

National Library and Documentation Services Board – 2015

The audit of financial statements of the National Library and Documentation Services Board for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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

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 misstatement 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 effects 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 2015 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 Deficiencies

The following observations are made.

- (a) The value of the stocks amounting to Rs.2,744,946 were existed in Sale Centre owned by the Board as at 31 December 2015 had not been included in the final stock. Therefore, the Final Stock in the financial statements had been understated by that amount.
- (b) The Grants amounting to Rs.2,000,000 had been received as at 23 October 2015 from the Chinese Embassy were identified as Rs.1,894,400 to be paid to a supplier for purchase of 16 computers and Rs.105,600 had been identified as the income for the year under review instead of being shown as a capital grant in financial statements.
- (c) A stock of current assets valued at Rs.936,787 had been included in Office Furniture Equipment valued at Rs.27,916,840 shown in financial statements as at 31 December 2015 .
- (d) The printed publications received as grants to the Board from various projects, institutions and private sector during the year 2015 had not been valued and shown in the financial statements due to a policy had not identified for documenting and accounting of grants.

2.2.2 Unexplained Differences

The following observations are made.

- (a) The balance had shown relating to 05 classes of assets as at 31 December 2015 was Rs.55,760,386 and as such according to assets verification report that balance was Rs.40,816,500 and an unexplained difference of Rs.14,943,886 was observed.

- (b) The unsettled advance balance according to Advance Register as at 31 December 2015 was Rs.640,625 and as such according to the financial statements that balance was Rs.619,242 and unexplained balance of Rs.21,383 was observed.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) The With Holding Taxes amounting to Rs.240,651 outstanding 03 to 11 years period should be remitted to the Commissioner General of Inland Revenue recover from the contractors had not been remitted to Commissioner General of Inland Revenue even up to audited date of 01 October 2018.
- (b) Although an advance balance amounting to Rs.254,496 as at 31 December 2015 had lapsed over 08 years, had not been settled even up to the time of audit of 01 October 2018. Out of this a balance of Rs.121,970 had been shown as unidentified advances in the financial statements.
- (c) The Distress Loan balance being shown in the financial statement as at 31 December 2015 was Rs.12,200,290 and as such the balance according to the Distress Loan Register was Rs.12,259,163. Thus a difference of Rs.58,873 had been shown as unidentified balance in the financial statements under receivables accordingly.

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

The following instances of non-compliance with laws, rules, regulations and management decisions were observed.

Reference to laws, Rules and Regulations	Non-compliance
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(a) The Financial Regulations of Democratic Socialist Republic of Sri Lanka Financial Regulation 371	A sum of Rs.86,905 had been settled back out of an advance of Rs.160,500 had given in 13 instances for miscellaneous purchases and committee meetings due to estimate of necessity were not done accurately and advances amounting to Rs.148,425 had given in 18 instances had been resettled without being used. A sum of Rs.85,825 obtained in 06 instances thereof had been resettled after retained a period of 10 to 29 days without given reasons.
(b) Audit and Management Circular No. DMA/2009(2) dated 01 September 2009	According to the financial statements, the Board of Survey had not been conducted on Stock of National Library Books cost at Rs.98,715,386 since 1976 to 2015 by 36 years, stocks valued at Rs.662,766 as at 31 December 2015 and assets cost at Rs.1,306,631 as at 31 December 2015.

- (c) Treasury Circular No.842 dated 19 December 1978
- (i) Paragraph No. 2(b) A register had not been maintained on behalf of each Fixed Assets by including departmental numbers for identification of assets, accounting and ease the control of those.
- (ii) Paragraph No. 2(c) A ledger account had not been maintained for each Fixed Assets
- (iii) Paragraph No. 2(e) A Fixed Assets Register had not been maintained as comparable the financial data recorded in Fixed Assets Ledger with financial data recorded in the Fixed Assets Register.
- (d) Treasury Circular No.IAI/2002/02 dated 28 November 2002 A Fixed Assets Register relating to Computers, Computer Accessories and Softwares had not been maintained.

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 2015 had been a deficit of Rs.10,185,344 as compared with the corresponding deficit of Rs.1,383,674 for the preceding year, thus indicating a deterioration of Rs.8,801,670 in the financial results for the year under review as compared with the preceding year. Although the Government Grants for the year under review had been increased by a sum of Rs.12,585,000 compared with the preceding year, the increase in Administrative Expenditure by a sum of Rs.19,194,535 had been mainly reasoned for the above deterioration.

Analyzing the financial results of 04 preceding years and the year under review, the deficit amounting to Rs.14,129,348 in the year 2011 had been decreased continuously to Rs.10,185,344 as at the year under review. However, the contribution of Rs.46,379,665 for the year 2011 of the Board had been increased up to Rs.86,052,111 for the end of the year under review after re-adjust the personnel emoluments and depreciation for non-current assets.

4. Operating Review

4.1 Performance

4.1.1 Activity and Review

The following observations are made.

- (a) Although the Pansiya Panas Jathaka Potha with a preamble and four volumes were entrusted to the Educational Publications Department to re-print, that printing works had not been done by the Department. As a result of this, it was decided to do the print works of the book by the Board in the year 2015 and the preamble and 02 volumes had been completed during year 2017. The Volume III and IV had not been printed until the date of audit of 30 October 2018.
- (b) Whereas the compilation works of the Bibliography of Sinhala Authority by include old classic names which were published up to the year 1850 and editions thereto published until year 2000 from 1851 had planned in Action Plan of the year 2014, such activities had not been completed until audited date of 30 October 2018.

