

National Science and Technology Commission 2013

The audit of financial statements of the National Science and Technology Commission comprising the statement of financial position as at 31 December 2013 and the statement of income and 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 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 Commission 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 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 qualified audit opinion.

1:4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the National Science and Technology Commission as at 31 December 2013 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

2:2:2 Sri Lanka Public Sector Accounting Standards

The statements of changes in the net assets had not been presented with the set of financial statements of the Commission in terms of Section 21(c) of the Sri Lanka Public Sector Accounting Standard No.01.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the operations of the Commission for the year ended 31 December 2013 had resulted in a surplus of Rs.213,415 as against a deficit of Rs.38,698 for the preceding year. Accordingly, an increase of Rs.252,113 in the financial results for the year under review was indicated. That had been mainly due to an increase of the Government recurrent grant in the year under review by a sum of Rs.3,310,850.

3:2 Analytical Financial Review

According to the statement of financial position presented, the working capital ratios of the Commission had been as follows.

	Year 2013	Year 2012
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Current Ratio	1.80	1.20
Quick Ratio	1.71	1.02

4. Operating Review

4:1 Performance

The following observations are made.

- (a) Even though provision amounting to Rs.400,000 had been made in the Annual Action Plan for the activities of the academic groups appointed for the formulation of paper on concepts on local knowledge and a policy for the National Laboratory Equipment Centre, a sum of Rs.33,673 or 8.5 per cent only out of that had been utilized. The concepts paper and the policy had not been formulated and issued even by 31 December 2013.

- (b) Accounting to the Action Plan for the year under review, plans had been made for the review the activities of 04 Government institutions of science and technology and issue reports thereon and for the analysis of the benefits in the previous year Annual Report of the Coconut Research Institute. The reviews of those intuitions had been done at a cost of Rs.1.23 million while the final reports on 02 institutions only had been issued by the end of the year. Action had not been taken for the analysis of the previous year Annual Report of the Coconut Research Institution.

4:2 Management Inefficiencies

A building which could not provide all the institutional requirements had been procured on rent from a private party for the maintenance of the office of the Commissions on a rent agreement valid from 15 December 2012 to 14 December 2015 without following the Procurement Procedure. The Commission had incurred a loss of Rs,740,000 due to entering into the new rent agreement before the expiry of the previous rent agreement.

4:3 Staff Administration

The following observations are made.

- (a) The approved cadre of the Commission as at 31 December 2013 had been 19 and out of that 03 posts of Senior Scientist and 01 post of Management Assistant had been vacant.
- (b) Applications had been invited for filling 03 vacant posts of Senior Scientist and one officer had been recruited on 02 May 2014.

5. Accountability and Good Governance

5.1 Internal Audit

The following observations are made.

- (a) An Internal Audit Unit had not been established by the Commission up to the date of audit and the internal audit work had been covered by the Internal Audit Unit of the Ministry.
- (b) The quarterly internal audit reports for the year under review had not been presented for discussion at the meeting of the Audit and Management Committee in terms of Paragraph 09 of the Circular No.DMA.2009(1) dated 09 June 2009 of the Department of Management Audit, while only one internal audit query had been issued in the year.

5:2 Budgetary Control

The Commission had approved an expenditure estimate of Rs.33 million for the year 2013 and the actual expenditure of the Commission as at 31 December 2013 amounted to Rs.22 million. That represented 66 per cent of the approved estimate. Thus it was observed that the Commission had not made use of the budget as an instrument of control.

5.3 Tabling of Annual Reports

In terms of Section 6.5.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the Annual Report should be tabled in Parliament within 150 days after the close of the financial

year. Nevertheless, the Annual Reports for the years 2011 and 2012 had been tabled in parliament only on 18 July 2013 and 10 January 2014 respectively.

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.

- (a) Budgetary Control
- (b) Procurement Policy
- (c) Accounting
- (d) Management Inefficiencies