

Head 52 - Non-Cabinet Ministry of Science, Technology and Research

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Non-Cabinet Ministry of Science, Technology and Research for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, and cash flow statement for the year then ended, 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 read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Non-Cabinet Ministry of Science, Technology and Research was issued to the Chief Accounting Officer on 02 June 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Non-Cabinet Ministry of Science, Technology and Research was issued to the Chief Accounting Officer on 17 July 2020 in terms of Section 11 (2) of the National Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the Non-Cabinet Ministry of Science, Technology and Research as at 31 December 2019 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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 opinion.

1.3 Responsibilities of Chief Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry 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.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of 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 skepticism throughout the audit. I also furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control of the Ministry, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act No. 19 of 2018 .

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendations made by me regarding the financial statements furnished for the preceding year had been implemented .

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The property, plant and equipment had been stated as Rs. 2,675,853,653 in the statement of financial position and that value had been shown as Rs.2,686,430,140 under the Treasury's CIGAS programme. Accordingly, a difference of Rs.10,576,487 was observed.	The value of assets should be indicated accurately in financial statements.	The cost of assets sold and transferred to other Ministries during the year 2019 amounting Rs. 10,576,487 could not be debited through the New CIGAS computer programme as at 31 December 2019. However, actions have been taken to debit the assets valued at Rs. 1,186,487 under the CIGAS programme out of that value and it is kindly informed that the rest will be included to the CIGAS programme promptly.
(b) The amount of Rs. 1,186,487 received from the sale of assets had not been shown under the CIGAS Programme.	The value of assets should be indicated accurately in financial statements.	-do-

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| <p>(c) Purchases are made through the Divisional Secretariats also for 267 Vidatha Centers exists under the Ministry and actions had not been taken to identify and account for the properties, plants and equipment purchased as such amounting to Rs. 2,372,847 during the year and the property, plants and equipment purchased during previous years had also not been identified and accounted for.</p> | <p>The value of assets should be indicated accurately in financial statements.</p> | <p>Equipment for all Vidatha Resource Centers are procured through the Divisional Secretariats. The relevant documents are maintained by the Divisional Secretariats and the equipment is inventoried after being handed over to the Vidatha Resource Centers. At present, necessary arrangements are being made to receive the details of equipment purchased for the year 2018/2019 to the Ministry and to account for those assets through the New CIGAS Computer Programme.</p> |
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1.6.2 Failure to Maintain Documents and Books

Audit Observation

Recommendation

Comments of the Chief Accounting Officer

A Register of Security Deposits containing the details of the officers and employees who had to keep securities in accordance with Financial Regulation 891 (1) had not been prepared.

A Register of Security Deposits of the officers who had to keep securities should be maintained including the information contained in Financial Regulation 891 (1).

It is kindly informed that the actions have been taken to provide necessary instructions to identify the officers who are required to keep securities and to take the necessary steps to make deposits in future in terms of the Financial Regulations 880.

2. Financial Review

2.1 Expenditure Management

Audit Observation

Although it is the responsibility of the Chief Accounting Officer to prepare the estimates as accurately as possible in accordance with Financial Regulation 50 (II), the total net provision of Rs. 320,000,000 made for 11 expenditure objects had been saved because it had not acted upon.

Recommendation

Accurate cost estimates should be prepared in accordance with Financial Regulations 50 .

Comments of the Chief Accounting Officer

The excess in assets occurred with the acquisition of the assets by this Ministry from the Ministry of Special Projects, restrictions on procurement, there was no building available to meet the requirement though the procurement works were carried out and restrictions made on expenditure as per National Budget Circular No. 5/2019 had caused for savings in provisions.

2.2 Deposit Balances

Audit Observation

Actions had not been taken in respect of the deposits valued at Rs. 1,995,988 over a period of 02 years in terms of Financial Regulations 571

Recommendation

Actions should be taken in accordance with Financial Regulations 571 .

Comments of the Chief Accounting Officer

This an amount received for the STS Forum and the decisions of the Committee are being made to pay this amount. Accordingly, steps are being taken to complete the payment as soon as possible.

