

## **Head 196- Report of the Auditor General on the Ministry of Science, Technology and Research – Year 2017**

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The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the Ministry of Science, Technology and Research. The financial and physical performance reflected by those accounts and the reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

### **1.2 Responsibility of the Chief Accounting Officer for the Financial Management and Accountability**

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The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and this responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

### **1.3 Scope of Audit**

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The audit of the Ministry of Science, Technology and Research – Head 196 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 10 July 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports presented to Audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

## 1.4 Audit Observation

The audit observations of the Ministry of Science, Technology and Research for the year ended 31 December 2017 revealed in audit, appear in the Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the said observations appear from paragraph 2.1 to 2.8 of this report. It was observed that the accountability as the Chief Accounting Officer and the Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of Financial Regulation 127 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. The audit observations revealed in the execution of the accountability as the Chief Accounting Officer in compliance with provisions are summarised and given below.

<b>Accountability of the Chief Accounting Officer in terms of Financial Regulation 127</b>	<b>Non-compliance with that Provision by the Chief Accounting Officer</b>	<b>Reference to the Paragraph of the report which included the Observation</b>
127(1)(a) All financial work should be planned so as to ensure the business is transacted with correctness and financial propriety.  (The business must be transacted in accordance not merely with the financial and departmental orders but also with the high standards of integrity expected in the transaction of public business.)	(i). Non-preparation of the budget estimate in a realistic manner.  (ii) Non-maintenance of registers and books.	2.9(a)  2.12
127(1)(b) A system which provides adequate control over expenditure and the collection of revenues, should be evolved.	(i) Non-compliances  (ii) Deficiencies in Human Resources Management	13  14
127(2) Existing items of expenditure, as well as proposals for new or increased expenditure in the departments under his control, are closely examined in the Ministry from the points of view of economy and efficiency.	(i) Failure in obtaining expected output  (ii) Failure in obtaining expected results  (iii) Decrease in the value and quality of assets  (iv) Uneconomic transactions	2.3.1(b)  2.3.2(c)  2.5(a) (c)

127(5)	That important variations between departmental estimates and expenditure receive critical examination at the Ministry	(i) Non-utilization of provisions made (ii) Excess provisions	2.9(b) i  2.9(b)ii
127(6)	The collection of revenue or other Government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry.	Deficiencies in Advances to Public Officers Account	2.10
127(7)	That the procedure laid down in Financial Regulations 103 to 108 is followed by the Accounting Officers, in case of losses caused to Government by the delays, negligence, fault or fraud on part of officers/employees and surcharges are imposed on the officers/employees responsible for such losses, in terms of F.R.156(1). It is also a duty of the Chief Accounting Officer to appear before the Committee on Public Accounts and to assist it along with his Accounting Officer in explaining and justifying the accounts of the departments for which he is responsible.	Failure in obtaining security deposits from officers who involve in financial activities.	2.15

## **2. Material and Significant Audit Observations**

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### **2.1 Performance**

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#### **2.1.1 Planning**

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The provision made for 08 budget proposals which are the expected key functions, but not included in the Action Plan, had been Rs.1,350 million and the amount spent therefor had been Rs.440.43 million. Out of that, the entire provision of Rs.575 million relating to 03 key functions had been saved.

## 2.1.2 Non-performance of Functions

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The following observations are made.

### (a) Non-performance of Functions included in the Action Plan

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According to the Annual Action Plan, 13 key functions should have been performed in the current year by the Ministry. Nevertheless, the following 03 key functions could not be performed according to Procurement Plans and as such, provisions amounting to Rs.575 million made therefor had been saved without being utilized.

<b>Key Function not performed</b> -----	<b>Provision made</b> <hr/> <b>(Rs.Millions)</b>
(i) Quality Assurance of imported Products	25
(ii) Establishment of a Product Design Engineering Service Fund under Development Assistance	500
(iii) Establishment of a Centre for excellence in Genomic Science	50
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	575 =====

### (b) Failure in obtaining the expected Output

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According to the Annual Action Plan, provisions amounting to Rs.9.255 million had been utilized for the Indu-Sri Lanka Integrated Research Project. However, performance indicators had not been indicated in those functions and as such, it could not be confirmed whether the performance had not been achieved as expected.

### (c) Failure in achieving expected Benefits

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The provision of Rs.20 million had been made for the Project of facilitating the prototype manufacturing of solar panels in the year 2017. However, procurements could not be carried out as planned, thus indicating savings of Rs.17.94 million.

### (d) Preparation of Plans for achieving Sustainable Development Goals

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It was observed that the process of preparation of plans and getting ready for achieving targeted objectives were at a very weak level due to unavailability of a proper coordination with other institutions in the preparation of achieving sustainable development goals.

## 2.2 Assets Management

### (a) Non-utilization of Assets owned by the Government with maximum Efficiency

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An intercom system had not been installed for communication among each division of the Ministry of Science, Technology and Research and information is communicated through

direct telephone lines. As such, action had not been taken to minimize the cost of communication.

