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Paper No : 06 Management of Libraries and Information
Centres and Knowledge Centres

Module : 17 Financial Management (Allocation, accounting,
auditing)



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MODULE 17

- FINANCIAL MANAGEMENT (ALLOCATION, ACCOUNTING, AUDITING)

I. Objectives

The objectives of the unit/module are to:

- Realise the importance of allocation of finances in libraries and information organisations;
- Describe meaning of budget and its importance in libraries and information organizations; and categorize various budgetary methods;
- Establish norms, standards and principals involved in preparation of a budget and prepare a library budget;
- Maintain library accounts and related records, and conform to the accounting and auditing requirements of an information organization.

II. Learning Outcomes

After going through this unit/module, you would learn about the importance of allocation of finances in libraries and information organisations, meaning of budget and its importance in libraries and information organizations. You would also learn the various budgetary methods, norms, standards and principals involved in preparation of a budget; library accounts and related records, and accounting and auditing requirements of an information organization.

III. Structure

1. Introduction
2. Allocation of funds
3. Budget of library/information organization
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4. Preparation of library budget
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1. Introduction

Financial Management means planning, organizing, directing and controlling the financial activities including procurement and utilization of funds of the information organisation. It refers to applying general management principles to financial resources of any organisation. Library and information organization use it to oversee and manage their income and expenditure with the chief objective of providing satisfying services to their users.

An effective financial management system enables:

- achievement of short- and long-term goals
- improves performance of the information organisation
- streamlines payments for acquired resources
- ensures efficient billing procedures for sale of products and services
- eliminates accounting errors
- minimizes record-keeping redundancy
- enables compliance of accounting regulations
- helps library staff to quantify budget planning, and
- offers flexibility and expandability to accommodate change

In this module, we will learn, how allocation of funds is carried out after raising the funds through different channels. Budget allocation is a core problem faced by most libraries usually by public and academic libraries all over the world. The cost of library materials has increased tremendously during the past decade while increases to the libraries' collections budget have not kept pace. The funds should thus be allocated in such a manner that they are optimally used.

Once the funds are allocated, the next exercise is preparation of the library budget. This is due to the fact that the budget defines the operational possibilities for the library during a given period of time. It defines the health of the organization and its ability to provide services to a growing, increasingly diverse population that is demanding a greater variety of library materials in many formats.

In order to compile a budget, a library or information professional needs to have a good understanding and knowledge of the library's expenses and sources of revenue and plans for future growth. Timelines are generally given in which current budget expenditures and

revenues should be estimated. Future budgets are based upon costing forecasts derived from the current budget estimates.

Besides learning types of budget, methods of budget preparation, justification and approval of budget, we will also learn the kinds of financial records required by information organisations. Lastly, importance of audit in financial management will also be covered.

2. Allocation of Funds

Financial management is considered to be an integral aspect of management of any organisation. Libraries and information organisations too require effective and efficient management of their financial resources. However, information organisations being not-for-profit making organisations, differ from other organisations as far as the financial allocation is concerned. Libraries have usually been allocating their budget according to a formula based on usage statistics and cost of the materials. In the past few years, this approach has undergone a change due to the changing information technologies. Besides this, presently, fund allocations need to be adjusted from year to year, because of the constantly changing priorities of the institutions and the budgetary constraints faced by libraries.

Allocation of funds is dependent upon the following:

- To determine how libraries spend on their resources;
- How much of the share of the total budget is devoted to various services provided by the particular library;
- What is the composition of the resources allocated to each of the services;
- What are the costs for each unit of service delivered (assuming that output measures are available);
- What resources could we reallocate to support an existing service or to start a new service;
- Limited funds to purchase library materials;
- Formal and informal allocation of funds; and
- Perception of fairness and rational basis while allocating.

The most popular approaches to library budget allocation are formula based allocations. In these approaches, the allocation is determined proportionally based on several factors such as the number of functional divisions/units, user categories and number of users in each category, number of full time employees, etc. However it is hard to determine which factors to include in the formula and how to weigh them with a rationale which justifies these decisions.

