

## **National Library and Documentation Services Board - 2020**

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### **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 2020 comprising the statement of financial position as at 31 December 2020 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 give a true and fair view of the financial position of the National Library and Documentation Services Board for the year ended 31 December 2020 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 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**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
One of the main functions of the National Library and Documentation Services Board was to establish, preserve and administrate 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.112,360,740 had been included in the book stock of the financial statements. However, according to the main objectives of the Board, the accounting policy in relation to the categorization of the books, the identification of 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.	According to the general accounting principles prevailing since the inception to until now to account of documentation resources of the board, only the value of publications procured for the National Reserve was accounted for. But actions are currently being taken to value and account for the free publications which will add to the National Reserve from October 2022 onwards. Accordingly, all the publications added to the national reserve are expected to be valued and disclosed from the financial report of the year 2023.	As one of the main functions of the National Library and Documentation Services Board is to establish, preserve and administrate a national book reserve, action should be taken to properly classify, identify the values, account for and disclose of legal and other documentation resources.

### **1.5.2 Accounting Deficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) According to the decision of the Cabinet of Ministers dated 08 July 2015, the land where the office building of the board was located was handed over to the board as a	The land on which the board is located was not legally owned by the board, so it was not disclosed in the final financial reports, and this land was	The land transferred to the Board should be assessed and accounted for.

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| <p>free grant, but action had not been taken to assess the land and account for.</p>   | <p>transferred to the board as a free grant through a Cabinet memorandum in the year 2022. The assessed value will be disclosed in the financial statements after receiving the relevant assessed value from the Valuation Department.</p>   |   |
| <p>(b) The direct credits amounting to Rs. 261,028 received by the bank during the year under review had not been correctly recognized as income and accounted for.</p>  | <p>Instructions had been given to take necessary actions to avoid such deficiencies and keep accounts properly in the future.</p>  | <p>Direct credits related to the period should be identified and the income should be properly accounted for.</p>                         |
| <p>(c) The bank passbook or balance confirmation was not submitted to the audit for the confirmation of the balance of Rs. 219,763 in the National Savings Bank account as on 31 December 2020 according to the financial statements.</p>  | <p>That the balance in the account number 100010159417 (old account number - 22827) maintained in the National Savings Bank in the name of the Board has been disclosed in the accounts.</p>   | <p>The balance confirmed in the bank confirmations relevant to the year under review should be disclosed in the financial statements.</p> |
| <p>(d) While comparing the financial statements and stock survey reports a difference of Rs.1,045,012 was observed in the value of library stationery stock and classics reprint project book stock as on 31 December 2020</p>   | <p>Stock value of library stationery as on 31 December 2020 in the financial statements amounted to Rs. 552,783.00 was correct and the values recorded in the survey report are not correct due to the calculations errors in the board of survey.</p>                                 | <p>The board of survey reports should be prepared correctly and the balance should be included in the financial statements.</p>           |
| <p>(e) According to the financial statements, the cost of the book stock was Rs.112,360,740, but according to the reference register, the cost of the book stock was Rs.45,805,329. As such, the difference of Rs. 66,564,411 had not been identified and necessary corrections had not been made.</p> | <p>As indicated in the audit query, the difference between the cost of book stock under property, plant and equipment in the financial statements and the cost of book stock according to the reference register is being identified and the necessary corrections are being made.</p> | <p>Correct stock values should be included in the financial statements.</p>   |
| <p>(f) The land of 12 perches in Bandaragama and the two-storied house with furniture on the land were transferred to the board on 19 July 2019 through a deed of gift but no disclosure was made in the</p>   | <p>Although the land was handed over to the board by way of a gift deed, the acquisition as a government property has become problematic as the conditional transferred was</p>  | <p>As per the Sri Lanka Public Sector Accounting standards, disclosures should be made in the financial statements.</p>                   |

financial statements in this regard. made. However, since the board owns its full ownership, action will be taken to get a valuation report for the same for calculating the assets in the future.

