

National Library and Documentation Services Board - 2021

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 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in equity, 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 to be read in conjunction with Section 22 of the National Library and Documentation Services Board new amendment Act No. 51 of 1998 and National Audit Act No. 19 of 2018. 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 financial statements do not give a true and fair view of the financial position of the National Library and Documentation Services Board for the year ended 31 December 2021 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

My opinion is adverse 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 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 intends 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 Scope of the Audit

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.
- 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 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 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 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 organizations, 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 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 preparation of financial statements

1.5.1 Accounting Policies

Audit Observation	Comment of the Management	Recommendation
One of the main functions of the Board was to establish, preserve and administer a national reserve of national library and documentation resources. Accordingly, out of the total amount of books received by the Board through legal deposits, donations, purchases, exchange services, etc., only the purchase value of Rs.113,791,583 was included in the book stock in the financial statements. However, the accounting policies used to disclose in the financial statements regarding the classification of books according to the main objectives of the institution, identification of the value of books or books for which no value has been identified had not been disclosed. Also, the policy regarding books classified as national heritage had not been disclosed in the financial statements.	That all publications added to the National Collection will be valued, accounted for and disclosed from January 2023. Also, the price of publications that are currently not listed and acquired for the National Collection from October 2022 will also be determined continuously under the process of identifying the value of the National Library Collection.	Policies should be developed to properly classify, value identify, account for, and disclose all documentation resources.

1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Capital grants of Rs.2,119,000 received from the Treasury in the year under review and foreign grants of Rs.1,079,000 had not been measured and recognized in the financial statements in accordance with Sri Lanka Public Sector Accounting Standards 11.	These values have been correctly identified in accordance with Sri Lanka Accounting Standards, accounted for in the financial statements, and the necessary disclosures have been made. However, if there are any further adjustments to be made in accordance with Accounting Standard 11, they are expected to be made in future accounting years.	Sri Lanka Public Sector Accounting Standards should be followed.

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| (b) | The International Standard Book Numbering (ISBN) computer software system, which had been acquired at a cost of Rs. 895,000 in the year 2020, had not been accounted for under intangible assets in accordance with Section 26 of Public Sector Accounting Standard 20. | Since this computer software (ISBN) system is currently accounted for under computers and computer accessories, action will be taken to present it under the classification of intangible assets in the future. | Sri Lanka Public Sector Accounting Standards should be followed. |
| (c) | The patent for the method of controlling insect pests had been handed over to the Board on 09 May 2023 and the financial statements of the year under review were submitted for audit on 24 November 2023. But this patent had not been disclosed in the financial statements as an event after the balance sheet date, in accordance with the section 11(b) of Sri Lanka Public Sector Accounting Standard No.6. | The Board has applied to obtain for a patent for the method of controlling insect pests in the year 2021 on 18.05.2021. Therefore, accounting for this as an asset in the year 2021 is not possible in accordance with accounting standards 20. | Sri Lanka Public Sector Accounting Standards should be followed. |
| (d) | Although the land on which the office building of the Board is located was transferred to the Board as a free grant on 06 December 2021 and the value of it in the year 1995 was Rs.254,400,000. But action had not been taken even to account for the assessed value of that land. | The Government Valuation Department has given the assessed value of the land on 15.08.2023 and that value was Rs.6,392,100,000. Accordingly, action will be taken to account for that value of the land and submit with the financial statements for the year 2023. | Since ownership of the land was acquired on 06 December 2021, the assessed value at that time should be accounted for. |
| (e) | The bank passbook or balance confirmation was not submitted to the audit to verify the accuracy of the savings bank account balance of Rs. 219,763 as per the financial statements. | A balance certificate has been requested from the bank regarding this account, which was inactive as of the audit date, but has not yet been received. Action will be taken to submit it to the audit as soon as it is received. | Action should be taken to submit the balance confirmations. |
| (f) | According to the board of survey reports as on 31 December 2021, 1,714 books worth of Rs.264,303 in the sales outlet of the board and board publications worth of Rs.452,972 and 10,746 board publications which the value was not stated had not been accounted for. | That all board publications which was not included in the financial statements will be accounted for in the future. | Action should be taken to accurately account for year-end stock balances. |

- (g) The 12 perches of land and two storied house with the furniture in Bandaragama, which has been transferred to the Board by a gift deed on 19 July 2019 has been valued for Rs.11,406,800 on 18 May 2021. But, only Rs.2,000,000 had been disclosed in the financial statements of the year under review. Furthermore, the furniture and library book stocks worth of Rs.183,817 included therein had not been accounted for.
- Since the Board does not have legal ownership for this, it was not disclosed in the financial statements, and this has been disclosed by a note in the 2021 financial statements.
- Action should be taken to accurately disclose the assessed value of the land and to account for the stock of furniture and books.
- (h) Action had not been taken to disclose in the financial statements regarding the Library Management Information System (KOHA) used in the indexing of the documentation resources of the Board since 2015.
- The board does not have the ownership of this. Since the board uses the system only for the convenience of storing library information, accounting for it as an asset of the board is problematic.
- The Library Management Information System (KOHA) should be disclosed in the financial statements.

1.5.3 Unreconciled Control Accounts or Records

	Item	Value as per the financial statements (Rs.)	Value as per the corresponding Records (Rs.)	Difference (Rs.)	Management Comment	Recommendation
(a)	Stock value	113,791,583	43,135,921	70,655,662	The cost of the purchased and accounted for book stock is correct, and actions will be taken to account for free publications in the future.	Differences should be identified and corrections made.
(b)	Sales and distribution book stock	3,123,568	3,239,548	115,979	The value of Rs.3,239,548 stated in the financial statements as sales and distribution book stock is correct. Although an error in the stock survey resulted in a difference of Rs.115,979, it will not	Actions should be taken to accurately conduct annual board of surveys and compare those reports with the financial statements.

have any impact on the financial statements..

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Department of External Resources Circular No. SC&PMU/Grant/20 dated 14 August 2020	Without knowledge and the consent of the Department of External Resources, an agreement had been entered into to receive foreign grants amounting to Rs.15,689,163 (USD 82,500) for 2 projects from 2020 to 31 December 2021. Out of that, a sum of Rs.2,117,953 had been obtained for one project.	As pointed out by the audit, instructions had been given to aware the Ministry of Education and allocate funds accordingly in carrying out such projects in the future.	The provisions of circulars should be complied.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.20,774,680 and the corresponding deficit in the preceding year amounted to Rs.11,963,702. Accordingly, a deterioration amounting to Rs.8,810,978 of the financial result was observed. Decrease in recurrent grants in the year under review compared to the previous year by Rs. 17,895,000 had mainly attributed for this deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
The Government capital grants of Rs.5,581,000 received by the Board during the year under review had not been utilized.	No reply was made.	Capital grants should be utilized effectively.