

National Library and Documentation Services Board – 2016

The audit of financial statements of the National Library and Documentation Services Board for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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. The draft Auditor General's report about transactions of the Board had been issued to the Chairman of the Board on 30 November 2018 due to delay in issuing of financial statements for the year ended 31 December 2016. In addition to this my comments and observations on the financial statements 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 2016 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

Although it was disclosed that stocks had valued at cost by the Board, those policy had not been followed for valuation of entire stocks. Accordingly inventory items relating to 27 type of samples tested goods had been evaluated under other basis except cost.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Although the closing balance of the Government Capital Grants Account was Rs.30,442,949, it was observed that un-disbursed capital grants amounting to Rs.3,592,790 are not represented from money due to relevant cash book balance was Rs.26,850,159.
- (b) The working-in progress value at Rs. 39,206,047 existed for the Central Air-condition System working-in progress Account as at 31 December 2016 had shown by adding to the assets class of land and buildings in the statements of financial position and the basis about evaluating of working-in progress had not been explained.
- (c) The formal procedure had not been followed by the Board about takeover, documentation and safety of those assets relating to books were received to the Board from various books donated persons and organizations and those publication had not been valued and shown in the financial statements.

2.2.3 Unexplained Differences

The following observations are made.

- (a) The book stocks value shown as Rs. 3,955,074 in the financial statements as at 31 December 2016 were Rs. 4,974,955 as per Verification Reports and had been shown in the financial statements less than Rs. 1,019,881 in the Stocks Verification Reports. Further necessary actions had not been taken by identifying the responsible parties about deficits in stocks amounting to Rs. 4,909 existing since year 2012.
- (b) Even though stock of office stationaries and library stationaries as at 31 December 2016 as per Stock Verification Report were Rs. 1,049,639, a difference of Rs.56,910 was observed due to balance was Rs. 1,106,549 as per financial statements.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Although an advance balance amounting to Rs.248,496 as at 31 December 2016 had lapsed over 08 years, had not been settled even up to 26 December 2018. Out of this a balance of Rs.121,970 had been disclosed as unidentified advances in the financial statements.
- (b) The With Holding Taxes amounting to Rs.324,051 outstanding 03 to 11 years old should be remitted to the Commissioner General of Inland Revenue by recover from the contractors had not been remitted to Commissioner General of Inland Revenue even up to 26 December 2018.
- (c) The Distress Loan balance being shown in the financial statement as at 31 December 2016 was Rs.12,392,992 and a difference of Rs.64,577 had been disclosed as unidentified balance in the financial statements due to the balance was Rs.12,457,569 as per Distress Loan Register.

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

The following 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
- (i) Financial Regulation 110
- (ii) Financial Regulation 371
- (iii) Financial Regulation 702(3)
- (iv) Financial Regulation 1646
- (b) Treasury Circular No.842 dated 19 December 1978
- (i) Paragraph No. 2(b)
- (ii) Paragraph No. 2(e)
- (c) Section 7 of the National Library and Documentation Services Board Act No.51 of 1998
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- A Register to record of Losses had not been maintained.
- A sum of Rs. 307,866 had been settled out of an advance of Rs.1,060,650 had given in 26 instances for miscellaneous purchases and committee meetings due to necessity were not estimated accurately and advance amounting to Rs. 24,500 had given in 06 instances had been resettled without being used.
- The copy of the contract agreements had not been furnished to the Auditor General as per Financial Regulations.
- Although the Running Charts for each month with the original copy of monthly summery about journeys should be sent to the Auditor General through his Department Heads before 15 of ensuing month after the month of report to be presented by the officers who entrusted with vehicles, it had not been done accordingly.
- A register including departmental numbers (F. General 290) had not been maintained on behalf of each fixed assets for identification, accounting and ease the control of those.
- A Fixed Assets Register had not been maintained as per Form General 287 capable to compare the financial data recorded in Fixed Assets Ledger with financial data recorded in the Fixed Assets Register.
- Even though appoint of committees and prepare rules relating to those operations under prior approval of the Minister should be done by the Board, the prior approval of the

Minister had not been obtained in appointing of the Committee on Determination of Purchased of Publications under Aggregate Development Policy and rules relating to operation of the committee had not been done. Accordingly there were no criteria relating to check composition of the committee, instructions about appointments, quorum, scope of the committee etc.

(d) The Treasury Circular No. I/A/I/2002/02 dated 28 November 2002

A Fixed Assets Register relating to Computers, Computer Accessories and Softwares had not been maintained.