Although in many libraries allocation formulae are used to allocate funds while many more just adopt an information approach to allocate funds. Rational, well-documented methods of fund allocation has several advantages over informal or ad hoc approaches. While allocation formulas can be applied to all kinds of library materials, relatively few institutions use formulas when allocating budgets for subscriptions or continuing resources. Formulas are used more often in the allocation of budget related to book collection. Funds should be allocated in such a manner that they are optimally used. In order to allocate funds in the best possible manner, the following points must be considered:

- The size of the organisation and its growth capability,
- Status of on-going activities, whether they are long term or short term, and
- Mode by which the funds are raised.

These financial decisions directly and indirectly influence other managerial activities. It is also vital to understand the library's parent institution's resource allocation system. There are various types of systems for allocating resources, and each can accomplish this task in very different ways. Although every library's parent organization's allocation system probably has unique aspects, most fall into one of almost a dozen general categories. Library heads who know how resources are allocated to their budgets can more easily determine how to influence the parent body so that their budgets get more money.

3. Budget Of Library/Information Organisation

Budgeting is the basic tool of financial management. A budget can be used to:

- provide a plan stated in monetary terms;
- identify costs associated with accomplishing specific goals;
- supply a basis for negotiation and subsequent authorization; and
- monitor progress toward goals.

Budgeting is essential to the financial management process. It is the most basic tool for any librarian for communicating his/her plans and goals in financial terms. It is a very useful management tool. Budgets can be developed at almost any organizational level, from that of a particular product or service to the master budget for the organization as a whole. Most librarians and information professionals usually deal at the level of a departmental budget, made up of the costs for one or more specific services or activities. A budget must be realistic, reasonable, and attainable.

As already stated above, promoting good library services depends on finance. Besides this, efficient library organization and management depends on adequate financial provisions in

budget of the library and information organization. The library authorities have to be aware of the fact that for better value of library services they should be willing to spend whatever is necessary for providing these services. Budgetary items in libraries may include:

1. Salaries
2. Training and continuing professional development
3. Capital items
4. Overheads
5. Operational costs
6. Acquisitions
7. Subscriptions

An annual budget must be established for each library to provide a tool to project resources necessary to achieve its goals and objectives, to measure current financial performance and guide operations related to financial provisions and to detect substantial changes in circumstances or working conditions of the organization. Various department of the library must operate within their allocated budget. If expenditures exceed the budget, justification for such excess must be provided. A formal plan to eliminate deficit balances must also be developed.

3.1 *Different kinds of budgets*

There are different kinds of budgets which one may come across or which one may see from references in literature. These are:

- Line Item Budget
- Lump Sum Budget
- Formula Budgets
- Performance Budget
- Programme Budget
- Planning Programming Budgeting System (PPBS), and
- Zero Based Budgeting (ZBB)

Let us discuss these methods of budgeting as below.

a) *Line Item Budget*

The most common type of budget is the line item budget and it consists of a series of lines, each of which represents a different item of expenditure. The first line may be salaries, followed by cost of materials, equipment and machinery, contingencies, etc. There is no hard

and fast rule as to how these lines are determined and the items specified in these lines may vary from organization to organization. The chief advantage of this method is that it is very simple and easy to prepare and for subsequent years by marginally increasing the amounts the budgets can be prepared. This method, however, has several drawbacks. These are, its inability to inform how money will be spent, there are no future projections and lastly, it is very rigid as money allocated for one head cannot be shifted to another head. But chief advantage is that it is simple to prepare and easy to understand.

