

National Science Foundation - 2017

The audit of financial statements of the National Science Foundation for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 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 Foundation in terms of Section 14 (2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

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 Foundation'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 internal control of the Foundation. 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 financial statements. Sub - sections (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 the 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 Foundation as at 31 December 2017 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 Accounts Receivable

If there is a money saved from a research grant, the said money should be returned to the Foundation from the grantee within 30 days after the completion of the Project in terms of the Agreement. However, the saved money amounted to Rs.789,587 relating to 05 researches which had been spent between a period of 9 months to 14 months after the completion of the Project as at September 2018, had not been settled.

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

A sum of Rs. 1,636,220 had been over paid in 16 instances in the year under review ,according to the audit test check, due to in the payment of combined allowances for the foreign travels relating to the officers of the 2nd category, the combined allowances had been paid as the officers of the first category contrary to Section 4 (a) (1)(iii) of the Finance Circular No. 01/2015/01 dated 15 May 2015.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Foundation for the year ended 31 December of the year under review had been a deficit of Rs17,990,480 as compared with the corresponding deficit of Rs.2,931,059 for the preceding year thus indicating an deterioration of Rs.15,059,421 in the financial result for the year under review as compared with the preceding year. Even though the recurrent receipts of the year under review had been increased by Rs.2,339,000 and the other income increased by Rs.5,974,000, increase of the project expenses by Rs.19,491,000 and other expenses by Rs.3,402,000 had mainly attributed to the above deterioration.

In the analysis of the financial results in the year under review and 4 preceding years, a surplus in the financial result had been existed in the years 2013 and 2014. However, a deficit had been existed from the year 2015 up to the year 2017. Even though, in the re-adjustment of employee emoluments and depreciation on non-current assets to the financial results, the contribution of the Foundation in the year 2013 amounted to Rs.77,199,333 had been increased up to Rs.78,807,181 by the year 2017, the contribution of the year 2017 had been decreased by Rs.17,325,454 as compared with the year 2016.

4. Operating Review

4.1 Performance

4.1.1 Performance and Review

The following observations are made.

- (a) The Annual Report for the year under review prepared under 6 main activities should be performed relating to the objectives of the Foundation mentioned in Section 10 of the Improvement of Science and Technology Act, No.11 of 1994 and provisions amounting to Rs.260 million had been made for that purpose. However, the estimated provisions identified for the sub-activities relating to the said main activities had not been shown separately and as a result of that failure to evaluate the financial progress of those sub-activities separately.
- (b) One hundred and twelve Competitive Research Grants Projects which the grant value amounted to Rs.214.75 million during the period from the year 2013 to the year 2017 had been completed and the following observations are made in this connection.
 - (i) Only 5 projects valued at Rs.14,552,858 out of the above Research Projects had been identified as able to commercialization and only 3 Research Projects valued at Rs.8,068,692 had been referred to obtain patent.
 - (ii) According to the comments of the granters in relation to 31 Applied Science Research Projects which the grant value amounted to Rs.69,780,007 ,it had been shown that research outcome could be applied for the fields such as agriculture, health, bio technology environmental science and power. However, the Foundation had not conducted a post evaluation whether actually the outcome of researches applied for that fields , referred to compilation of policies , therefore how to contribute for economic and social development.
- (c) National Thematic Research Programme- Food Security

Nine Projects had been implemented on food security in the year 2012 with a view to apply the outcome of the researches for National Development and 7 Projects of grant value amounted to Rs.22,746,297 by the end of the year under review had been completed and the following observations are made in that connection.

 - (i) A network system for forecasting harvest through the web site which the research costing amounted to Rs.1,850,820 had been developed and handed over to the Ministry of Agriculture in September 2016 for the implementation .However, the Foundation had not made a follow up even by May 2018 whether the said network system operated successfully , the farmers gained benefits through the network system.

