

National Library and Documentation Services Board - 2019

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Library and Documentation Services Board for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 accompanying financial statements give a true and fair view of the financial position of the National Library and Documentation Services Board for the year ended 31 December 2019 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 Qualified Opinion

My opinion is qualified 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 qualified 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 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 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 Company, and whether such systems, procedures, books, records, and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the Company 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 Non- compliance with Sri Lanka Accounting Standards

Non- compliance with reference to the relevant Standard	Comment of the Management	Recommendation
As per the section 43 (b) of the Sri Lanka Public Sector Accounting Standard 12, the minimum payable lease value excluding taxes as on 31 December 2019 for two vehicles acquired by the board under the operating lease method on the basis of pay within 60 months from 05 September 2018 amounted to Rs.14,681,436 had not been disclosed in the financial statements.	Sufficient disclosures required by Public Sector Accounting Standards have been done under operating leases on rented vehicles in the note No. 3.04 under accounting policies in the financial statements. However, accounting adjustments have not been made in the financial statements.	Accounting Standards should be complied.

1.5.2 Accounting Policies

Audit Observation	Comment of the Management	Recommendation
One of the main functions of the	As fixed assets were accounted at	Legal and other

National Library and Documentation Services Board was to establish, preserve and administration a national book reserve. Accordingly, the Board had received books as donations, procurements, and exchange services etc. to the regular reserve, but only the total procurement value of Rs.111,916,057 had been included in the book stock of the financial statements. However, according to the main objectives of the institution, the accounting policy in relation to the categorization of the books, the recognizing the value of the books or the books which the value have not been recognized, and the policy in relation to the books classified as a national heritage was not disclosed in the financial statements.

cost, only procured assets were accounted to the stock and free publications and gazettes were not accounted for. However, all the books, gazettes, newspapers etc. taken into the collection of the board are properly documented under a reference number and updated and maintained by the computer data base.

receipts should be properly categorized, values should be identified, accounted and disclosed.

1.5.3 Accounting Deficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	Direct credits amounting to Rs.296,643 received by the bank during the year under review had omitted from the financial statements.	Direct Bank Credits amounted to Rs. 143,397 which could not be identified correctly for a long time had been taken to the revenue.	The income related to the period should be accurately identified and accounted for.
(b)	As per the board of survey reports and financial statements as on 31 December 2019, although a shortage of Rs.187,686 and Rs.1,922,912 was observed in the physical book stock in the store and the physical book stock under the reprinting project of classic books, the shortage had not been adjusted to the closing stock. As such, the value of book stock as on 31 December of the year under	Action will be taken to rectify the error entries and under values in the stores documents.	Annual board of surveys should be carried out and accurate stock balances should be accounted for.

review was overstated by Rs.2,110,598 in the financial statements.

- (c) According to the financial statements of the Board for the year ended 31 December 2019 the cost of books procured under property, plant and equipment was stated as Rs.111,916,057, the cost of the book stock in the reference register was stated as Rs. 45,524,068. Although a difference of Rs.66,391,989 was observed thereon, the difference had not been recognized and necessary remedied had not been taken.
- As fixed assets were accounted at cost, only procured assets were accounted to the stock and free publications and gazettes were not accounted for.
- Action should be taken to properly and efficiently maintain the national reserve of library and documentation resources and account for.

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 Democratic Socialist Republic of Sri Lanka Financial Regulation 756 and 757	The stock of books procured for Rs.111,916,057 included in the financial statements as on 31 December 2019 and the stock of archived books of the National Library had not been verified.	The board of survey was not conducted annually as the collection of books was available in small batches and the services for the readers had to be provided continuously.	Financial Regulations should be complied.