**(b) Utilization of Motor Vehicles**

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 Fifteen motor vehicles had been made use of for running in the Ministry by the end of the year under review and a distance of 138,950 km had been run by these motor vehicles. Moreover, a total sum of Rs.7,669,910 comprising a sum of Rs.2,043,204 for fuel and lubricant, a sum of Rs.4,599,238 for service and repair of motor vehicles and a sum of Rs.1,027,468 for insurance of motor vehicles, had been spent. Accordingly, the Ministry had spent a sum of Rs.55.21 per km for running of motor vehicles other than the salaries and allowances of Drivers.

<b>Type of Motor Vehicle</b>	<b>Number</b>	<b>Value</b>	<b>Other Expenditure except for Salaries and Allowances of Drivers</b>	<b>Number of Kilometres run</b>	<b>Expenditure per Km</b>
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		<b>(Rs.)</b>	<b>(Rs.)</b>	<b>(KM)</b>	<b>(Rs.)</b>
Van	06	44,345,000	3,509,001	67,156	52.25
Motor Car	06	33,862,500	2,649,226	44,848	59.07
Jeep	01	23,000,000	836,255	22,600	37.00
Double Cab	02	11,000,000	675,428	4,326	156.13

It was observed that an over cost had been incurred for 02 Vans, 04 Motor Cars and 01 Double Cab.

**(c) Idle and Underutilized Assets**

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 The following observations are made.

- (i) Four motor vehicles owned by the Ministry of Science, Technology and Research had been parked in the premises of the Planetarium over a period of 02 years and no steps had been taken even by 30 August 2018 to make use of them or for disposal of them.
- (ii) The Wood Gas Stove, Coconut Oil Extractor, Yogurt Incubator and Bakery Stove owned by Vidatha Centres at Kobeigane, Mallawapitiya, Maspotha and Panduwasnuwara had remained idle or underutilized without being made use of.

**(d) Conduct of Annual Boards of Survey**

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 The following observations are made.

- (i) In terms of Public Finance Circular No.05/2016 of 31 March 2016, the Annual Board of Survey for the year 2017 should be conducted and reports thereon, presented to the Auditor General before 15 June 2018 in terms of paragraphs 3.1.6 and 3.2.6 of the said Circular. Nevertheless, reports relating

to 120 Vidatha Centres had not been presented even by 31 July 2018 to the Auditor General by the Ministry.

- (ii) Action in terms of Financial Regulations had not been taken in respect of surpluses, deficits and other recommendations had shown by reports on Boards of Survey for the year 2016.

**(e) Assets given to External Parties**  
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Improper release of a motor vehicle valued at Rs.9.39 million had been made by the Ministry to the Ministry of Social Empowerment, Welfare and Kandyan Heritage.

**2.3 Commitments and Liabilities**  
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The following observations are made in this connection.

**(a) Incurring into Commitments exceeding the Limit of Annual Budget**  
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Even though the liabilities and expenditure incurred by the Ministry should not exceed the provisions made for the financial year in any instance, commitments had been entered into exceeding the provisions of Rs.1,556,976 relating to 06 Objects.

**(b) Unsettled Liabilities**  
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The value of liabilities remained unsettled as at 31 December 2017 by the Ministry had been Rs.64,367,010.

**2.4 Losses and Damage**  
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- (a) The Minister's official tour of Canada had to be postponed and as such, the sum of Rs.145,100 paid for air tickets could not be recovered.

- (b) Action had not be taken to recover the sum of Rs.289,840 which is the market value of motor cycles granted at concessionary rates to two officers who had vacated the service since the year 2016 or to vest those motor cycles again in the Ministry.

**2.5 Uneconomic Transactions**  
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- (a) Even though a total sum of Rs.782,400 had been paid as lease rentals for the maintenance of Vidatha Centres at Mallawapitiya, Rideegama, Maspotha, Panduwasnuawara East and Polgahawela, physical and human resources required for those Centres had not been provided and as such, the expected services had not been received to beneficiaries.

- (b) A Science and Technology Officer had not been appointed by the Ministry to the Rideegama Vidatha Centre from 23 December 2015 and only a Field Co-ordinating Officer and an Office Aide had been attached to the Centre. As such, no service whatsoever had been provided by this Centre after the year 2015 and the

payment of a total sum of Rs.1,074,221 made as salaries for those two officers had become an uneconomic expenditure.

## 2.6 Utilization of Provisions made available by Parliament for the Performance of Functions

Information on provisions made for the Ministry during the period of 05 years ended 31 December 2017, utilization and savings thereof and audit observations thereon are given below.

Year	Type of Expenditure	Net Provision	Utilization	Savings	Savings as a percentage of the Net Provision
		Rs. Millions	Rs. Millions	Rs. Millions	
2013	Recurrent	1293	1111.54	181.46	14.03
	Capital	2474.16	1836.40	637.76	25.77
	<b>Total</b>	3767.16	2947.95	819.21	21.75
2014	Recurrent	1396.13	1285.91	110.22	7.89
	Capital	2520.97	2369.91	151.06	5.99
	<b>Total</b>	3917.09	3655.81	261.28	6.67
2015	Recurrent	1500.35	1425.78	74.57	4.97
	Capital	2256.55	1722.35	534.2	23.67
	<b>Total</b>	3756.9	3148.13	608.77	16.20
2016	Recurrent	1711.51	1600.21	111.3	6.50
	Capital	2366.74	1694.04	672.7	28.42
	<b>Total</b>	4078.25	3294.25	784	19.22
2017	Recurrent	1843.36	1721.90	121.46	6.59
	Capital	3931.10	1912.67	2018.43	51.34
	<b>Total</b>	5774.46	3634.57	2139.89	37.06

The following observations are made in the year under review.