3. Operating Review

3.1 Planning

The deficiencies revealed in respect of the performance of the planning in terms of Public Finance Circular No. 2014/01 dated 17 February 2014 are as follows.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) The functional time frame and the expected output results of those activities of the prepared activity plans as per the priorities based on the annual budget pertaining to the year under review had not been estimated and mentioned.</p>	<p>The time frame for implementation of the activities, expected outputs and results of those activities should be mentioned as per the Public Finance Circular No. 01/2014 dated 17 February 2014 .</p>	<p>The Action Plan has been prepared including the activities prepared according to the priorities based on the Annual Budget during the relevant year, the functional time frame and the key performance indicator / output indicators. The projects were identified on a priority basis and the Action Plan have been prepared in relation to the selected major projects based on the allocations received for the year 2019.</p>
<p>(b) The updated organizational structure of the institution, approved staff and details of the staff currently employed as well as the Internal Audit Plan of the year under review had not been included in the Action Plan .</p>	<p>Organizational structure, Approved Cadre and Actual Staff and Internal Audit Plan should be submitted for audit in terms of Public Finance Circular No. 01/2014 dated 17 February 2014 .</p>	<p>The details of the approved staff and the actual staff have not been included in preparation of the Action Plan for the year 2019. However, in preparing the Action Plans for the future years, it was taken into notes to be prepared as per the instructions of the Circular 1/2014 .</p>

3.2 Failure to Perform the Roles

The observations on the non-fulfillment of the roles that the Ministry supposed to be performed were as follows.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(a) Even though it had been planned to commence the construction of the National Science Center in the year 2019, only the activities of purchasing of the land had been completed.</p>	<p>The other plans and the time frame required to perform the planned role, should be accurately planned and the arrangements should be made upon with those plans.</p>	<p>Comments have not been given.</p>
<p>(b) Even though a Study Programme of the Solar Panel Prototype Project had been planned to be held regionally with the participation of 100 teachers, the programme had not been held. Although Rs. 400,000 had been allocated for this purpose, the entire provision had remained. An awareness programme with the involvement of 38 teachers had only been conducted on 04 November 2019 .</p>	<p>The other plans and the time frame required to perform the planned role should be accurately planned and implemented.</p>	<p>For a start, a Teacher Awareness Programme has been conducted in collaboration with the Ministry of Education (MoE) for 38 teachers on 04 November 2019. Discussions are being carried out to improve this programme. The curriculum for the programme is currently being reviewed and it is expected to launch this programme at the beginning of the next year.</p>

3.3 Delays in Execution of Projects

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Even though a sum of Rs. 70 million had been incurred on the Petroleum Production Facility Installation Project by the Institute of Industrial Technology, those tests had not been commenced even at present .	Actions should be taken to get a maximum benefit for the money spent.	Comments have not been given.
(b) A one million rupees had been allocated for the Talent Young Scientific Program Indian Scientific and Research Fellowship Programme under the Scientific Training Programmes. A newspaper advertisement had been published for this purpose as no applications were received, the amount of Rs. 27,140 spent on it had been a futile expense. Even though it had been stated that 07 applications had been received as per the reply given by the Ministry, the Ministry had failed to submit any evidence to prove it.	The other plans and the time frame required to be performed the role planned should be accurately determined.	Even though the newspaper advertisements for the TYSF / ISRF Programme were published on 23 January 2019 and 07 applications were received by the Ministry, as the basic qualifications were not met, it was impossible to submit a single application for the Scientific Research Exchange Programme with China or India.

3.4 Procurement

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Even though it had been estimated an amount of Rs.1,950,000 to purchase 02 projection bulbs for	Actions should be taken as possible to offer bids to interested parties.	The bids have been invited from 05 registered bulb suppliers in SLT Rainbow Pages with the approval of the

the Sri Lanka Planetarium, 04 bulbs had been purchased for Rs. 3,049,800 during the year 2019. It had been decided at the Tender Evaluation Committee meeting held on 17 October

2018 to purchase 04 bulbs from the parent company which had supplied the Projector. Furthermore, the Technical Evaluation Committee had stated that the international competitive bidding procurement system should be followed if the bulbs cannot be purchased from that institution. Nevertheless, 04 projection bulbs had been purchased by inviting bids from several local institutions without paying attention on it.

Secretary to the Ministry, only one institution had submitted bids when the bid was opened by the Bid Opening Committee on 28 February 2019 at 11.30 a.m . Accordingly, it is kindly informed that the relevant purchase had been made in

accordance with the procurement process.