(e) The Management Audit Circular No. DMA/2009(2) dated 01 September 2009

The accuracy and the safety about the fleet of the books can't be satisfied due to the verifications had not been conducted in 37 years from year 1976 to year 2016 of the stock of library books cost valued at Rs.103,265,566 as per financial statements as at 31 December 2016.

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 2016 had been a deficit of Rs.14,817,209 as compared with the corresponding deficit of Rs.10,185,344 for the preceding year, thus indicating a deterioration of Rs.4,631,865 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. 9,850,000 compared with the preceding year, increase in Administrative Expenditure by a sum of Rs.10,451,450 and increase in the Library Services Expenditure by Rs. 3,829,214 and loss of sale of Property Plants and Equipment of Rs.1,793,868 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. 11,579,955 in the year 2012 had been increased continuously up to Rs.14,817,209 as at the year under review. However, the contribution of Rs. 50,364,487 for the year 2012 of the Board had been increased up to Rs. 90,504,497 for 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 Plaining

A sum of Rs.11,451,591 for the year 2016 and a sum of Rs. 46,949,256 for the year 2015 had been disbursed for procurement activities commenced during each year out of an expenditure of Rs. 58,400,847 was disbursed for acquisition of capital assets during the year under review. However the activities were planned for year 2015 but couldn't be completed had not been included in the Procurement Plan as outstanding works during the year under review.

4.1.2 Performance and Review

The following observations are made.

- (a) The Pansiya Panas Jathaka Potha with a preamble and four Volumes consist of 5 books. Even though it had entrusted to the Department of Educational Publications to re-print, those activities had not been done. As a result of this, the approval had been obtained during the year 2015 to conduct the printing works again by the Board and the preamble and 02 Volumes out of 5 books had been completed during year 2017. The 2 Volumes III and IV had not been completed until the date of audit of 01 October 2018.
- (b) Whereas the compilation activities 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 01 October 2018.
- (c) The compilation activities of the following publications had planned to be completed during the year under review by the Bibliographic Control Division and the Publication and Books Development Division had not been completed until 31 December 2016.
 - (i) Although 12 issues from issues in October 2015 to issues in September 2016 of Sri Lanka National Bibliography (Current) had planned to compile in three languages during the year under review, two issues had not been compiled relating to the time period.
 - (ii) Although the Cumulative Volume including details about 12 issues of the Sri Lanka National Bibliography were published in 2014 had planned to compile in three languages, activities in English and Tamil sections had not been completed.

- (iii) Non-compilation of database of Sinhala Translated Classic Bibliography (1947-2015).
- (iv) Non-compilation of two issues in National Library investigation Magazine relevant to Library Research Division.
- (v) Non-compilation of two out of four issues from forth issue in 2015 to third issue in 2016 of the Sri Lanka Periodicals Article Index.
- (vi) Non-compilation of database of 2011-2015 of Sri Lanka Postgraduate Dissertation Index

4.2 Management Activities

The following observations are made.

- (a) Although the articles had selected as per decisions taken by the editor of the magazine when submitting articles to publish in the Praleka magazine being published quarterly since year 2012, it had been done without identifying of suitable criteria.
- (b) It was observed in audit that an approved fixed price policy had not been introduced by the Board of Management in selling publications were printed and sold by the Board and publications had obtained from authors on basis of payment after sales.
- (c) Although editing of Buthsarana book under reprint of classic books had been handed over on 23 April 2009 to the Department of Sinhala Studies, it had not agreed with the client about the date of editing to be completed. However that book had handed over to the Board on 13 August 2012 after completion of editing. After it had been handed over to the Department of Educational Publications on 02 December 2013 to printing by Combine of Letters were completed and it had been handed over again to the Board by the Department after Combine of Letters were completed. Although it was handed over to the press on 11 September 2017 to 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 01 October 2018.
- (d) 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 stores and Books Information Control Unit even as at audited date of 01 October 2018.

4.3 Operational Inefficiencies

The following observations are made.

- (a) The stocks valued at Rs. 75,170 out of consumable goods had purchased to use for Risograph Machine removed from used in year 2014 had remained in store as at 31 December 2016.

