

## **National Science and Technology Commission - 2015**

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The audit of financial statements of the National Science and Technology Commission for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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 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**

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The 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 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 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. Subsections (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.

#### **1.4 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 2:2 of this report.

### **2. Financial Statements**

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#### **2.1 Qualified Opinion**

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In my opinion, except 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 2015 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.**

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##### **2.2.1 Sri Lanka Public Sector Accounting Standard 07**

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The following observations are made.

- (a.) Although the entire class of assets should be revalued, the Commission had revalued only a part of the Property, Plant and Equipment.
- (b.) When assets are restated at the revalued amounts, it is necessary to reveal the effective date of revaluation, whether an independent Valuer had been appointed, methodologies applied in estimating the fair value of the assets and important assumptions made. However, such disclosures had not been made in connection with the Property, Plant, and Equipment that had been revalued.
- (c.) The fair value of the fully depreciated assets still in use, should be shown in the accounts after being revalued. However, it had not been so done in respect of the assets valued at Rs. 15,445,186.

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

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The “Report on the Review of scientific and technology activities conducted on the utilization of science and technology by the Public and private sector enterprises in Sri Lanka in the preceding year” that had been prepared for the years 2013 and 2014 in terms of Section 5(b) of the Science and Technology Development Act, No.11 of 1994, had not been presented to the Minister in terms of the provisions in the Act.

### **3. Financial Review**

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#### **3.1 Financial Results**

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The following observations are made.

- (a.) According to the financial statements presented, the operations of the Commission for the year ended 31 December of the year under review, had resulted in a surplus of Rs. 889,417 as against the deficit of Rs.542, 816 in the financial result for the preceding year. Accordingly, an improvement of Rs. 1,432,233 in the financial result of the year under review as compared with the preceding year was indicated. The decrease in the expenditure by Rs 5,113,880 despite the decrease in the income of the year under review by Rs. 3,681,647 had attributed to the improvement of the financial result.
- (b.) An analysis of the financial results in respect of 4 preceding years from the year under review revealed that , the deficit that continued from 2011 to 2014 had converted to a surplus in the year 2015. The contribution of Rs. 7,460,849 for the year 2011 after adjustment of the employees' remuneration and the depreciation on non-current assets had improved continually improved to Rs. 15,946,234 by 114 per cent in the year under review.

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

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##### **4.1 Performance**

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In terms of Section 05 of Part 1 of the Science and Technology Development Act, No.11 of 1994, the functions of the Commission include: advising the Government on policies and plans for the development of Science and Technology, strengthening of economic growth, health and nutrition and alleviation of poverty, implementation of science and technology for the development of human and other resources required for education, training and research, preparation of policies and plans relating to the allocation of funds for research and development, submission of a report to the Government annually by reviewing the Science and Technology institutions in Sri Lanka, convening the Sri Lanka Conference on Science and Technology biennially and providing a forum for the discussion of Science and Technology, and presentation of a report to the Minister in that connection.

The following observations are made on execution of the aforesaid activities.

- (a.) Action had not been taken during the year under review to commence the reviews by identifying the science and technology institutions.
- (b.) Although the 7<sup>th</sup> Biennial Session of the Sri Lanka Conference on Science and Technology had been held in the year 2014 by spending a sum of Rs. 2,995,861, and an agreement had been entered into for the development of 10 areas in science and technology, the process had remained dormant.

##### **4.2 Procurement and Contract Process**

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Contrary to Guideline 8.9.1 of the Government Procurement Guidelines – 2006, security services for the year under review had been obtained from a private institution at a contract value of Rs. 763,477 without entering into a written agreement.

### 4.3 Staff Administration

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The following observations are made.

- (a.) The approved and actual cadre of the commission had been 18 and 15 respectively and as such there were 3 vacancies as at 31 December 2015.
- (b.) Action had not been taken to make recruitments for 02 posts of Scientist, and a post of Administrative Officer rendered vacant during the year under review. According to the Action Plan, it had been planned to commence 03 academic group activities during the year under review, whereas 02 activities had not been commenced. Although the final report of the activity commenced had been prepared, action had not been taken to issue the report. The Chairman of the Commission informed to audit that those activities could not be commenced due to the dearth of staff in the Scientific Service that existed in the Commission over a long period of time.

## 5. Accountability and Good Governance

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### 5.1 Internal Audit

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An Internal Audit Unit for the execution of internal audits had not been established in terms of Financial Regulation 133 (1) (a) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. However, an Annual Audit Plan for the year under review had been presented to the Commission by the Internal Auditor of the Ministry on 02 September 2015.

### 5.2 Budgetary Control

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A comparison the budgeted expenditure of the year under review with the actuals, revealed saving of provisions on 21 items ranging from 50 per cent to 100 per cent. As such it was observed that the budget had not been made use of as an instrument of management control.

## 6. Systems and Controls

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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.

Area of Systems and Controls	Observations
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(a) Procurement	Procurement of services without entering into formal agreements.
(b) Budgetary Control	Saving of provisions due to failure to prepare estimates properly.
(c) Staff Administration	Failure to take action to fill vacancies in the Scientific Service.