- (b) Even though a contract agreement was required to be signed after accepting the bid submitted by the bidder as per Section 8.9.1 (b) of the National Procurement Guidelines, the agreement had not been signed for the purchases valued at Rs. 3,049,800.
- Actions should be taken in accordance with the provisions of the Procurement Guidelines.
- It is kindly informed that the order had been placed by a formal order and the supplier had delivered the relevant items duly to the Sri Lanka Planetarium and a warranty certificate had also been issued.
- (c) A sum of Rs. 4,519,324 had been paid to a private company for repairing, polishing and cushioning 564 seats in the Sri Lanka Planetarium Dome belonging to the Ministry of Science, Technology and Research. The total cost estimate for this activity had not been prepared in terms of 4.3.1 and 4.3.2 of the National Procurement Guidelines in this regard.
- Actions should be taken in accordance with the provisions of the Procurement Guidelines.
- It has been included in the Procurement Plan expecting to incur as an approximate estimate of Rs. 4,000,000 in this regard. Steps will be taken to rectify such omissions in future.
- (d) Even though the supplier was paid a sum of Rs. 2,660 per chair to repair a number of 275 chairs in the Sri Lanka Planetarium Dome, the details of repairs were not submitted to
- All the information related to the procurement should be filed.
- It has been clearly stated in the Page No. 9 of the bidding document that what was expected from bidders in connection with the repairs.

the audit because these details of repairs were not attached in the respective file.

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| <p>(e) Even though the bid value which was submitted by the bidder had exceeded the Rs. 500,000, in terms of Section 8.9.1 (a) of the National Procurement Guidelines in the work of repairing chairs, cushioning and polishing of the Sri Lanka Planetarium Dome, the Ministry had not taken steps to sign a formal agreement for that.</p> | <p>Actions should be taken in accordance with the provisions of the Procurement Guidelines.</p> | <p>Even though the relevant bidder had been informed by the Procurement Awarding Letter dated 07 March 2019 to enter into the agreement, it has not been done due to a mistake .</p> |
| <p>(f) Although the Performance Securities were required to be obtained from selected suppliers in accordance with 5.4.10 (c) of the National Procurement Guidelines for the aforesaid purpose, actions had not been so taken.</p> | <p>Actions should be taken in accordance with the provisions of the Procurement Guidelines.</p> | <p>Even though it has been informed by the Procurement Awarding Letter dated 07 March 2019 to submit a Performance Security, he had not offered Performance Security. However, this activity has been done and completed as scheduled during the prescribed time period.</p> |
| <p>(g) Even though it had been stated that if the Technical Evaluation Committee needs the assistance of an</p> | <p>All the information related to the procurement should be filed.</p> | <p>Because of the Technical Evaluation Committee did not have a good knowledge of the price and quality of Rexene and other components, as the Chairman of the Technical Evaluation</p> |

external advisor in accordance with Paragraph 2.6.1 (b) of the National Procurement Guidelines for the above purpose, an external consultant had been appointed on 26 March 2019 to inspect the samples after the procurement work was handed over to the supplier without the approval of the Technical Evaluation Committee.

Accordingly, an additional amount of Rs. 186,120 had been paid to the supplier for the changes made by the external consultant by testing the samples.

- (h) Bids had been invited from 16 vehicle cushioning companies in the rainbow pages of the Sri Lanka Telecom Telephone Directory for repairing chairs, cushioning and polishing of chairs in the Sri Lanka Planetarium Dome. In this, even though only three institutions had submitted bids, the owner of all three institutes was the same person.

Actions should be taken to obtain the highest quality service with a lowest cost when making procurements.

Committee had verbally informed the Ministry Procurement Committee, the approval had been given to obtain the assistance of an External Expert Officer to the Technical Evaluation Committee on a decision of the Ministry Procurement Committee in order to use public money more efficiently and effectively. Accordingly, the detailed work to be done as per the detailed report dated 09 April 2019 of the Appointed Specialist Officer has been stated and the recommendation of the Technical Evaluation Committee dated 08 August 2019 has been given for those special functions. Accordingly, it is kindly informed that this payment has been made with the approval of the Specialist Officers, the Technical Evaluation Committee and the Secretary to the Ministry.

It is kindly informed that the bids have been invited from the 16 companies mentioned in the Rainbow Pages when bidding in terms of the Procurement Guidelines.

- (i) The Department of Government Factory had not been contacted for the arrangement of chairs for the Sri Lanka Planetarium. Actions should be taken to obtain the highest quality service with a lowest cost when making procurements. It is kindly informed that the government institutions had been skipped on calling quotations from the Rainbow pages.