b) Lump Sum Budget

In this approach, the authorities provide adequate funds to the parent body of the library and out of which the parent body fixes a certain amount for the library. Usually as a norm, a certain percentage of the whole budget is fixed for the library and the library has to manage out of that amount. In this manner, the budget for the library appears to be lump sum in the organizational budget of the parent organization. However, although the amount may appear to be lump sum, the library professionals have to decide how to allocate funds to various heads of the library. Thus, budget preparation here is at lower or micro-level or a specific budget in a large organization that otherwise prepares budget in the macro-level of the organization.

c) Formula Budgets

The formula budget describes a situation in which the distribution of funds to various organizations performing a similar or a parallel function is based on some formula. For example, a state may distribute funds to libraries within the state university or college system based on a particular formula, input for which might be the number of full-time registered undergraduate students, postgraduate students, faculty members, the extent of collection at hand and to be maintained, or any other such factor. Such a formula could determine the precise amount to be allocated to each institution or the relative size of the amount which each organization gets. A formula budget, of course, determines what the library will get, and not how it will spend. The library has also to carry out the planning and the other details required in the budgeting process to determine what is the best way to spend the money.

d) Performance Budget

In this case, the budget is based presumably on what the organization does and what services it proposes or is required to perform. For each item, a unit cost could be developed. For example, it costs 'A' amount to circulate a book, 'B' amount to process a new book. The budget of the library would then simply be based on the volume of the activities anticipated for the year, taking into account the unit cost for these activities. A performance budget thus is based on expenditure incurred on performance of activities and the stress is on

operational efficiency. A drawback of this method is that it measures only quantity and not quality which is rather difficult to measure as user satisfaction depends on it.

e) *Programme Budget*

Here, the proposed expenses of the organization are delineated and analysed by the functions it undertakes. A programme budget usually sets forth the library's proposed expenditures as they are related to each function. The advantage of such a budget is that one can see what the money expended is doing and one also get an idea of what will suffer if the budget is cut or what resources will be needed to increase the scope or extent of particular services or functions. A useful and informative way of presenting a budget is to graphically combine the line item budget and the programme budget. Such an assembled presentation shows what money is going where and to what end.

f) *Programme Planning and Budgeting System (PPBS)*

A sophisticated and revised version of programme budgeting is referred to as the Programme Planning and Budgeting System (PPBS), which combines the best of programme budgeting and performance budgeting. PPBS was introduced for the first time in US Department of Defense, by Robert McNamara in the 1960s. The chief feature of this approach is that the objectives to be accomplished are defined before the resources are allocated to carry out the activities/programmes. After the objectives are defined, the various alternatives for accomplishing those objectives are examined and costs estimated. After the selection of the appropriate alternative, the budgets for the organization are created. Because the system looks at various alternatives, it must view those alternatives over a long period of time. Thus, the effective life of each alternative is required to be evaluated, which alternative will first require replacement, how costly will that replacement be, etc. In addition, PPBS does not assume an organizational structure. Only after the alternatives are weighed and evaluated and a course of action is selected, the effect upon the organization will be clear.

PPBS, thus, involves expressing an objective and then evaluates the adequacy of different alternatives in terms of meeting that objective, the more one can quantify both the objective and the results of the different alternatives, the easier the decision making becomes. This quantification, however, is a function of the implementation of PPBS, and while a formal PPBS program is not functional without objectives and alternatives that can be quantified in some degree, that quantification is not the essence of PPBS itself. The PPBS method, therefore, combines the functions of planning activities, programmes and services, translating them into tangible projects and finally presents the requirements in budgetary terms.

g) Zero Based Budgeting (ZBB)

The latest technique of budgeting, which has been primarily used in industry and government but now also in all types of libraries is the Zero-Based Budgeting (ZBB). This technique started in United States in the early 1970s and has become quite popular in India too especially in the government sector. ZBB is defined as a method of budgeting in which all expenses must be justified for each new period. Zero-based budgeting starts from a "zero base" and every function within the organisation is analysed for its needs and costs. Budget is then built around what is to be done in the coming year, regardless of whether the budget is higher or lower than the previous one. Let us look at this approach in terms of libraries and information centres. In case of conventional budgeting systems, previous year's budget is used as a baseline and is usually adjusted to reflect current situations and justification is given for increases in various activities, etc. In case of ZBB, each unit of the budget must be justified and placed in a hierarchy. Activities are broken into packages and funds are allocated in their package hierarchy until funds are no longer available till the cut-off point.

