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**promoting better use of  
public money”**

**NORTHERN IRELAND  
LIBRARY AUTHORITY  
2011-12**

## Report of the Comptroller and Auditor General

Under the Libraries Act (Northern Ireland) 2008 I am required to examine, certify and report on the financial statements of the Northern Ireland Library Authority (NILA). I have qualified my audit opinion on the NILA financial statements for 2011-12 as a result of the significant doubt over the accuracy and completeness of the valuations of Stock Assets. These doubts were first identified in my audit of the 2009-10 financial statements and have remained since then.

### Background

1. NILA has included in its financial statements Stock Assets (Note 12) with a carrying amount of £12.9 million to reflect a valuation by professional valuers in 2006. Stock Assets consist of collections of rare and/or fine books and pamphlets to be retained for use by future generations because of their cultural and/or historical associations. The Education and Library Boards (ELBs) were responsible for libraries prior to the formation of NILA on 1 April 2009 but Stock Assets were not considered a material item within the financial statements of ELBs. The valuation issues that are the subject of this report arise because the Stock Asset collections, transferred to NILA from the five ELBs, are considered a material asset within the NILA financial statements.
2. Prior to the formation of NILA there was no uniform definition of a Stock Asset or a consistent policy for the valuation of Stock Assets across Northern Ireland. The Belfast ELB valued books with a value of £250 or greater whereas the other ELBs included a category within their valuations for books valued at less than £250. The total value of books below £250, for the other ELBs is included in the financial statements at £2.6 million. NILA has been unable to determine an equivalent figure for the Belfast ELB. The adoption of an appropriate accounting policy for Stock Assets (including a valuation approach) and its application across all libraries should have been considered during the formation of NILA.
3. In accordance with International Financial Reporting Standards (IFRS), and the Government Financial Reporting Manual (FRoM), a valuation of Stock Assets should have been carried out in March 2011. This did not occur and the 2006 valuation has been rolled forward. In my report on the 2010-11 financial statements, I noted that NILA had informed me that a tendering exercise, completed in September 2011, would see the valuation available for March 2012.
4. During my 2011-12 audit NILA informed me that because of the scale of the revaluation exercise, it has decided to revalue only those individual books over £1,000 in value at this time. The 31 March 2012 valuation is £5,522,100 (in 2006 the equivalent books were valued at £3,728,900). A further valuation exercise is planned for 2012-13 for books below the £1,000 threshold. The valuation for Stock Assets shown in the Statement of Financial Position has not been adjusted. NILA has advised this figure will be adjusted only when the full valuation exercise has been completed. IAS 16: Property, Plant and Equipment (PPE), states: *'If an item of PPE is revalued the entire class of PPE to which that asset belongs shall be revalued'*. It is not however prescriptive on the accounting treatment when a class of assets is partially revalued.
5. Whilst I acknowledge the scale of this exercise and the difficulties that NILA has encountered, it is disappointing that NILA, having carried out a partial revaluation exercise, did not include the updated valuation in its financial statements. I note that NILA has disclosed the updated valuation in a note to the Accounts for information purposes.

6. In the Statement on Internal Control, the Accounting Officer has referred to the incompleteness and inaccuracies in the valuation of the Stock Asset collections. The valuation of the 'valuable books' portion of the Stock Assets has been completed and a value determined. A project has been established to develop coherent policies and procedures to underpin Stock Assets. As part of the project, further consideration is being given to the appropriate treatment of the remaining Stock Assets, which comprise approximately 100,000 items. This project is planned to be completed by the end of 2012-13. I acknowledge NILA is taking steps to address this issue; however I expect the limitation in my audit opinion to remain until the valuation issue is resolved.
7. There were no other procedures I could have undertaken as part of my audit to satisfy myself on the completeness and accuracy of these assets.

### **Conclusion**

8. As there is significant doubt over the accuracy and completeness of the valuations of Stock Assets, I have qualified my audit opinion as a result of a limitation in the scope of my audit. I will keep NILA's actions and progress in resolving this matter under review.

### **KJ Donnelly**

Comptroller and Auditor General

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