3.5 Asset Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The Board of Survey had not been conducted by 28 February 2020, the date of the financial statements.	Actions should be taken to verify the goods by 28 February 2020 which is the financial statements date.	The Board of Survey of 49 Vidatha Resource Centers have been completed and reports have been sent to the Ministry. Therefore, actions will be taken to bought down the remaining reports as soon as possible and complete the verification activities of the goods.
(b) Eighteen items issued to the former State Minister of the Ministry of Science, Technology and Research, including one laptop, one washing machine and one mobile phone, had not been taken back until 27 July 2020.	The relevant actions should be taken immediately to acquire the assets back .	Although the former State Minister has been notified by letters dated 20.12.2019, 24.10.2019, 14.03.2019, 06 February 2019 to take actions to hand over the relevant goods properly, no reply whatsoever had been received so far.
(c) The Science and Technology Officers of Vidatha Centers in Meda Dumbara and Pathadumbara had not reported for duty from 09 December 2016 and 15 November 2016 respectively and the value of the motorcycles issued to them was Rs.	It should act in accordance with Section 4 of Chapter XXIV of the Establishments Code.	Due to the appeal made by Mr. KAR Dharmakeerthi of Vidatha Center, Medadumbara 03 months after the announcement of his resignation, the actions are being taken to reinstate or

144,920 each and actions had not been taken to recover the aforesaid amounts or to acquire the motorcycles to the Ministry.

retire as per the instructions of the Public Service Commission and actions will be taken to recover the value of the motorcycle if the disciplinary authority refuses to reinstate or retire in future. Even though the officer of the Pathadumbara Center had been informed by two letters it had not been responded so far.

3.6 Securities kept by Public Officers

Audit Observation

Even though the officers who are administratively responsible for the issuance of government revenue, stamps or goods in charge or the issuance of goods and those who have been entrusted with the task under the authority and those who certify the vouchers and cheques related to government contracts are guaranteed as per Authority 612 of the Security Ordinance should keep securities in accordance with Financial Regulations 880, the Ministry Officials who involved in those activities had not kept securities.

Recommendation

Actions should be taken in accordance with Financial Regulation 880.

Comments of the Chief Accounting Officer

Comments have not been given.

3.7 Informal Transactions

Audit Observation

A mobile phone valued at Rs. 219,999 had been purchased for the use of the Non-cabinet Minister of the Ministry of Science, Technology and Research and had damaged during the warranty period. A new phone had been purchased from the same company where the mobile phone had been purchased for an additional amount of Rs.127,447 once again. The original copy of the invoice was not submitted for audit stating as this amount of Rs. 127,447 had been paid obtaining an estimate from the institution as per the work number 0819w0084 and the payments had been made for that estimate. There was no any evidence on warranty of the institution where the purchase made in respect of the damages occurred during the warranty period and the purchasing of a new phone again was problematic. Similarly, even if the inventory items had to be handed over to the Ministry immediately after the end of his service period, the Minister had not returned the phone and the Ministry had not taken adequate action to obtain it.

Recommendation

Original copies of all information related to the payment should be submitted to the audit and the used assets should be returned to the Ministry after the end of the term.

Comments of the Chief Accounting Officer

Since it has been informed that the service for the above repair is provided only after the payment is made as a condition of Abans PLC, a copy of the invoice has been obtained and payment has been made. The original could not be filed due to a mistake occurred and it is kindly informed that the actions will be taken to prevent such situations in future.

It is kindly informed that the relevant item has been added to the inventory register and corrected.

Although the Minister has been made aware in writing to hand over the relevant mobile phones to the Ministry, it had not been handed over to us yet.

4. **Achieving the Sustainable Development Goals**

Audit Observation

It was observed that the process of planning and pre-preparation to achieve the targeted objectives were at a very poor level due to lack of proper coordination with other institutions in preparation to achieve the Sustainable Development Goals.

Recommendation

Actions should be taken to make plans to achieve the targeted goals.

Comments of the Chief Accounting Officer

All programmes of the Ministry have been prepared based on the Sustainable Development Goals. But it is true that there is no definite database to assess whether the targeted objectives have been achieved in their implementation. Actions are being taken currently to set it up properly.

5. **Human Resource Management**

Audit Observation

The Ministry had not taken actions to fill 128 vacancies by the end of the year under review.

Recommendation

Actions should be taken to recruit officers for essential posts.

Comments of the Chief Accounting Officer

Recruitments will be made for those vacancies in future.