Thus in zero-based budgeting two important steps are identified, that is, identification of the decision packages and ranking of these packages. In identification of decision packages, the package identified should be the lowest unit for which a budget can be prepared. It requires a description of each activity with that management unit. This process of description requires the identification of goals and objectives, a statement of alternatives, the reason for the activity, consequences of not introducing the package, detailed measurement of performance and the costs of the activity. After a decision unit is identified, a series of decision packages is identified, each including goals and objectives and so on. The process of specifically identifying decision packages focuses on the best way of doing things, either by saving costs or efficiency of service. Once the alternatives have been suggested, quantitative measures must be established to monitor output, which is usually expressed in financial terms. With all the decision packages developed, using the objectives as guides, they are ranked in priority order and are presented for approval or rejection, the decision being based on position in hierarchy and affordability.

Ranking decision packages or setting priorities with each unit of the organization helps in taking decisions about the most important activities within that unit of the organization. After each unit identifies its priorities, the priorities of all units are collected together and the process is carried out in the light of the decision packages' importance to the total organization. Each decision package relates, to some extent, to others, and this interrelationship must be considered in ranking them, because related decision packages share costs of personnel and resources. At some level in hierarchy of the priorities is the cutoff level, and decision packages that fall below it are not funded. Because setting

priorities at the organizational level involves every unit within the organization, it is important that guidelines be established for ranking purpose.

Zero-based budgeting thus is not concerned with what happened previously but with what is required in the future. Also it is very similar to PPBS as careful analysis of activities what are required for the library and their justification has to be identified. The ZBB process also enables an indication of the real costs of the various activities with an estimate of the minimum cost level necessary to provide each service. All the above factors makes the zero-based budgeting the best technique for budgeting especially in Indian libraries.

3.2 Budgetary standards and norms

In the previous module, we have learnt the methods of financial estimation, which are, per capita method, formula method, proportionate method, and method of details. In the per capita method, minimum financial appropriation is made on per head basis which is considered essential for providing proper or standard library services. In the case of formula method, the distribution of funds to a library is based on some predetermined formula. The proportionate method is based on the presumption that authorities provide adequate funds to the parent body of the library and out of which the parent body fixes a certain fixed amount for the library. Lastly, the method of details involves all the items of expenditure to be taken into consideration for the purpose of preparing financial estimates. In view of this, let us now know about budgetary standards and norms.

As you are aware, the chief items of any budget are:

- Salaries of staff
- Cost of materials including books and periodicals
- Stationery, equipment, supplies
- Maintenance expenditure
- Miscellaneous and contingency charges

For establishing budgetary norms and standards concerning distribution of funds to libraries, the above mentioned major items of expenditure are to be taken into consideration. These norms and standards differ from library to library.

Ranganathan has suggested the following norm for expenditure for a university library:

Staff	50 %
Books and other reading materials	40 %
Miscellaneous	10 %

The University Grants Commission Library Committee has also suggested similar norms for university libraries. Taking into account the commendations of UGC, other university and education commissions, similar standards in other countries and several library experts, the following norms have can be established for academic libraries.

Salaries and Allowances	50 %
Books	20 %
Periodicals	13 %
Binding	7 %
Others (including maintenance, Stationery and contingencies)	10 %

Similarly, in the case of public libraries, the norms are as below:

Salaries and Allowances	50 %
Books	20 %
Periodicals	5 %
Binding	5 %
Others (including maintenance, Stationery and contingencies)	20 %

For the special libraries, the following norms can be applied:

Salaries and Allowances	30 %
Books	20 %
Periodicals	30 %
Binding	10 %
Others (including maintenance, Stationery and contingencies)	10 %

However, with regard to the above norms, it has to be remembered that the above mentioned norms are only applied as guidelines as each library has to go according to the rules and regulations of its parent body and the norms as eventually decided by its authorities are to be considered for the purpose of budget making. The chief objective of any library is to provide services to its users in the best possible manner. Therefore, with the

increase in costs of reading materials and increase in salaries, the budgets should also keep pace. The library budget should also be prepared keeping in view the demands made on the library.