- (ii) A sum of Rs.5,545,484 had been spent for the creation of social network which the necessary information received in the necessary time and supply ability to the farmers for the fulfilment of changing food demand of the community through the better supervision and production management and it had been completed in October 2016. However, handing over to the suitable institute for the implementation of the relevant network system had not been carried out even by May 2018.
 - (iii) A sum of Rs.5,588,453 had been spent for the research project for make food security through applying pre-harvest technology and development of the quality of the new productions by applying Potassium to the soil .Further, a sum of Rs.1,462,500 had been granted for the Institution which the above research conducted for a research project for the protection of the natural quality of Capsicum , pre and post harvests by using Silicon and rice husk under competitive research grants . However, those two projects had been completed in the year under review, the Foundation had not carried out a follow up action that in which areas followed this method, whether a proper methodology implemented for the introducing of this method and had identified an Institution the responsibility borne for that purpose, how much is it popular ,and what are the benefits gained.
 - (iv) Two Research Projects of granting value amounted to Rs.3,470,640 had been completed in the year under review . Even though it was expected to be established a national system for the certification of microbiological food security from the said research projects and development of the modes of domestic food security for the poverty stricken areas of Sri Lanka, it could not have been fulfilled.
- (d) Even though in terms of Section 5.1 of the Agreement of granting research grants ,the final report should be furnished within 3 months of the completion of the project, a time delay from 3 months to 19 months had been existed in the furnishing of the final report for the 17 completed projects amounted to Rs.31,783,609.
- (e) Even though a period from 12 months to 20 months had been elapsed by September 2018 by granting a fund amounting to Rs.11,408,536 for 14 technical grants in the year under review , the physical examination of the performance of the said Projects had not been carried out whether the relevant grants are used to achieve the objectives efficiently and effectively.
- (f) Even though equipment should be purchased within 06 months of the receiving of provisions in terms of Guideline for granting equipment , purchase of equipment at a grant of Rs.2,100,000 on 20 December 2016 had not been carried out even by September 2018.As such, it was observed that the fund remained idle during the period of 1 year and 9 months in an another institution.

4.2 Operating Activities

The following observations are made.

- (a) Funds had not been granted even by May 2018 for the 7 Projects valued at Rs.22,198,794 out of 22 Research Projects granted in the year under review . Nevertheless, 6 grants of equipment valued at Rs.5,353,815 had been granted on 13 July 2017 , a period of 7 months had been elapsed up to 24 February 2018 to release the funds. It was observed at audit that as a result of delay of granting funds for the purchase of equipment for the Projects , decrease in the progress of Research Projects which are expected to carry out by using that funds and grants received in the following year could be limited .
- (b) Grant of equipment amounting to Rs.2,553,000 had been received to a Research Project on 12 May 2017 and it had been informed on 23 February 2018 as the money return back due to the delay of purchasing. However, money had not been received even by August 2018.
- (c) A sum totalling Rs.1,156,131 up to 20 per cent to 100 per cent from the advances obtained in 93 instances had been saved due to the advances had not been granted by proper studying the necessity and the same amount had been re-settled .
- (d) Action had not been taken to dispose the 58 unserviceable stock items costing Rs.205,427 even from the year 2010 to August 2018.

5 Sustainable Development

5.1 Achievement of Sustainable Development Goals

Every Public Institution should act in terms of the Agenda 2030 on Sustainable Development of the United Nations and the National Science Foundation had aware how should be come into operation in relation to the Sustainable Development Goals come under the scope of the Foundation relating to the year under review.

6. Accountability and Good Governance

6.1 Procurement

The following observations are made.

- (a) In terms of Chapter 4:1:1(a) of the Government Procurement Guidelines ,efficient planning of the entire Procurement process is vital to ensure timely completion of the project. However, relating to 13 Procurements estimated cost amounted to Rs.71.52 million which was planned to be completed by November in the year under review had not been carried out even by 31 December 2017 due to non-availability of financial provisions and failure to determination of the occasion properly which the procurement required .

- (b) The Foundation had not prepared a detailed Procurement Plan in terms of 4:2:1 (d) of the Government Procurement Guidelines.
- (c) The contract of applying paints on the buildings included in the Procurement Plan of the year under review , had been handed over to a contract company at a value of Rs.4,777,625 and bills amounting to Rs.2,208,160 had been submitted on 25 March 2018 to obtain payments for the work done. In the physical examination of the square feet relating to the work mentioned in the bill , difference was observed in the said value and the square feet mentioned in the bill. Accordingly, a sum of Rs.699,413 had been over stated in invoice.

7 Systems and Controls

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

Areas of Systems and Controls	Observations
(a) Maintenance of files	Failure to confirm the accuracy of the certificates included in personal files from the relevant institutions and instances of oath or convention and the medical report had not been available in files.
(b) Granting of Research Grants and Supervision	Delays were existed in obtaining of the saved money relating to the projects completed.
(c) Procurement	(i) Failure to review the progress on carrying out procurement and update the Procurement Plan. (ii) Delays occurred in the entering of contract agreements
(d) Stock Control	(i) Non-maintenance of Inventory Registers in an updated manner. (ii) Differences were existed between the library books/publications and the books/documents existed physically. (iii) Failure to proper maintenance of the store. (iv) Action had not been taken to dispose the goods expired and to be disposed.

(v) Assets existed which the identifying number had not been marked.

(vi) Goods which is shown in the inventory registers to be transferred to the stores are existed physically.

(e) Advances Control

Instances of the financial advances had been settled and kept without utilizing in any activity were existed.