#### 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 ----- (i) Financial Regulation 371 and paragraph 9.1 (b) of Public Finance Circular No. 01/2020 dated 28 August 2020	Although the Ad-hoc imprests should be settled soon after the prescribed work is completed, there were 17 unsettled balances worth of Rs.341,622 between the years 05 and 09 at the end of the year under review.	At present, the balances other than Rs.2,528.45 related to the transactions included in that balance have been recognized.	Provisions of the Financial Regulations and circulars should be complied.
(ii) Financial Regulation 756 and 757	The procured book stock at a cost of Rs.112,360,740 and the conserved book stock as on 31 December 2020, had not been surveyed even in the year under review.	An internal plan has been prepared to survey the National Library book stock in phases from 2023 onwards. After the completion of the first phase of the survey, the second phase of the survey of the books belonging to the National Library Sub-Collections will be started.	Financial Regulations should be complied.
(iii) Financial Regulation 1647(b)	The board owned 07 vehicles costing for RS. 32,270,762 and 02 financial leased vehicles	It was decided to carry out annual board of survey on vehicles and	Financial Regulations should be complied.

had not been surveyed in the year under review. equipment in relation to fixed assets in the annual board of surveys from the year 2022. Accordingly, the survey work had been done on the vehicles and equipment owned by the board in the board of survey of fixed assets as on 31.12.2022.

(b) National Library and Documentation Services Board Act No. 51 of 1998

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| (i) Sections 12 (2) (a) and (b) | The progress of the execution of the functions assigned to the board regarding the make available a national reserve 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 of the Board and 33353, 9210 and 4743 units were in hand respectively in those divisions. | The reasons for the number of books which need conservation remedies were in hand were the laboratory had not been operating since 2018, and only one document conservation officer was engaged in conservation activities. | According to the Act, the functions assigned to the Board should be carried out efficiently. |
| (ii) Section 12(2) (g)          | The period for publication of the bibliography was not fixed and publishing of the bibliography in the years 2019, 2020 and 2021 was delayed.  | At present, actions have been taken to print and publish the delayed Sri Lankan National Bibliographies of 2019, 2020 and 2021. That these delays are due to the effect of the Covid-19 epidemic situation at that time.    | According to the Act, the functions assigned to the Board should be carried out efficiently. |

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| (c) | Section 6.5.1 of Public Enterprises Circular No. PED/12 dated 02 June 2003         | Although the financial statements 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 02 June 2023, after a delay of 28 months.  | At present, the existed problematic situations are being avoided and are returning to normal, and the final financial report of the year 2021 is currently being prepared.  | The provision of circular No. PED/12 dated 02 June 2003 should be complied.  |
| (d) | 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. 378,462,735 by the end of the year under review.  | That the necessary actions are being carried out to prepare the fixed assets register based on the information available in the final accounts.   | The provision of circular No. 842 dated 19 December 1978 should be complied. |
| (e) | Department of External Resources Circular No. SC&PMU/Grant/20 dated 14 August 2020 | Although foreign grants and technical assistance should be obtained with the knowledge and consent of the Department of External Resources, a sum of Rs.686,040 was directly credited to the bank account of the board by the Commonwealth Learning Organization of Canada under the Skill online learning project on 16 December 2020. | Action will be taken to submit a letter to the Department of External Resources and the Ministry of Education for approval.<br>As highlighted by the audit, instructions were given to inform the Ministry of Education and allocate the provisions in carrying out such projects from now onwards. | 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. 11,963,702 and the corresponding deficit in the preceding year amounted to Rs. 11,465,100. Accordingly, a deterioration amounting to Rs. 318,602 of the financial result was observed. Decrease in income in the year under review had been the main reason for the deterioration.

### **2.2 Ratio Analysis**

The current ratio was 5.23 and the quick ratio was 4.23 in the year under review, while in the previous year those ratios were 2.80 and 1.80 respectively.

**3. Operational Review**  
**3.1 Management Inefficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) 7193 board publications worth of Rs. 2,084,167 printed by the board from 2014 to 2018 had not been distributed even by the date of 18 July 2023.	At present, actions are being taken by the Extension Division to distribute books through the National Library Bookshop, exhibitions, annual subscriptions, etc.	Action should be taken to recognize the requirement before the printing and the existing books should be used effectively.
(b) The Ministry of Education had awarded a tax-free contract valued for Rs.211,937,795 to a contract company to complete the renovation of the main building within a period of 09 months starting from 24 January 2018. An amount of Rs.252,463,612 had been paid by the end of the year under review and, even though the contract period had been extended in 03 occasions, the contract had been abandoned in March 2021. Even though incomplete works and works which were not done as specified had been identified from the ground floor to the fourth floor in the Chairman's letter No. 15-02-07 dated 05 January 2021, those deficiencies had not been completed even by 09 November 2022.	The renovating works had been abandoned in the year 2021 and a cabinet paper had been prepared and submitted to obtain the necessary provisions. The 25% of balance works had been handed over to the State Engineering Corporation, but since that institution has also become a loss making institution, it has been recommended to select a suitable party to complete the balance renovation works.	The Government Procurement Guidelines should be followed.