4. Preparation of Library Budget

Before preparing a budget, it is always essential to examine the budget history, that is, examine budget statements and end-of-year statements for the last three years to get the history of the organization and determine trends. The preparation of the budget is the responsibility of the librarian or the information professionals who are also entrusted with the job of administering the allocated funds within the library's overall programmes and activities. The details about the items on the budget and their justifications form part of the budget preparation process, but justification should not be limited to any time frame. The review and questioning about services and justification for funds should be a continuous process. The senior management and financial authorities should convey the views and policy directions for the budget under preparation well advance before the actual presentation of the budget. Proposals for new and forthcoming services, activities and projects should also be prepared and projected properly in the budget under preparation.

The proposed budget should be fully supported with proper documents justifying the proposals and linking these with approved plans. The library professional responsible for preparing the budget should do the home work properly by taking sufficient time and with proper efforts to understand the budgeting process within the parent organization. This helps when final presentation of the budget is made to authorities for approval and justifies the requests for monetary funding for the future.

4.1 Calculation of expenditure

The preparation of budget necessitates calculation of expenditure which consists of the capital expenditures and operating expenditures. Capital expenditures are one time expenditures like the new library building or automating the library or buying a photocopier, etc. Capital expenditures can reoccur, but they are not on-going costs. They usually represent long-term investments.

Operating expenditures are current, on-going costs associated with the day-to-day operations of the information organization. These are divided into fixed and variable costs. The fixed costs relate to annual overhead charges such as rent, building maintenance, security, charges for contractual services, etc. On the other hand, variable costs vary according to usage and relate to consultancy fees, use of online retrieval of information, electricity charges, conveyance charges, postage, etc.

In Indian libraries, the budget requirements are usually filled up in a pre-designed form devised for the purpose by parent organization of the library. The details to be included in this form include details of expenditure on:

- a) salaries and allowances of library staff members, and
- b) various items required for the library.

All the items of expenditure are to show under:

- 1) actual expenditure actually incurred the previous year
- 2) original financial estimates for the current year
- 3) revised estimates for the current year, and
- 4) original financial estimates for the next year.

This reflects the fact that the budget preparation is not an exercise which is carried out in isolation and is an effort where details of expenditure of previous year, expenditure being carried out in the current year and projections for the future are being carried out. Thus the whole process has to be carried out by an experienced person who is well-versed with the activities of the organization as organisation's performance is being reflected in the budgetary preparation process.

4.2 Contents of a budget document

The budget is a document that is prepared, seen and approved by several officials at various levels of the organisation. Thus, it has to be self-contained in all respects with regard to the activities and services of the library. Every item of expenditure should have reference to the past allocations, current allocations and future requirements with clear terms and proper justification for the additional funds requirements.

The contents of a budget document should be:

Title page

Contents page

Mandate of the library

Synopsis of the budget

Complete budget in tabular form (on a single page)

Part I

Goals and objectives of the library (Briefly)

Activities and achievements of the previous year

Anticipated activities and proposed goals (for the Budgeted year)

Future projections

Part II

Budgetary estimates

Item-wise estimates

- Salaries and allowances
- Reading materials
 - Documentary
 - Electronic
- Library services
- Machinery and equipment
- Stationery and consumables
- Maintenance and security
- Conveyance, postage
- Contingencies
- Miscellaneous

Lastly, a conclusion may be given which may give additional information and other justifications, if required, regarding request for additional funding.

