

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of 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 Library and Documentation Services Board 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

1.2.1 Sri Lanka Public Sector Accounting Standards

According to the Sri Lanka Public Sector Accounting Standard No. 01, if financial statements are not made available to the users within a reasonable period after the date of reporting, the usefulness of the financial statements will be subjected to impairment and the institution should have the capacity for the issue of its financial statements within 06 months from the date of reporting. Nevertheless, the financial statements of the years 2013, 2014 and 2015 had not been presented even by 30 September 2016.

1.2.2 Accounting Deficiencies

Even though it is the policy of the Board for the transfer of expenditure incurred from the Government Capital Grants from the Capital Grants Account to the Accumulated Fund, the expenditure of Rs.7,295,549 relating to the year 2008 had not been transferred to Accumulated Fund as referred to above. Even though the supposed error of duplication of the capital receipts of Rs.6,900,000 in the year 2008 had been rectified, it was revealed in audit examination that there was no such error. Action had not been taken even up to the end of the year under review for the rectification of these errors.

1.2.3 Unexplained Differences

Reconciliation of 11 items of assets and liabilities shown in the financial statements with the registers and records relating thereto revealed a difference of Rs.9,730,938.

1.3 Accounts Payable

The following observations are made.

- (a) Action had not been taken for the settlement of audit fees amounting to Rs.701,110 relating to the period from the year 1991 to the year under review.
- (b) The taxes amounting to Rs.87,550 recovered from the contractors during the years 2007 and 2008 for remittance to the Commissioner General of Inland Revenue had not been remitted to the Commissioner General of Inland Revenue even up to 31 December 2015.

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

Non-compliance with the following laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Appendix 11 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and the Management Audit Circular No. DMA/2009(2) of 01 September 2009	The Register of Fixed Assets had not been maintained in the updated manner and accurately.
(b) The Management Audit Circular No. DMA/2009(2) of 01 September 2009	A Board of Survey of the fixed assets costing Rs.217,748,020 and the stock costing Rs.2,301,165 had not been conducted as at 31 December 2012.
(c) Treasury Circular No. IAI/2002/02 of 28 November 2002	A Register of Fixed Assets on Computers Accessories and Software had not been maintained.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the financial result of the Board for the year ended 31 December 2012 had been a deficit of Rs.11,579,955 as compared with the corresponding deficit of Rs.14,129,348 for the preceding year, thus indicating a decrease of Rs.2,549,393 in the deficit for the year under review as compared with the preceding year . Even though the expenditure for the year under review had exceeded by a sum of Rs.7,780,514, the increase in income by a sum of Rs.9,790,586 had been the reason for the decrease of the above deficit.

3. Operating Review

3.1 Management Activities

The Cabinet of Ministers had approved on 08 July 2015 that the land on which the National Library and Documentation Services Board is situated should be transferred as a free grant and as such the Thibirigasyaya Divisional Secretary had recommended the transfer and forwarded the papers to the Provincial Commissioner of Lands. Nevertheless, the transfers had not been made even by 30 April 2016, the date of audit.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

According to Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003 the financial statements should be presented to the Auditor General within 60 days after the close of the year of accounts. Nevertheless, the financial statements for the year 2012 had been presented for audit only on 11 February 2016, that is, after a delay of three years.

4.2 Budgetary Control

Significant variances ranging from 25 per cent to 100 per cent were observed between the budgeted and actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

5. **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.

- (a) Accounting
- (b) Advances Control
- (c) Stock Controls
- (d) Assets Management
- (e) Accounts Receivable and Payable