

## **National Science and Technology Commission - 2017**

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The audit of financial statements of the National Science and Technology Commission 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 the cash flow statement for the year then ended and 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 Part vii 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 Commission in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was furnished to the Chairman of the Commission on 25 May 2018.

### **1.2 Management's Responsibility for the Financial Statements**

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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**

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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 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 judgements, including the assessment of the risks of material misstatements 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 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 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**

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### **2:1 Opinion**

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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 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Non- compliance with Laws, Rules, Regulations and Management Decisions**

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Even though the Report on the Review of the Science and Technology activities carried out in Sri Lanka in the preceding year in the use of Science and Technology by the Enterprises in the Public and Private Sector in terms of Section 5(b) of the Science and Technology Development Act, No.11 of 1994, those reports for the years 2016 and 2017 had not been furnished to the Minister.

### **2.3 Receivable and Payable Accounts**

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Action had not been taken to settle a sum of Rs.50,000 which remain payable for the Biennial Conference on Science and Technology VIII.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the financial result of the Commission for the year ended 31 December of the year under review had resulted in a deficit of Rs.4,141,953 as compared with the corresponding deficit of Rs.826,191 for the preceding year, thus indicating a deterioration of Rs.3,315,762 in the financial result in the year under review as compared with the preceding year. The decrease of the Capital Grants by a sum of Rs.3,693,175 in the year under review had been the main reason for the deterioration in the above financial result.

In analyzing financial results in the year under review and of 04 preceding years, a deficit had indicated in the other years except in the year 2015 and the deficit amounting to Rs.130,785 in the year 2013 had been increased to a sum of Rs.4,141,953 as at the end of the year under review. However, even though the contribution amounting to Rs.12,779,734 in the year 2013 had been continuously increased to a sum of Rs.19,194,406 in adjusting personnel emoluments and depreciation on non- current assets again to the financial result, it had been decreased to a sum of Rs.15,642,745 in the year under review.

### **3.2 Analytical Review**

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The current rate of the Council had deteriorated from 0.95 to 0.28 and the instant rate had deteriorated from 0.91 to 0.26, as compared with the preceding year. The increase of current liabilities by a sum of Rs.4,262,526 in the year under review had been the main reason in this connection and it was observed in the audit that a risk remained in the occurrence of problems in the Working Capital.

#### **4. Operating Review**

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##### **4.1 Performance**

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##### **4.1.1 Planning**

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Even though a Corporate Plan had been prepared by the Council from the year 2016 to the year 2020, it had not been furnished to the Board of Directors and the approval had not been obtained.

##### **4.1.2 Operational Review**

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The following observations are made.

- (a) Providing instructions to the Government relating to the policies and plans for the development of Science and Technology including the policies and plans relating to the functions of the Commission mentioned in Section 5(a) of the Science and Technology Development Act, No.11 of 1994. However, information that action had been taken accordingly by the Council in the year 2017 was not furnished to audit.
- (b) Even though a sum of Rs.3,063,459 had been paid as the Annual Contribution Fee in the year under review to the Centre for Science and Technology of the Non- Aligned and Other Developing Countries, Sri Lankan Representatives had been participated only to 04 Seminars out of the 06 Seminars conducted by that Centre in the year under review.
- (c) Even though 05 Institutions as Public and Private had been reviewed in the year 2017 under Institutional Reviews, those activities had been completed only in two Institutions.
- (d) Even though it had been planned to implement and complete 30 proposed programmes under the National Research and Development framework Promotional Programme (NRDF) as per the Action Plan, only 12 programmes had been completed in the year.
- (e) Three Set of Policies on the programmes that should be completed through the Project on Science and Technology Policy Studies and Compilation had not been prepared in the year.

#### **4.3 Personnel Administration**

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Even though 02 posts of Senior Scientist, belonging to the Senior Level had been approved by the Department of Management Services on 09 June 2015, recruitments had been made for only one vacancy on 31 July 2017 and recruitments had not been made for the remaining vacancy even by the date of this Report. Moreover, even though the post of Database Associator remained vacant from 03 September 2017, action had not been taken to recruit for that post even by the date of this Report.

#### **4.4 Underutilization of Funds**

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Even though a sum of Rs.10,000 had been provisioned for Employee Welfare under Recurrent Expenditure and a sum of Rs.300,000 had been provisioned under Capital Expenditure for the Biennial Conference on Science and Technology VIII and 98 per cent of a sum of Rs.200,000 provisioned for Welfare Programmes had not been utilized for the Current Year.

#### **4.5 Utilization of Vehicles**

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Two motor cars costing Rs.1,700,000 and Rs.4,600,000 respectively had been allocated for the Chairman and for the Director General of the Commission in the Current Year. However, those Officers had not used those motor vehicles due to them, obtaining Vehicle Allowances by using their private motor vehicles and those motor vehicles had been driven only 994km and 660km respectively in the Current Year. As such, those motor vehicles remained under- utilized and it was observed in the audit that even the service of the drivers allocated for those motor vehicles had not been efficiently obtained.

### **5. Sustainable Development**

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#### **5.1 Achievement of the Sustainable Development Goals**

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Every Public Institution should take action in terms of the Sustainable Development Goals, Agenda 2030 of the United Nations and as such, identifying the Sustainable Development Goals and Targets had been carried out with the awareness on the manner that the functions under the scope of the Commission should be implemented, by the Commission. However, it was observed that the preparation of plans and the process of preparation in the achievement of the targeted objectives due to not having a proper co- ordination with other Institutions in preparing to achieve those objectives and targets.

### **6. Accountability and Good Governance**

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#### **6.1 Internal Audit**

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Action had not been taken to establish an Internal Audit Unit for the Commission in terms of the Financial Regulation 133 of the Democratic Socialist Republic of Sri Lanka and the audit functions had been covered by the Internal Audit Unit of the Ministry. However, the Internal Audit Reports relating to the audit by the Ministry had not been furnished to audit in terms of the Financial Regulation 134(3) of Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

#### **6.2 Procurements**

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Even though the periods of the Agreements for obtaining security and sanitary services for the Council had been expired on 31 July 2017 and on 01 November 2017 respectively, those services had been obtained again even up to 31 May 2018 from the suppliers without following the provisions of the Government Procurement Guidelines 2006 and without entering into Agreements.

## 7. **Systems and Controls**

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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.

<b>Areas of Systems and Controls</b>	<b>Observations</b>
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(a) Budgetary Control	Saving of provisions on not preparing Estimates properly.
(b) Personnel Administration	Not taking action to fill the vacancies of the posts of the Scientific Staff.