4.3 Principles of budget-making

There are two fundamental budgeting principles, firstly, a budget is a tool for planning *and* monitoring, and secondly, for the budget to be accurate and effective the process must be inclusive. The librarian is responsible for preparing budget estimates in consultation with administration and finance departments of the library. The budgetary estimates should also include expenditure on new staff already recruited or to be recruited and likely purchase of new furniture and equipment for the library. The following aspects for submitting budget estimates may be borne in mind:

1. Demand should be made in the budget estimates for non-recurring and ad hoc grants towards employing temporary staff for a specific period to purchase and process library materials required for specific purpose.

2. The budget should be submitted and approved well in time before the beginning of the financial year.
3. The budget estimates should be prepared in consultation with various departmental heads of the library.
4. The library in-charge should ask for sufficient funds in each category of the budget to support the various programmes leading to sound development of library activities.
5. The budget should represent library planning in terms of its objectives and goals including provision of funds for purchase of books and periodicals for new projects/activities to be instituted in the near future.
6. The budget should be reasonably flexible in its execution. The classification of the budget categories should enable the librarian to check the financial record against the periodic balance statements sent out by the accounts department of the library.

The guiding principles of budget-making reflect the fact that development of a budget is a political and administrative process that also has financial and technical dimensions. In view of this, principles of budget-making are:

- Establish broad goals to guide decision making
- Develop approaches to achieve goals
- Develop a budget consistent with approaches to achieve goals
- Responsible fiscal management
- Clear lines of accountability
- Flexibility to respond to short-term challenges and plan for a long-term vision
- Good financial information
- Stability in the decision-making process
- Evaluate performance and make adjustments

Besides the above, it should be remembered that a budget does not exist in a vacuum. Instead it should respond specifically to the organization's current operating context. The financial weaknesses of the organization have to be identified and rectified in the in the coming year. If the organization want to do differently or better next year, measures for the same have to be taken.

4.4 Justifying the budget request

The budget justification is an explanation of each of the components of the budget, which "justifies" the cost in terms of the proposed activity. The explanations should focus on how each budget item is required to achieve the aims of the organisation and how the estimated

costs in the budget were calculated. When a detailed budget is submitted, all items in the budget should be justified.

After preparation of the budget, it is submitted to the authorities for approval. Before final approval to the budget is granted, the authorities may want to know why funds are required, especially if request for funding is more than the previous year. It may be for new recruitments, new services, additional equipment, etc. The merits of the request made are reviewed by the authorities in the light of other similar organizations and the availability of funds for disposal. While justifying the budget, it is required that details and explanation for additional funds be provided.

Many times, it is a good idea to ask for slightly more than actually required by padding all the financial requirements. It is due to the fact that usually budgetary authorities tend to sanction amount lesser than what is actually asked for. In such cases, the information organizations manage to operate even if complete amount as requested for is not approved as they had originally asked for slightly more than actually required.

Lastly, while preparing the budget, it is essential that all budgetary requests are made in a simple straightforward manner under proper budgetary heads. Many times authorities reject or ask for revision of the budgetary details if they do not understand the presentation/request for the budget. It is also essential to keep ready all supporting documents that are available and required as these are very essential for justification of the budget.

4.5 Approval of the budget

Approval of the budget by the authorities of the information organization is only after they are satisfied with the justifications provided by the librarian who presents the budget. The approval in academic organizations is granted by the library committee which is composed of senior academicians and the authorities finally approve the budget. In case of public libraries, the public library authority has the power to approve the budget. Finally in case of special libraries, the parent body of the library or the governing board of the parent body has the power to approve the budget.

The approved budget is formally notified to the library professionals and in the beginning of the financial year, the expenditure starts under various budgetary heads.

5. Accounting

Accounting is a pre-requisite of a sound and efficient financial management system of any library or information centre. It is primarily a system of measurement and reporting of economic events based upon the accounting equation for the purpose of decision making.

Generally, when someone says "accounting" they are referring to the department, activity or individuals involved in the application of the accounting equation.