		An internal plan is being prepared to conduct the survey in phases from the year 2023 onwards.	
(b)	Section 16(1) of the National Audit Act No. 19 of 2018	The ledger entries related to the transactions of the board had not been recorded in the ledger accounts continuously since 2018 and on time, as financial statements had been prepared by the Quick Book computer software. Meanwhile, it was observed in the audit that the transactions of January 2020 were being entered into the computer software even by 20 July 2022.	The normal duties could not be performed in the years 2020 and 2021 due to the Covid-19 epidemic. However, financial statements of the year 2020 are currently being prepared and the financial records can be updated and maintained through computer by the end of the year 2022.
(c)	National Library and Documentation Services Board Act No. 51 of 1998		
	(a) Sections 12(2) (a), (b) and (e)	(i)The progress of the execution of the functions assigned to the board regarding the make available a national collection of library and documentation resources and the establishment, improvement and maintaining of a local and foreign publications reserve were not reflected from the progress reports of the Conservation and Preservation, Acquisition and Bibliographic Control division	The preparation of monthly progress reports of those sectors according to the new format had been started from September 2022. Works in hand are being performed in the relevant sections.
			According to the Act, the functions assigned to the Board should be carried out efficiently.

of the Board and total units of 40521 were in hand in those divisions.

(ii) The modernization works of the National Library building had been commenced in the year 2018 and the laboratory with the equipment costing for Rs.3,660,547 in the Conservation and Preservation Division was removed from its established location. As such, the activities of the laboratory had been suspended until 30 September 2022. As a result, the conservation function had not been performed sufficiently in the laboratory for a period of 04 years.

The existing laboratory had to be temporarily removed from its location to install a modern conservation laboratory. Although the conservation activities of the book binding library were maintained with the existing equipment, a shortage of trained staff is remained. After establishment of a formal laboratory and recruitment of suitable staff this function can be efficiently carried out.

A laboratory is essential for conservation of books. Hence, the modernization works should be expedited.

(d) Section 6.5.1 of Public Enterprises Circular No. PED/12 dated 02 June 2003

Although the financial statements and draft annual report should be submitted to the Auditor General within 60 days of the end of the financial year, the financial statements for the year under review had been submitted for audit on 08 March 2022, after a delay of 738 days.

The normal duties could not be performed in the years 2020 and 2021 due to the Covid-19 epidemic. A late presentation of financial statements of the year 2019 with a less staff was a win.

The provision of circulars should be complied.

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| (e) | Treasury Circular No. 842 dated 19 December 1978 | An updated fixed asset register had not been maintained in respect of property, plant and equipment costing for Rs.376,878,130 as on 31December of the year under review. | Instructions had been given to the staff to maintain an updated fixed assets register. | An updated fixed assets register should be maintained. |
| (f) | Decision of the Committee on Public Enterprises published on 22 May 2012 | Although the Chief Accounting Officer was ordered to recover Rs. 247,500 which was illegally overpaid as salaries to the former Director General of the Board in 2010 and then report to the Public Business Committee, action had not been taken as per the order even by 15 July 2022. | Instructions had been taken from the Attorney General's Department and informed that the decision cannot be executed due the timeless.
Therefore, as per the request of the Chief Accounts Officer, the Secretary of the Ministry of Higher Education has been informed to pay the amount to the Board in installments within one year. | Decision of the Committee on Public Enterprises should be implemented. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 11,465,100 and the corresponding deficit in the preceding year amounted to Rs. 15,513,944. Accordingly, an improvement amounting to Rs. 4,048,844 of the financial result was observed. Decrease in administration expenses by Rs.3,147,744 and increase in recurrent nature government capital grant by Rs 2,162,277 had been the main reasons for the improvement of financial result.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
A stock of 8,053 board publications worth Rs. 2,084,167 printed by the board from 2014 to 2018 had not been distributed even by the date of 03 October 2022.	Action had been taken to minimize the stock balances of board publications. Arrangements will be made to donate the bibliography and serials of Sri Lanka periodicals as learning materials in various workshops and conferences and give to scholars coming to the programs in the future.	Action should be taken to recognize the requirement before the printing and the existing books should be used effectively.