Library Audit in the Electronic Environment: Challenges and Experiences

By S. Padmashree[1] & Prof. C Sasikala[2]

1. Manager, Indian Maritime University, Visakhapatnam
2. Prof. Dept. of Library & Information Science & Librarian, Andhra University, Visakhapatnam

Abstract

Audit or Auditing is a regular activity conducted to examine the various process and system of an Institution or an Organisation to ensure compliance to existing policies and procedures. Institutions, which receive grants from government, are liable for audit, as they are accountable for the utilization of funds received. Hence Libraries of Government establishments are liable for Audit, i.e., Internal audit and Comptroller and Auditor General audit (CAG). With the increasing ICT application in libraries, the librarians have a challenging job of keeping the controls in place so as to adhere to the audit procedures and its compliance. To this extent the authors share their experiences.

Keywords: Library Audit; Internal Audit; External Audit; Audit Report

Introduction

Libraries that aim to expand and improve its collection, services and other peripheral should also ensure that during the process, they adhere to the institutions policies, procedures while implementing the plans. Present day Librarians have a real challenge to face in the digital world as it offers a tremendous benefit and at the same time creates significant problems if controls are not checked and kept up-to-date. In an automated environment though the librarians are successful in offering many services effectively, they still need to continue to maintain many of their library records in print/physical form for Audit purpose.

What is audit?

The word audit is derived from a Latin word "audire" which means "to hear" During the medieval times when manual book-keeping was prevalent, auditors in Britain used to hear the accounts read out for them and checked that the organisation's personnel were not negligent or fraudulent.

Audit is a "formal inspection and verification to check whether a Standard or set of Guidelines is being followed, that Records are accurate, or that Efficiency and targets are being met. Internal or external groups may carry out an Audit.

As defined in *ISO 19011:2011—Guidelines for auditing management systems*, an audit is a "systematic, independent and documented process for obtaining audit evidence [records, statements of fact or other information which are relevant and verifiable] and evaluating it objectively to determine the extent to which the audit criteria [set of policies, procedures or requirements] are fulfilled." Several audit methods may be employed to achieve the audit purpose.

An **audit** is a systematic and independent examination of books, accounts, statutory records, documents and vouchers of an organization to ascertain how far the financial statements as well

National Conference on Managing Libraries in Electronic Environment: Experiences & Success of Library Professionals 29-30th June 2017

1

as non-financial disclosures present a true and fair view of the concern. It also attempts to ensure that the books of accounts are properly maintained by the concern as required by law. Auditing has become such an ubiquitous phenomenon in the corporate and the public sector that academics started identifying an "Audit Society". The auditor perceives and recognises the propositions before them for examination, obtains evidence, evaluates the same and formulates an opinion on the basis of his judgement, which is communicated through their audit report.

Types of Audit conducted:

1) *Internal Audit*: Internal audit is an independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity's strategic risk management and internal control system.

2) *Comptroller and Auditor General (C & AG) Audit:* Audit conducted by the Comptroller and Auditor General (CAG) of India who is an authority, established under Constitution of India, who audits all receipts and expenditure of the Government of India and the state governments, including those of bodies and authorities substantially financed by the government.

Internal audit is an integral part of the internal control system of an organization. Their primary role is to police the systems to ensure that the controls are in place, adequate and effective, and is working as intended. Unlike external auditors, internal auditors are full-time employees of an organization who continuously review systems and procedures, identify deficiencies, and make recommendations for improvement. Where "red flags" are uncovered, the internal auditor's role is to probe further to ascertain whether any irregularities have occurred. In this way, internal auditors provide an essential and necessary service to management.

One of the essential differences between internal and external audits is that the latter looks at historical information in order to express an opinion on the financial statements presented to it for audit. External auditors are not part of the organization and their role is to provide an independent perspective of what has happened in relation to past transactions. They do look at internal controls but only for the purpose of deciding on the extent to which they could place reliance on such controls as a basis for the preparation of the financial statements. If the controls were strong and effective during the period under review, they will restrict their testing of transactions and balances. Otherwise, they will have to carry out more exhaustive testing.

Without a system of internal controls or an audit system, an organization would not be able to create reliable financial reports for internal or external purposes. Accordingly, an audit system is crucial in preventing debilitating misstatements in an organisation's records and reports.

Library Audit

Library Audits can be termed as an IT audit as it involves the compliance and control check through the Library management software.

The primary objective of any audit will be to determine whether established controls and procedures are adequate and effective to ensure that:

- Library resources are properly recorded and safeguarded;
- Revenue collections are properly accounted for and
- Funds are spent in pursuant to University policies and procedures, applicable laws, rules and regulations.

During the Library audit the following are reviewed and evaluated:

- University policies, procedures and regulations;
- Current practices and processing techniques;
- The library resources management system, personnel management, safety and disaster recovery plan;
- Electronic resources acquisition and usage; and the license agreement between the University and contactors/vendors; and
- Test selected transactions.