In accounting, systematic maintenance of income and expenditure of the library or the information centre is carried out by recording the same. Proper accounting also helps in future planning and preparing budgets for the forthcoming years. In libraries and information organizations, accounting is referred to as the bookkeeping methods involved in making a financial record of transactions and in the preparation of statements concerning the assets, liabilities, and operating results of the information organisation.

Accounting is also the classification, analysis, and interpretation of the financial, or bookkeeping or records of an organization. The professional who supplies such services is referred to as an accountant. In the recent years, libraries too require the services of qualified accountants for efficient financial management. It is different from auditing which is an important branch of accounting. Thus, accounting, in other words, is a system that provides quantitative information about finances by maintaining and auditing records and preparing financial reports for the library.

5.1 Financial records

Financial records are those records that deal with finances or relate to financial matters. Libraries and information organizations too, like other organizations, maintain their financial records. As in the case of budget preparation, the financial records are maintained as per the practice of the parent organization of the library. In the present times, the librarian usually does not maintain separate financial records for the library but these are usually maintained by the accounts section of the parent body of the library as the purchase transactions and payments, etc. are handled centrally. However, in case of large libraries, like a national library or a large university library, there may be a separate finance division specially for handling the financial transactions of the library.

The financial records are to be maintained on yearly basis, that is, from the beginning of the financial year till the end of the financial year. Records for the particular year are to be maintained and the exercise should begin afresh from the next year. The financial records of any library should usually contain details of outstanding orders, bills pending for payment and bills already paid.

The chief purpose of financial records is to keep the expenditures in check, that is, within the approved budget. Some other uses of the financial records are:

- These help in preparing the annual report especially with regard to the details concerning financial spending, etc.

- These are useful in allocating budget under various budgetary heads.
- These provide first-hand information about allocated budget already spent and due in a particular financial year, and
- These make available details about payments received, payments due, bills pending, etc.

The financial records also maintain details related to the payments and the receipts issued. There is diversity in the manner in which the records are maintained by various libraries and information organizations. It should be remembered that it does not matter much regarding the manner in which the records are maintained but what matters most is the fact that the accounts should be kept in a simple and straightforward manner and the records should be as simple as possible. Simplicity leads to consistency and efficiency and in the matter of financial records it better that they are convenient to check all the time.

5.2 Type of financial records

The various types of records to be maintained by any library or information organization are:

- a) Ledger
- b) Cash book
- c) Allocation register
- d) Invoice register
- e) Salary register
- f) Monthly Statement of expenditure
- g) Petty cash register
- h) Purchase record
- i) Revenue record
- j) Equipment register

6. Auditing

Auditing is a very important process for any organization for efficient financial management. It is referred to as:

- An examination of records or financial accounts to check their accuracy,
- An adjustment or correction of accounts, and
- An examined and verified account.

Auditing, thus, is examination and statement of accounts and of other documents connected with accounts by persons who have had no part in their preparation. Systems of financial inspection have long been used, especially in connection with public accounts. It must

determine whether all assets and liabilities shown are actual, and that they are properly incurred, valued, and recorded. A check must be made of the surplus, income, and capital-stock accounts, verified by the examination of the authorizations for expenditure and by comparing the amounts issued with the amounts authorized. Finally, auditing constitutes an independent check on the tendency to overstate assets and understate liabilities.

6.1 Types of audit

In Indian libraries, two types of financial audit systems are seen, these are, pre-audit and post-audit also referred to as audit.

6.2 Pre-audit

Pre-audit system is usually followed in government organizations where the audit system is very rigorous. Also in case of pre-audit, no item can be passed for payment or no payment is dispersed unless it has been first audited. The pre-audit system thus reduces the responsibility of financial department making payments as all the essential verification related to charging of approved rates, correctness of calculations, checking of items, etc. are carried out by the audit department or an authorized financial person in advance. Here, instead of the dispersing officer, the audit officials usually satisfy themselves regarding authenticity of the payment and all bills, etc. related to the payment.

