

National Research Council – 2012

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 Research Council as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1:2 Comments on Financial Statements

1:2:1 Accounts Receivable and Payable

Action had not been taken for the recovery of the deposit of Rs.90,000 made for the building taken on lease previously for the Research Council. The sum of Rs.24,143 payable in respect of the telephone, electricity and water charges of that building had not been settled.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc. -----	Non-compliance -----
(a) Section 14 of the Finance Act, No. 38 of 1971	The Annual Report for the year 2011 had not been tabled.
(b) Gazette No. 1514/38 of 15 September 2007.	The Annual Presidential Awards for successful Researches and Modernizations had not been held from the year 2007. But a sum of Rs.971,944 had been spent in that connection.

- (c) Financial Regulation 154 Separate distribution lists had not been maintained for the laptop computers and mobile phones issued personally to the officers of the Research Council.
- (b) Section 4.2(c) of the National Procurement Guidelines No. 08 of 25 January 2006. A Procurement Plan in respect of the expected purchases of goods and services for the ensuing year had not been prepared and approved.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the working of the Council for the year ended 31 December 2012 had resulted in a deficit of Rs.21,470,618 as compared with the corresponding deficit of Rs.18,148,802 for the preceding year, thus indicating a deterioration of Rs.3,321,816 in the financial results. The main reason for the deterioration had been the increase of the total expenditure by a sum of Rs. 35 million as compared with the increase of the total income by a sum of Rs. 32 million.

3. Operating Review

3:1 Performance

3:1:1 Physical Performance

The physical performance of the years 2010, 2011 and 2012 is given below.

Research Grants	2012	2011	2010
Applications received	152	199	74
Grants given	58	51	19
Master of Philosophy Students	67	67	06
Holding the Presidential Awards Ceremony	Completion of Selection of Researchers for the awards for the years 2007, 2008 and 2009.	Selection of Researchers for the awards for the years 2007, 2008 and 2009.	Award made to 484 Scientists for the years 2003, 2004, 2005 and 2006.

3:1:2 Operating Inefficiencies

The National Research Council had granted a sum of Rs.702,000,000 for 206 researches during the years 2006 to 2012. Details appear below.

Year	Amount granted	Number of Researches Granted	Number of Researches Completed	Number Abandoned	Number of Successful Researches	Number of Publications Released
2006	150,000,000	35	30	05	28	51
2007		14	10	04	08	09
2008		05	04	--	04	04
2009	72,000,000	24	09	02	03	08
2010	60,000,000	19	03	01	02	01
2011	200,000,000	51	--	03	--	--
2012	220,00,000	58	--	--	--	--
	702,000,000	206	56	15	45	73

The matters observed in this connection are given below.

- (i) Out of the 206 research grants made during the years 2006 to 2012 only 56 or 27 per cent had been completed.
- (ii) The number of researches abandoned had been 15 and that represented 7 per cent.
- (iii) Out of the 56 researches completed, a publication along with the final report had been presented only in respect of the 45 completed researches.
- (iv) Out of the 56 researches completed researches only 45 researches had been identified as successful researches.
- (v) It is observed that the money granted for researches does not receive value for money due to the final results of researches being limited to research publications and due to action not taken to obtain patent rights.

3:2 Management Inefficiencies

The following observations are made.

- (a) The action on handing of the fixed assets and equipment valued at Rs.127,354,214 purchased for the research projects commenced and completed during the years 1999 to 2006 to those institutions had not been completed and had been shown in the financial statements as the assets of the Research Council. Certain assets had been fully depreciated and the depreciation of the those assets for the year under review amounted to Rs.11,410,417.
- (b) As the periods of completion of the following projects had expired the Bank Accounts had also been closed down. Nevertheless, evidence of completion of the researches and presentation of final reports was not available even by May 2013.

Project Number	Date of Commencement of the Project	Scheduled Date of Completion of the Project	Value of Project Grants
-----	-----	-----	-----
			Rs.
06-22	2008.04.01	2011.09.30	2,299,611
07-39	2009.04.30	2012.04.29	4,250,000
08-29	2009.12.01	2012.12.20	705,321

3:3 Operating Inefficiencies

The following observations are made.

- (a) Sixteen researchers who had obtained research grants amounting to Rs.32,859,458 had abandoned their research projects and the money given for the projects had been idling in the Bank Current Accounts for 01 to 04 years. No course of action whatsoever had been taken against the researchers who abandoned these projects.
- (b) Even though the research equipment valued at Rs.20,890,325 from the research grants given in the years 1999/2000 had been transferred to other research grants, the Inventory Registers had not been updated.

3:4 Idle and Underutilised Assets

The following observations are made.

- (a) The equipment purchased under the following research grants below had not been used over long periods and had been idling.

Grant Number	Value of Equipment	Idle Amount	Idle Period	Transfers to other Projects
-----	-----	-----	-----	-----
	Rs.	Rs.		Rs.
05-19	1,199,700	362,750	06 years	836,950
05-56	1,677,641	1,677,641	06 years	--
05-18	439,800	85,008	06 years	--

- (b) A sum of Rs.215,615,052 had been deposited in Current Accounts in the year under review for 58 research projects and only a sum of Rs.10,004,194 had been used for research work up to 31 December 2012. It was observed that due to the present system of giving money for research grants, Government Funds remain idle in different Bank Accounts over long periods. Research grants amounting to Rs.16,818,386 given to 04 researches in April and July 2012 had not been utilized even by 31 December 2012.

3:5 Identified Losses

Even though an equipment purchased for a research project had been returned to the supplier in the year 2009 as it was not working, a sum of Rs.150,869 recoverable from that institution remains without been recovered over a period exceeding 04 years.

4. Accountability and Good Governance

4:1 Meetings of the Board of Directors

Four meetings only had been held in the year under review. The Board of Directors of the National Research Council comprises 15 members and the participation of members for meetings was not adequate. Five members had not attended any of the meetings.

4:2 Action Plan

The following observations are made.

- (a) The programmes, projects and activities introduced for the achievement of the different objectives shown in the Action Plan prepared by the Council had not been clearly stated. The physical targets for achievement in each quarter had not been shown for the timely review of the Action Plan.
- (b) The total amount expenditure of the Council according to the budget amounted to Rs. 253 million and the total expenditure of the Action Plan had been estimated at Rs.231 million.

4:3 Audit Committee

A formal Audit Committee had not been appointed in terms of Section 7.4.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003. One meeting had been held for the year under review with the participation of 03 members of the Board of Directors.

5. Systems and Controls

Special attention is needed in respect of the following areas of control.

- (a) Accounts
- (b) Regulation of Research Grants
- (c) Fixed Assets Control