They also Interview personnel in each division/ area of library, hence the library staff has to be briefed prior to audit about the audit procedures.

Main Areas of Library Audit in Automated Environment:

- Collection Controls (Collection Development Policy, withdrawn and weed out policy)
- Circulation Controls (Borrowing privileges, loan period, fines, fees etc) blocking the library privileges until material has been returned or fines paid
- Budget/ Finance (Acquisition Module)
- Electronic Resources Purchase/ Utilisation
- Stock Verification

Collection Controls

The library collection development includes:

- Preparation of guidelines for selection of various types of documents, process and procedures, replacement policies for worn out and lost materials.
- Guidelines for weeding of various materials, which are no longer useful
- Standardisation of collection development policy

In an automated system, it is very important to define the access limit to library staff dealing with a particular activity. The administrative Module of the software has the options to define access to various operations in each module of the software. **Apart from maintaining Accession Registers, the database has to be updated continuously whenever necessary.**

Audit Query -

1. List of books purchased during a given period with its cost details. Physical availability of randomly selected items, if in circulation, the circulation reports to be presented.
2. Library resources are ordered and purchased using the acquisition module and removed through the catalog module. Currently, there is no link between the acquisition and catalog modules to automatically capture the inventory cost data when items are removed. Therefore, staff would have to manually go back to the acquisition records, which correspond to the fiscal year the items are purchased to capture the cost data and enable proper recording of the inventory removal.

Authors Recommendations:

Generally the auditors check the internal activities, process and the controls whether they are in compliance with procedure manual. So a few points are enumerated as guidelines. As the auditors say – "We go by records" record keeping has to be up to date.

- Keep an updated copy of 'The Library Policies and Procedure Manual' as set by the individual organization/ Institution as ready reckoner.
- Develop procedures to govern the collection withdrawal process.
- Ensure the entry remove option is disabled, only the super user or the administrator should hold these controls

Circulation Controls

Library policies govern the circulation procedures. Patrons are allowed to borrow a certain number of library resources for a prescribed loan period. The Library System is designed to automatically assess fines/fees and place holds against patrons who retain library resources beyond the established loan period. **Apart from this, fine registers; return slips and payment challans to be maintained.**

Audit Query -

1. Transaction list between a given period, books borrowed by students
2. Transaction list between a given period, books borrowed by Faculty and Staff
3. Receipts of the fine calculated and the fine register for cross verification.
4. No. of books students are entitled to borrow.
5. No. of books and other materials staff and faculty are entitled to borrow.
6. Loan period in both cases and fines and cost recovery over loss of books.
7. Outstanding loan for very long period, records that are contradicting the loan policy.
8. Because of the Non-reliability of library software in fine calculation the reconciliation between manual register and the software cannot be done.

Authors Recommendations:

- Update the software to synchronize with your Circulation Policy, as it will reflect the correct position of overdue books/ fines etc.,

National Conference on Managing Libraries in Electronic Environment: Experiences & Success of Library Professionals 29-30th June 2017

4

- Ensure that the override option in the circulation module is disabled, only the super user or the administrator should hold these controls
- When binding items are received, the status of such records have to be changed back to "Shelf"
- The software automatically sends a receipt to the patron by mail. Ensure soft copy of it is saved in a separate folder in your system.

Anecdote: In one university, during audit checks it was revealed that, a student volunteer working at the circulation desk used the generic login to access the software and extended the loan period to 456 days for an item she borrowed. Whereas the established renewal period for items loaned to students was 30 days.

It has become a general practice in any university/ college library that the fine system is strictly followed in case of students, but for faculty and staff, no fines are assessed nor their library privileges are blocked. Generally Auditors find out these kinds of discrepancies in the transaction log, or the fine statement options in the software.

Anecdote: In one of the well-known international university, during the audit it was revealed that 1330 overdue library items loaned to 268 faculty members. The automatic fine assessment option was disabled in the software for faculty members therefore no fines were assessed.

Budget/ Finance Control

In the beginning of the financial year the budget under various heads has to be specified in the software under acquisition module. For all new acquisitions data entry to be carried out through this module, the price of the book(s) is automatically deducted from the budget specified. At any given time, the statistics of the balance amount can be generated. **Apart from this, Invoice registers have to be maintained separately for books and journals manually and files related to Budget.** There are various budget heads like – Fixed Assets, Revenue Account, from plan fund or non plan fund/ recurring budget etc., care should be taken to specify the proper budget head.

Gift books and complimentary books should be entered in a separate database other than the regular book database.

Audit Query –

- The accounting under specific budget head for the library books purchased?

Authors Recommendations:

- Take the help of the finance officer in sorting out these issues.

