 years and 07 months after the close of the financial year.	Financial statements for the year 2022 were submitted for audit on 10.09.2025. Preparation of final accounts for the years 2023 and 2024 is currently underway, and measures will be taken to submit financial statements on time in future	Financial statements should be submitted for audit as per circular provisions.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.16,959,876 and the corresponding deficit in the preceding year amounted to Rs.20,774,680. Therefore, an improvement amounting to Rs.3,814,804 of the financial result was observed. The reasons for the improvement was mainly caused the property rental income of Rs.3,780,000 received during the year under review.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
A database system named KOHA was introduced to serve as the accession register for books received by the Board since 2015. However, it recorded costs only for books purchased or acquired via other means after the year 2015. Although 144,766 books without prices were entered into the system, bringing the total inventory value on system to Rs.77,337,196 as at 31 December 2022, the database failed to include values for all books. Thus, the objective of introducing the system was not fully achieved.	Action is being taken to resolve issues identified to date within the KOHA library management software system. A pricing policy has been formulated to determine prices for unpriced publications, implemented from October 2022 onwards.	The KOHA database should be updated regularly, ensuring all data is entered accurately.

3.2 Under -utilization of Funds

Audit Issue	Management Comment	Recommendation
Despite having an unutilized capital grant balance of Rs.8,719,917 as at 01 January 2022, additional capital grants of Rs.3,250,000 were received during the year 2022. Due to inefficient utilization of these grants, a balance of Rs. 5,888,356 remained unspent as at 31 December 2022.	Procurement activities could not be carried out through standard procedures due to the economic crisis in the country during the year 2022.	Capital grants should be utilized efficiently, purposefully, and expeditiously.