**(i) Inadequate Provisions for the Performance of the Functions**  
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Even though the total cost estimate to the value of Rs.3.3 million had been prepared for construction activities planned to be implemented in the year under review, instead of provisions indicated in the said estimate, provisions amounting to Rs.960,000 had been made and as such, those functions had not been performed. Therefore, the entire provision of Rs.960,000 made, had been saved.

**(ii) Provisions for the Performance of Functions without considering the proposed Time Frame**  
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Even though provisions amounting to Rs.27 million had been made by the Ministry for the construction of buildings and development of software, the entire provision had been saved without being utilized due to delays in carrying out feasibility studies and activities relating to procurement process by the end of the year under review.

**(iii) Non-utilization of Provisions made**  
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Even though provisions totalling Rs.591.41 million had been made for 15 Objects, the entire net provision had been saved without being utilized.

**(iv) Excess Provisions**  
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Excess provision totalling Rs.1,679.87 million had been made for 18 Objects and as such the savings, after the utilization of provisions totalling Rs.460.68 million, ranged between 54 per cent and 99 per cent of the net provisions relating to the respective Objects.

**2.7 Non-compliance**  
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**2.7.1 Non-compliance with Laws, Rules and Regulations**  
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Instances of non-compliance with laws, rules and regulations observed during the course of audit test checks are given below.

**Reference to Laws, Rules and Regulations**  
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**Non-compliance**  
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(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka  
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Section 1.7 of Chapter XII

Even though a register of leave granted should be kept in Form General 190, such a register had not been maintained in Vidatha Centres at Panduwasnuwara and Kobeigane.



(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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Financial Regulation 751

Failure in recording inventory goods received to the Ministry.

Financial Regulation 891(1)

Failure in maintaining a Security Register on officers required to give security.

**2.8 Human Resources Management**  
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**2.8.1 Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments**  
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The position on the approved cadre, actual cadre and vacancies as at 31 December 2017 for the performance of the functions of the Ministry, appear below. A sum of Rs.485 million had been spent for the category of personal emoluments for the year under review. Accordingly, the per capita expenditure had been Rs.530,634.

The position on the cadre as at 31 December 2017 had been as follows.

	<b>Category of Employees</b> -----	<b>Approved Cadre</b> -----	<b>Actual Cadre</b> -----	<b>Vacancies</b> -----
(i)	Senior Level	23	20	3
(ii)	Tertiary Level	29	3	26
(iii)	Secondary Level	741	657	84
(iv)	Primary Level	234	230	4
(v)	Other (Casual/ Temporary/ Contract Basis)	4	4	-
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	Total	1,031	914	117
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The following observations are made in this connection.

**(a) Recruitment exceeding the Approved Cadre**  
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The approval of the Department of Management Services had been obtained by the Ministry only for two posts of 80 Watchers recruited on casual and relief basis. Even though 77 employees have been deployed in the service of the Ministry at present, those posts had not been approved by the Department of Management Services.

**(b) Idle Human Resources**  
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A Computer Data Entry Operator has been attached to the Vidatha Centre at Kobeigane. However, the computers necessary for conducting computer training programmes at the Vidatha Centre are unserviceable. As such, the service of the Computer Data Entry Operator had remained idle.

**(d) Human Resources obtained irregularly from other External Parties**  
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An officer of the Ministry of Education had been appointed by the Ministry for the post of Assistant Secretary of the Union from 08 March 2016 and necessary steps had not been taken to include the said officer in the approved cadre of the Ministry.

**(e) Training of the Staff**  
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(i) In the review of trainings conducted for the staff of the Ministry within the period of 05 years from the year 2013 to the year 2017, the entire net provision made for the years 2013, 2015 and 2016 had not been utilized.

(ii) Even though 366 persons had been planned to be participated in training programmes in the year 2017, only 287 persons had participated in training programmes during the year. Moreover, 79 persons had not participated in any programme whatsoever.

(iii) A net provision amounting to Rs.4,552,436 had been made by the Ministry for conducting training programmes for the staff in the year 2017. Accordingly, a sum of Rs.15,862 had been spent for one officer.

**2.9 Security of Public Officers**  
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Officers who are administratively responsible for, or who under delegation are entrusted with, the receipt or custody of public money, revenue stamps or stores or the disbursement of public money or the issue of stamps or stores and those who certify vouchers or sign cheques on Government Account will be required to give security in accordance with the Public Officers (Security) Ordinance (Cap 612) and the Financial Regulation 880 for the faithful discharge of their duties. The officers of the Ministry engaged in the above duties, had not given security.