4.2 Management Activities

The following observations are made.

- (a) The prices were changed from time to time by the Chairman of the Board, Director of the relevant section and Director-Library Promotion and Standardization relating to sale of books obtained from editors on paid after sale basis and the Board had not been introduced a fix price policy approved by the Board of Management.
- (b) The stocks of 3,187 Board Publications valued at Rs. 2,392,489 were printed from year 2011 to 2015 by the Board and stocks of 4,753 publications which prices were not mentioned had been remained in the Books Information Control Unit even as at audited date of 30 October 2018.
- (c) Editing of Buthsarana Book under reprint of classic books had been handed over on 02 December 2013 to the Educational Publications Department for print after Combine of Letter and only the letter combinations were done by the Department and transferred again to the Board. Although it was handed over to the press on 11 September 2017 for print after check the proof by the Board, the records had not been handed over again after finish the printing works until audited date of 30 October 2018.
- (d) A shortage of 7,917 books in the Readers Service Unit had been revealed by the Board of Survey during the verification was done in year 2012. Although 2,908 books were found through the tests relating to this were done by the Board, further actions had not been taken until audited date of 30 October 2018 relating to deficit further existed on 5,009 books.

- (e) A methodology had not been with the Board to take over the various local and international books being donated to the Board by the persons and donor institutions and there were no security measures being implemented regarding security of those assets or systematically documented of these publications.
- (f) The actions had not been taken until end of the year 2015 to remove the 154 items of Fixed Assets valued at Rs.4,845,383 had identified as to be disposed according to the board of survey reports as at 31 December 2014.

4.3 Under Utilization of Funds

Due to the purchases were not done on scheduled time according to the Procurement Plan, the Government Capital Grants given for it were not entirely used. Further the balance of unutilized Government Grants amounting to Rs.12,972,000 as at 01 January 2015 had been increased up to Rs.48,498,000 as at 31 December 2015.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the financial statements and draft annual report should be furnished to the Auditor General and the copies of this to the relevant Ministry, Public Enterprise Department of the General Treasury within 60 days since the lapse of the financial year. However, the financial statements for the year under review had been furnished on 07 September 2018 after a delay of 02 years and 06 months. Further, the financial statements for the year 2016 and 2017 had not been furnished to audit even up to the date of this report.

5.2 Procurement and Contract Process

5.2.1 Procurements

The following observation is made.

Even though the approval of the Management Board should be obtained after identify the requirements of each unit of the Board when prepare the Procurement Plan for the following year, the approval of the Management Board was obtained on 10 April 2015 for the Procurement Plan of the year under review. That Procurement Plan had not been prepared being shown the steps of the procurement procedures according to the Section 4.2.2 of the Government Procurement Guideline of 2006.

5.2.2 Activity and Review

The following observations are made.

- (a) Although it was planned in the Procurement Plan to quotations being called through National Competitive Bidding and procure Rs.40 Million for the year under review for installation of new centralize air-conditional system, due to the Ministry Procurement Committee had refused the recommendation firstly given by the Technical Evaluation Committee to assign it to the Electricity Board on direct contract method and also spent nearly two months for it, it had not been completed according to planned whether the budgetary provision of Rs.40 Million were received as at 31 December 2015.
- (b) Whereas the it was planned to complete the renovation of male and female toilets estimated value of Rs.2,000,000 according to the Procurement Plan by start on April and finish as at month of July 2015, the awarding of that contract had been delayed up to November 2015. The details such as contract period, retention, delay charges and advances were not included to the contract agreement and the renovations had been completed on 23 March 2016.
- (c) The allocations made in the Procurement Plan for procure of preservative equipment in year 2015 was Rs.1,900,000 and, out of this, 06 equipment estimated valued at Rs.1,600,000 had not been purchased. However, a Left Casting Machine valued at Rs.2,136,195 which was not planned in year 2015 but planned in year 2014 had been purchased during the year under review and the allocations made on preservative equipment had been over spent by Rs.453,195.

5.3 Audit and Management Committees

Even though the Audit and Management Committee meetings should be conducted once in quarter in four times according to the Circular No. D.M.A/2009(1) dated 09 June 2009, only two meetings had been conducted relating to the year under review.

5.4 Budgetary Controls

Significant variances ranging from 28 per cent 100 per cent were observed between the budgeted and actual income and expenditure, thus indicating that the budget had not been made of as 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 controls.

Areas of Systems and Controls

Observations

Areas of Systems and Controls	Observations
(a) Control of Assets	Failure to documentarised donated assets and books.
(b) Accounting	(i) Failure to maintain ledger accounts up to date (ii) Un-reconciliations among ledger accounts and schedules. (iii) Failure to maintain Stores Stocks Control Ledger (iv) Failure to maintain a register for cancelled cheques.
(c) Procurement	(i) Failure to comply with plans. (ii) Failure to maintain Contract Register up to date. (iii) Failure to include purchase orders and agreements in the file.
(d) Advances	Delays in register of advance settlement vouchers after certification.
(e) Maintenance of registers and books	(i) Failure to record ledger entries for the year 2015 until audited date of 06 October 2018. (ii) Failure to maintain ledger accounts for the year 2016 and 2017 until audited date of 01 October 2018. (iii) Failure to maintain registers such as Register of Cancel Cheque, Schedule for Provision for Depreciation, Register of Debtors and Creditors, Stores Stocks Control Ledger, VAT Register, Register of Suppliers Registration and Supply Register, Register of Contracts, Register of Tender Deposits, Register of Unpaid Salaries, Register of Unpaid Money the audited date of 06 October 2018.