

National Science Foundation

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the National Science Foundation had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to the paragraph 1:2 of this report, the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the National Science Foundation as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Accounting Deficiencies

Stocks of publications valued at Rs.4,095,833 had not been brought to account.

1:2:2 Accounts Receivable and Payable

The following observations are made.

The balance of the sundry debtors as at the end of the year under review amounted to Rs.1,646,250 while the recoverable advances amounted to Rs.98,195. Out of the sundry debtors a sum of Rs.1,576,469 had been less than 01 year old while the debtors balance old between 01 year to 05 years amounted to Rs.69,780. In addition, advances lapsed over periods ranging from 01 year to 05 years amounted to Rs.65,995 while the advances older than 05 years amounted to Rs.30,000.

1:2:3 Lack of Evidence for Audit

The following items of account could not be satisfactorily vouched / verified or accepted in audit due to the unavailability of evidence indicated against each item.

Item	Value	Evidence not made Available
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	Rs.	
Lands	252,701,586	Unavailability of title deed
Fixed Assets (Excluding Buildings)	85,502,354	Non-submission of Schedules showing the Value
Stocks	5,213,690	Physical Verification Reports
Creditors	6,673,953	Confirmation of Balance from the parties concerned.
Equipment Grants	2,063,126	Certified copy of the Inventory Register
Investments – NANCO	82,000,000	Share certificates

1:2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliances with the following laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Public Enterprises Circular No. PED/12 of 02 June 2003.	

(i) Section 9.4	A Scientific Officer of the National Science Foundation had been released to the SARRC Power Centre for 03 years without the approval of the Cabinet of Ministers.

- (ii) Section 9.10

The approval of the Secretary to the Treasury had not been taken for the recruitment of 22 employees on the assignment basis.
- (iii) Section 8.8

Even though the delegation of financial authority should be approved by the Board of Directors at the beginning of each year it had not been so done.
- (b) Section 2.14.1 of the National Procurement Guidelines No. 9 of 1 March 2006

Even though the shopping procedure can be adopted only for procurement of Goods and Services valued less than Rs. 2 million, the quotation for the expenditure of Rs.2,823,500 in connection with the World Science Day had been called for under this procedure.
- (c) Financial Regulation 371(2)

Even though the imprests issued should not exceed Rs.20,000 a special imprest of Rs.50,000 for use continuously had been granted.
- (d) Agreement on Award of Researches

A test check of 15 files out of the completed research awards relating to the period from 2003 to 2005 revealed that the final research reports had not been submitted within 90 days from date of the completion of the researches in respect of 08 researches.

2. Financial and Operating Review

2:1 Financial Review

2:1:1 Financial Results

According to the financial statements presented, the working of the Foundation for the year ended 31 December 2010 had resulted in a surplus of Rs.4,721,202 as against the deficit of Rs.2,485,631 for the preceding year. Thus, an increase of the financial results for the year under review by a sum of Rs.7,206,833 was indicated. The major factors that affected such position had been the write back to income the over-provisions made in respect of doubtful debts and audit fees amounting to Rs.7,367,059 and Rs.1,315,241 respectively in the year under review.

2:2 Operating Review

2:2:1 Performance

<u>Item</u>	<u>Amount</u>	<u>Observations</u>
	Rs.	
Theme Based Tests	--	Even though the Programme had been planned for implementation from the year 2009 by identifying in 04 fields of food , security, the climate changes, power and water, it had not been possible to obtain funds for the purpose even up to 31 December 2010. The Chairperson informed that is a project covering several years.
Completed Researches	21,181,124	The Research Papers and the Final Reports on the completed researches had not been submitted.

Research Fund	Award	70,150,000	Out of the money received for the research awards only a sum of Rs.9,836,532 had been given for new researches. The Director of the National Science Foundation informed that the total amount could not be provided for researches as the money was received from the Treasury only during the last quarter.
Researches commenced	not	2,248,554	Out of the 03 researches approved for the year, 01 research had expired while 02 had not been commenced.

2:2:2 Management Inefficiencies

The following observations are made.

- (a) A long period had been taken for the evaluation of the reports on completed researches.
- (b) Action had not been taken with the respective researchers to secure the patent rights for the results of researches. The Director informed that the patent rights can be secured only by the researchers and the institution employing the researchers.

2:2:3 Operating Inefficiencies

The following observations are made.

- (a) In view of the delays in providing the financial provisions in due time for researches in the years 2004 to 2008, the final project reports on 27 research grants valued at Rs.24,987,968 awarded during that period to the research institutions and the Universities had not been received by the National Science Foundation even by the end of the year under review despite the expiry of the period of completion of those researches.

- (b) Three scholarships awarded under research grants valued at Rs.922,000 had been stopped due to reasons such as sickness and researchers leaving the country.

2:2:4 Identified Losses

National flags, GI pipes, conference tables, canteen equipment and the lightning conductor system, of the National Science Foundation, the value of which had not been computed had been lost due to the negligence of the Security Officers.

2:2:5 Unidentified Balances

Even though scientific research equipment valued at Rs.7,900,931 had been transferred to the Universities and other research institutions, action had not been taken to identifying such transfers and adjust the accounts.

3. Systems and Controls

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

- (a) Recruitment
- (b) Stock Control
- (c) Accounting
- (d) Procurement of Services