

National Science and Technology Commission – 2016

The audit of financial statements of the National Science and Technology Commission for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 40 of Part vii of the Science and Technology Development Act, No. 11 of 1994. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14(2)(c) of the Finance Act, appear in this report .

1.2 Management’s Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards, consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Subsections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the National Science and Technology Commission as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

Non-compliances with the Sri Lanka Public Sector Accounting Standards 07 are given below.

- (a) As the useful life of the non-current assets had not been reviewed annually, fixed assets costing Rs.1,373,579 were further being used despite being fully depreciated. Accordingly, action had not been taken to revise the estimated error in accordance with the Sri Lanka Public Sector Accounting Standard 03.
- (b) Although the carrying amount of the property, plant and equipment retired from the active use should be disclosed in the accounts for the information requirements of the users of the financial statements, necessary disclosures had not been made in respect of the assets costing Rs.202,811.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances with Laws, Rules, Regulations and Management Decisions were observed.

Reference to Laws, Rules and Regulations

Non-compliance

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| (a) Section 5 (b) of the Science and Technology Development Act, No. 11 of 1994 | According to the provisions of the Act, the reports reviewing the science and technology activities carried out by the Government and private sector industries on the use of science and technology in the preceding year should be submitted to the Minister. Nevertheless, such reports for the years 2015 and 2016 had not been submitted to the Minister. |
| (b) Public Administration Circulars No.9/2009 dated 16 April 2009 and 03/2017 dated 19 April 2017. | A finger print machine had not been used to mark arrival and departure of the officers engaged in the service of the Commission. |

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Commission for the year ended 31 December of the year under review had resulted in a deficit of Rs.826,191 as against the surplus of Rs. 905,677 for the preceding year, thus indicating a deterioration of Rs.1,731,868 in the financial result of the year under review as compared with the preceding year. Although the total recurrent grants and the grants in the form of recurrent grants had increased by Rs. 3,761,808 and Rs.6,164,100 respectively in the year under review, the above deterioration was mainly attributed to the increase in the expenditure of the contractual services and the Science and Technology services by Rs.2,811,497 and by Rs.8,110,733 respectively.

Analysis of the financial results of the year under review and four preceding years revealed that, although the surpluses were observed in the years 2013 and 2010, a deficit was observed in the years 2012,2014 and 2016. Nevertheless, when adjustments were made to the employees remuneration and the depreciation for the non-current assets, the contribution of Rs.12,119,005 in the year 2012 had ceaselessly increased and it had been Rs.15,946,234 by the end of the year 2015, whereas it had decreased up to Rs.11,736,194 in the year 2016.

4. Operating Review

4.1 Performance

According to Section 5 of Part 1 Science and Technology Development Act, No. 11 of 1994, the main functions of the Commission are to advise the Government on policies and plans for the development of science and technology, strengthening the economic development, uplift of health and nutrition and eradication of poverty, implication of science and technology for the development of human and other resources required for the education, training and researches, formulation of policies and plans relating to the allocation of fund for the research and development activities, review of the progress of the science and technology institutions in Sri Lanka and submission of a report thereon to the Government annually, convening the Sri Lanka Conference on Science and Technology biennially, providing a forum for the discussion of science and technology in Sri Lanka and submission of a report to the Minister on such discussion.

The following observations are made on the discharge of the following functions.

- (a) According to the Action Plan of the year under review, review of 06 Science and Technology Institutions should have been carried out during the year, whereas review of only 03 institutions had been initiated during the year and the final review reports had not been issued by 17 March 2017, the date of audit.

- (b) The 5th stage of the Young Scientists Fova Symposium had been conducted on 22 January 2016 and the number of research reports published therein was 35. Accordingly, as compared with the 51 reports published at the 4th stage conducted in the preceding year, it had decreased by 31 per cent.
- (c) A sum of Rs.2,936,533 had been paid to the Centre for Science and Technology of non-aligned and others development countries as the annual fee during the year under review. Although 06 workshops had been conducted by that centre during the year under review, Sri Lankan representatives had participated only in 03 of such workshops.

4.2 Procurement and Contract Process

Contrary to the Guideline 8.9.1 of the National Procurement Guidelines 2006, without entering into a written agreement relating to the year under review for sanitary and security services, the contract value of which was Rs. 454,800 and Rs.1,089,480 respectively, those services had been obtained from two private institutions.

5. Accountability and Good Governance

5.1 Internal Audit

Necessary arrangements had not been made to establish an Internal Audit Unit for carrying out internal audit activities as required by Financial Regulation 133 (1) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Nevertheless, the audit activities for the year under review had been carried out by the Internal Auditor of the Ministry, but the reports relating to the audit examinations conducted by him had not been furnished to the Auditor General in terms of Financial Regulation 134 (3).

5.2 Budgetary Control

When comparing the budgeted and actual expenditure for the year under review, savings of provisions ranging from 50 per cent to 100 per cent were observed relating to 05 items, thus indicating that the Budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Control

Observations

(a) Procurement Control

Obtaining services without entering into formal contract agreements.

(b) Budgetary Control

Savings of provisions as a result of non-preparation of estimates properly.

(c) Staff Administration

(i) Failure to compute leave for the uncovered delays in reporting for the service.

(ii) Failure to take action to fill the vacancies of the posts of the Scientific Staff.