Electronic Resources Purchase/ Utilization

The ease of browsing accessing, sharing facility of online journals has lead to more and more libraries opting for e-Journals and e-resources subscriptions in a consortia model. When huge amounts are paid towards these resources, the financial records as well as the licenses are to be maintained accurately in library. Further the user community should be made aware of these

National Conference on Managing Libraries in Electronic Environment: Experiences & Success of Library Professionals 29-30th June 2017

5

resources through orientation programs, current awareness services, notice boards, email intimation etc., and encourage them to utilize the resources.

Audit Query-

- While organization is spending huge amounts towards resources, where are the utilization reports?

Authors Recommendations:

- Once a month or quarterly run the utilization option/ usage statistics provided by the publisher on his website.
- If a publisher has not provided such a facility, he can be contacted through mail, collect the usage statistics and record them.
- Once in a year collect feedback from faculty and students to know the lacuna in the service and to enhance the service.

Stock Verification

The Annual Stock Verification is conducted either by library staff or the committee constituted for the purpose. Scanning the barcodes does the mustering of books or the verification of books, it is also done through RFID Wi-Fi reader. These lists of accession numbers are run through stock verification option in the software. A verification report, i.e. the missing books list is generated. After several rounds of thorough check with circulation records and on the shelves etc., the library generally prepares and submits the list of untraceable books to the management.

Audit Query –

- Books untraceable in the library, As per GFR Rule 194 (ii) ''Loss of five volumes per one thousand volumes of books issued / consulted in a year may be taken as reasonable provided such losses are not attributable to dishonesty or negligence. However, loss of a book of a value exceeding Rs. 1,000/- (Rupees One thousand only) and rare books irrespective of value shall invariably be investigated and appropriate action taken''

Authors Recommendations:

- Librarians have to take utmost responsibility to safeguard the materials of the library and also to instruct all working under him/her.
- Identify the problem areas and suggest the management of ways to improve the system, either implementation of CCTV or RFID technology or posting of extra Security Guards at the entrance of the library.

Anecdote: It is observed that in many institutions, the library is kept open beyond the office hours till mid night, under the charge of a single Security Guard. There are chances of books missing during these times.

National Conference on Managing Libraries in Electronic Environment: Experiences & Success of Library Professionals 29-30th June 2017

6

There could be a number of such situations for loss of books; hence it is not justifiable to fix the responsibility on the Librarian alone, as he is heading the section. The management cannot penalize the librarians with such harsh comments like loss is due to negligence and dishonesty, these terms are generally meant to address the criminals.

Controls in LMS

1. Regular Updating of Library Management software
2. Anti-virus and Anti-malware software
3. Regular control check through tests and evaluation of test results.
4. Regular Backups of Library Management software data.
5. Controlled restores from backups in case of loss of data.
6. Periodical reconciliation between manual and automated records.
7. Each and every library staff has to be given a unique login to access only the works specified to them.
8. Each student and faculty has to be given a unique login to access only the OPAC module
9. After Stock Verification and decision taken to write off the untraceable books, mark the entries as 'Written off' in the database.
10. The status of weeded out books has to be marked as 'Weeded out' in database.
11. Lost and Cost Recovered books: the status to be changed accordingly.

Finally, care should be taken to protect the entire library data and database, in this regard; library should work with the Information Technology Security office to ensure that the workstations/ PCs are adequately protected from malicious code.

Final stage is Audit Reporting

At the end of the audit, either internal audit or external audit, the Auditors generally submit the report with "findings and recommendations" to the institute head. The Management has to submit its response and action plan to the Audit authorities specifying a time frame for implementing their recommendations.

The head of the institute further segregates the report division wise and sends it to head of division/ section directing them to furnish their reply to the audit queries. Finally, the consolidated reply is sent to the Auditor.

Conclusion:

Authors opine that librarians are no more olden days 'custodian of library' where books were chained and kept under lock and key. Now is the age of computer science/ information technology/ digital era. Librarians are to be learned information scientists who are fully aware of their duties and responsibilities, providing a value added service to the patrons. Authors also feel that, there is a need to bring amendments to the existing GFR Rule 194 (ii) by the concerned authorities.

As these audits are conducted every six months, replying to their queries and sometimes even re-conducting of stock verification consumes most of the librarian's time. There should be an exclusive middle level manager to deal with the auditors and audit related works.

Though audit and auditing of records are essential for any government institution/ organisation, the management has to bring in proper controls in the system and follow a disciplined approach to evaluate the personnel and try to improve the system.

References:

1. https://en.wikipedia.org/wiki/Audit
2. http://www.primeacademy.com/smartmails/tue_31_3_09.htm
3. https://en.wikipedia.org/wiki/Comptroller_and_Auditor_General_of_India
4. *ISO 19011:2011—Guidelines for auditing management systems*
5. Audit of the University Libraries, Florida International University, Report No. 12/13-03, Sept 10, 2012
6. Some points are outcome of the Discussion with the Auditor
7. Some points are outcome of the Discussion among authors.

National Conference on Managing Libraries in Electronic Environment: Experiences & Success of Library Professionals 29-30th June 2017

8