

National Science and Technology Commission

1. Financial Statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1:2 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 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Non-compliance with Sri Lanka Accounting Standards

Even though it was stated that the financial statements for the year under review had been prepared in accordance with the new Accounting Standards (SLFRS and LKAS), it had not been so done in connection with the gratuity and the employees' loans.

1.2.2 Accounting Deficiencies

The following observations are made.

- (a) Journal vouchers had not been prepared for Journal entries.
- (b) The building rent payable for the year under review amounting to Rs.180,000 had not been brought to account.
- (c) The research allowance amounting to Rs.11,250 payable in respect of the year under review and the Employees' Provident Fund contribution payable thereon amounting to Rs.900 had been omitted in the financial statements.

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

The following non-compliances were observed.

| Reference to Laws, Rules, Regulations, etc. | Non-compliance |
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| (a) Finance Act, No. 38 of 1971 ----- Section 14(1) of the Finance Act and Paragraph 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003. | The Draft Annual Report had not been furnished to the Auditor General within 60 days after the close of the year of accounts. |
| (b) Paragraph 6.5.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003. | Even though the Annual Report of the Commission should be tabled in Parliament within 150 days from the close of the financial year, the Annual Report for the year 2010 had been tabled finally. |
| (c) Paragraph ii of the Public Administration Circular No. 13/2008(iv) of 09 February 2011. | Even though the approved limit of fuel to the Head of the Commission is 140 litres of fuel, a fuel allowance of Rs.48,810 which exceeded that limit by 405 litres had been paid. |
| (d) Financial Regulations ----- Financial Regulation 225 Financial Regulation 756 | Sums totaling Rs.6,053,290 had been paid in 24 instances without preparing vouchers. The Report on the Boards of Survey for the year 2012 had not been presented to audit even by 01 April 2013. |

1.2.4 Transactions of Contentious Nature

Instead of the payment of fees to the respective Government and the private institutions for the collection of information from those institutions for the preparation of the “Report on the Review of Scientific and Technology Activities conducted in Sri

Lanka in the preceding year” presented annually to the Government by the Commission, a sum of Rs.88,000 had been paid to the respective officers.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the working of the Commission for the year ended 31 December 2012 after taking into account the Government grant of Rs.15,448,150 for recurrent expenditure, had resulted in a deficit of 38,698 as compared with the deficit of Rs.808,065 in the financial results for the preceding year after taking into account the Government grant of Rs.12,662,000 received for the recurrent expenditure for that year. As such, the increase of the Government grant for the year under review by Rs.2,786,150 as compared with the preceding year had been the reason for the improvement of the financial results by a sum of Rs.769,367.

3. Operating Review

3:1 Performance

A Financial Progress Report only had been prepared for the year under review and the physical performance report had not been prepared even by 30 March 2013.

3:2 Management Inefficiencies

When an acting post remains without being filled over a long period, the Secretary to the relevant Ministry should inquire about the need for further maintaining of such post. It had not been so done and an acting post of Director of the Commission had been maintained continuously over a period of 02 years and 04 months from 01 August 2010.

3:3 Uneconomic Transactions

Even though the Commission should have reviewed 05 Science and Technology Institutions during the year under review, only 02 institutions had been reviewed by spending a sum of Rs.382,795. As those review reports are not followed up, the expenditure incurred on the reviews had become fruitless.

3:4 Identified Losses

The institution had spent a sum of Rs.53,800 for the conduct of 02 workshops for the Senior Scientists' Society and the Junior Scientists' Society. The memberships collected for the purpose by the Societies amounted to Rs.38,592 and as such Commission had incurred a loss of 15,208.

3:5 Staff Administration

The approved staff and the actual staff of the Commission had been 18 and 14 respectively. Four officers of the actual staff are holding posts personal to themselves and as such there were 05 vacant posts.

4. Accountability and Good Governance

4:1 Internal Audit

A separate Internal Audit Unit had not been established for the Commission. The Internal Audit Unit of the Ministry had carried out an audit in the year under review and issued one audit query.

4:2 Budgetary Control

An excess budget estimate of 5,052,000 had been prepared at the beginning of the year for the Scientific and Technology Activities which is the primary objective of the Commission. That budget had been later revised to 1,752,000 reducing the budget by 65 per cent. But the actual expenditure amounted to Rs.810,013. Thus the financial performance had been 46 per cent. As such it was observed that the budget estimate had not been made use of as an instrument of financial control.

5. Systems and Controls

Deficiencies 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) Compliance with new Accounting Standards
- (b) Budgetary Control