- (b) The publications had purchased by the Acquisitions Division were sent to Bibliographic Control Division after received to the respective Division after documenting in Acquisitions Register, numbering and computerize and it was issued to the Reader Services Division after computerize that information. The following observations are made in investigating of respective activities.
- (i) The publications had not been issued on acquisition number sequence in issuing publications to the Bibliographic Control Division by the Acquisitions Division.
 - (ii) All publications relating to 17 publication lists valued at Rs. 1,651,165 had not received to the Reader Services Division as revealed in sample test relevant to publications were purchased during year 2016 and the publications relating to 8 publication lists valued at Rs. 761,133 also had not received to the Bibliographic Control Division.
 - (iii) The instances were observed that 179 publications mentioned in publication lists had not issued to the Reader Services Division by the Bibliographic Control Division when issuing all publications mentioned in publication lists firstly to the Bibliographic Control Division and later to the Reader Services Division relating to 893 publications were purchased by the Acquisitions Division.
 - (iv) Although more than a year had passed after documented in Acquisition Register, 8 publications valued at Rs. 19,382 had not been issued to the Bibliographic Control Division by the Acquisitions Division.
 - (v) Delays 225 to 621 days had occurred in issuing 1,300 publications to the Bibliographic Control Division which were documented in Acquisition Register.

4.4 Under Utilization of Funds

Due to procurements were not conducted in scheduled year, the balance carried forward from year to year in Government Capital Grants account as at 01 January 2016 was Rs.48,515,278. The Capital Grants of Rs. 31,316,262 had received for the year under review and Rs. 58,400,847 had been disbursed out of it. Accordingly a sum of Rs.21,430,693 had been retained as at 31 December 2016 without being used due to non-performing of procurement activities as per Procurement Plan.

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 Enterprises Department of the General Treasury within 60 days since the lapse of the financial year. However, the financial statements for the year 2016 had been furnished on 17 December 2018 after a delay of 01 years and 09 months. Further, the financial statements for the year 2017 and 2018 had not been furnished to audit even up to the date of this report.

5.2 Maintenance of Books and Registers

The following observations are made.

- (a) A Contract Register relating to good and services had not been maintained by the Board.
- (b) The ledger accounts had not been maintained for the years 2016 and 2017 until audited date of 01 October 2018. Although the financial statements had prepared base on balances obtained from summarized transections at the end of the year, it couldn't be accepted in audit.

5.3 Procurement and Contract Process

The following observations are made.

- (a) The construction contract of the Central Air Conditioning System valued at Rs.75,000,000 started in year 2016 and due to be completed in year 2016 had been offered to a private contractor. The relevant activities had not completed until year 2017 and consultancy fee of Rs. 2,299,176 had been paid to the Central Engineering Consultancy Bureau.
- (b) Although printing materials had purchased by several divisions of the Board, the details had not been documented so as to check how many printing materials had purchased during the year. The plans for it had not been included in the Annual Procurement Plan for the year 2016.
- (c) The approval had not been obtained before 01 January 2016 from Management Board and the Department of National Budget for Procurement Plan and the approval had been obtained on 29 February 2016 and 02 May 2016 respectively.
- (d) The Detailed Procurement Plan had not been prepared as per the format of the detailed procurement plan in reference No. 4.2.1 of the Government Procurement Manual 2006.

5.4 Budgetary Control

Significant variances ranging from 24 per cent 93 per cent were observed between the budgeted and actual income and expenditure, thus indicating that the budget had not been made use of as effective instrument of management control.

5.5 Unresolved Audit Paras

The following observation are made.

- (a) A stock of current assets valued at Rs.936,787 had been included in cost of Office Furniture Equipment valued at Rs. 23,089,464 shown in financial statements as at 31 December 2014.
- (b) The respective assets had not been depreciated due to non-identification of relevant class of assets totalling Rs.1,306,632 in the financial statements.

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
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(a) Assets Control	(i) Failure to record assets. (ii) Failure in record book donations.
(b) Accounting	(i) Failure to submit financial statements at the proper time. (ii) Un-reconciliations were existed among ledger accounts and schedules. (iii) Failure to mention voucher numbers when recording in the ledger accounts. (iv) Failure to maintain Stores Stocks Control Ledger. (v) Failure to maintain ledger accounts up to date. (vi) Failure to maintain a register for cancelled cheques. (vii) Failure to certify the vote ledger and notes in the ledger by a supervising officer.

- (c) Procurement
 - (i) Failure to comply with plans.
 - (ii) Failure to maintain Contract Register up to date.
 - (iii) Failure to include copies of purchase orders to the agreement file.
 - (iv) Delays in record of advance settlement vouchers after certification
- (d) Purchase of printing materials
 - (i) Failure in planning.
 - (ii) Failure in identify pre-requisites.
- (e) Vehicle control
 - (i) Failure in maintaining daily running chart books.
 - (ii) Failure in record reference of the fuel order in the running chart.
 - (iii) Failure to record mileage in the running chart accurately.