In many large organizations, usually the parent organization gets carried out a pre-audit by a team of professional auditors prior to the actual audit. This reduces the errors, etc. when the actual audit takes place.

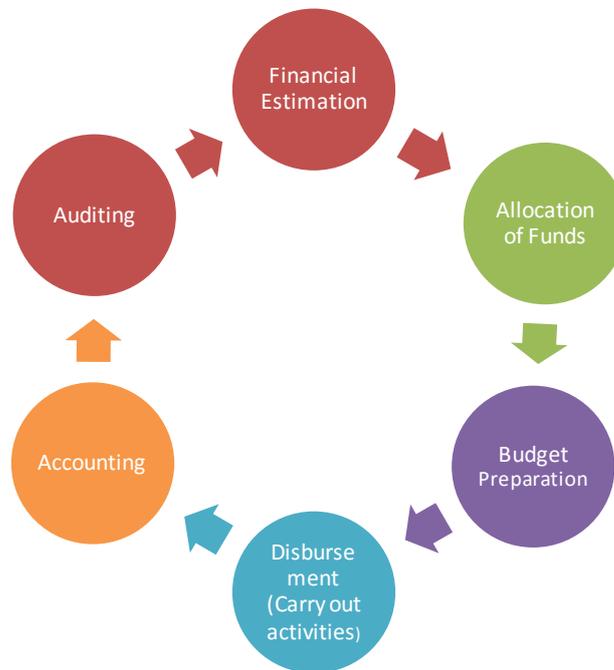
3.3 Post-audit

The usually practice in most of the libraries and information organizations is that audit is carried out by a team of professional appointed by the financial authorities or the government responsible for funding the organization. In post-audit, the usual method of making payments by finance department are carried out after proper documentation of bill, maintenance of records and proper entries in ledger, cash book, etc. At the end of financial year, the professional audit team visits the library, checks all financial records minutely or randomly as the case may be. Payments made during the year are checked against the sanctions, approvals, appropriation of budget alongwith bills and proper entries, etc. If any mistakes are noticed, these are pointed out and accounts persons are warned to make corrections, if possible and to be careful in the future.

In libraries and information organizations, although the finances are handled by the finance department of library or of the parent organization, the responsibility for getting the auditing done lies with the librarian or in charge of the library. It is, therefore, essential that the

librarian should maintain the all the financial records in order alongwith all the bills etc. for various payments made during the financial year.

Fig.: Budgeting Cycle in Information Organisations



7. Summary

Significant features of a good financial management system includes keeping all receipts and payments transparent, maintaining financial records up to date and controlling the financial statements. Librarians have to fully understand and prepare a comprehensive budget as a plan for current, future and long-range library growth.

Budgeting for library services is one of librarian's or information specialist's most important tasks. During the economic times, a librarian may find it easy to justify an increasing budget to the library's governing body, but in times of gloomy financial forecasts, library services may be seen as non-essential. A budget may be realistic, reasonable and attainable. The departments of the organization must operate within their budget. If expenditures should exceed budget, justification for such excesses must be provided. A formal plan to eliminate deficit balances must also be developed.

Budgetary planning should be based on library's mission statement and goals. It is always better to prepare long-range (three to five year) financial plans. Budget documents generally need to adhere to a format specified by the parent organization. There are several different types of budgets: line item budgets, program budgets, zero-based budgets, performance budgets, and five-year (or long-range) budget. An organization may choose to use any of these types of budgeting procedures.

The budget defines the operational possibilities for the library during a given period of time. It defines the health of the organization and its ability to provide services to a growing, increasingly diverse population that is demanding a greater variety of library materials in many formats.

The final aspect of budgeting involves maintaining the financial records and getting the auditing of the records carried out. The financial records should be kept in simple yet meticulous manner so that all payments etc. are shown along with proper documentation.

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