

1.1 Opinion

The audit of the financial statements of the National Science and Technology Commission for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 the provisions in National Audit Act, No. 19 of 2018 and the Finance Act, No.38 of 1971. My report in terms of Article 154 (6) of the Constitution will be tabled in Parliament in due course.

In my opinion, the financial statements give a true and fair view of the financial position of the Commission as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Commission is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Commission.

1.4 Scope of Audit (Auditor's Responsibility for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Commission and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Commission has complied with applicable written law, or other general or special directions issued by the governing body of the Commission ;
- Whether the Commission has performed according to its powers, functions and duties; and
- Whether the resources of the Commission had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

The Commission is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The following matters are observed in this connection.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(A) Paragraph 7.4.1 of the Public Enterprise Circular No. PED / 12 dated June 02, 2003	Although the Audit and Management Committee meeting should be held at least once in three months, the Commission had	Although four audit committee meetings were scheduled be held for the year 2019, there wasn’t the commission in January, February and December, and no	The commission should be acted according to the Paragraph 7.4.1 of the Public Enterprise Circular No. PED / 12 dated June 02, 2003

held only two audit and management committee meetings in the year 2019. commission meetings in April and May. An audit committee meeting requires a two-member composition of the commission. The two members of the commission were appointed at the June 201 meeting. Therefore, only two audit committee meetings could be held this year.

(B) Section (1) (f) of the Secretary to the Treasury Circular No. 1/2010 dated 10 December 2010

The circular states that the executive officers who have completed 12 years of senior position in the non-academic staff of state enterprises and universities can obtain a duty free vehicle permit, but appointment date of the director of the commission was July 31, 2003 and by the date of obtaining for the duty free vehicle his service period was about 7 years 10 months and 7 days.

However, the Commission had not taken any action to investigate the matter or recover the money from the responsible officials

The Director of the Council has been recruited to the post of Science Program Manager (Grade II) on contract basis on 01 January 1999 for two years. This Contract has been extended from time to time continuously till 03 July 2003 in the above post. He was given a permanent appointment to the above post on 31 July 2003. Meanwhile, according to DMS 30 Circular dated 13 February 2007, he has been absorbed into MM 1-3 Grade I.

Considering the vehicle permit he obtained in 2011, he has completed a minimum of 12 years of active service with the contract period and has not completed a minimum of 12 years of service, regardless of the contract period.

Circular 2011 TTIP / 01/2010 (1) does not

That action should be taken in accordance with Clause (1) (f) of the Secretary to the Treasury Circular No. 1/2010 dated December 10, 2010

clearly state that the contract period includes or does not include for the active service period.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a deficit of Rs. 5,347,865 and the surplus for the previous year was Rs. 4,510,610. Accordingly, a decrease of Rs. 9,858,475 was observed in the financial result. This decline was mainly due to the reduction of Rs. 10,171,825 in Capital Grant for Research and Development during the year under review.

2.2 Analysis of Tendencies in Main Items of Income and Expenditure

The Capital grants for research and development which is main item of revenue of the commission had decreased by Rs. 10,171,825 and recurrent grants had decreased by Rs. 3,554,506 and compared with the preceding year those are 76 percent and 12 percent decreased, Research and development expenditure decreased by Rs. 6,375,248. In addition, personal payroll expenditure increased by Rs. 1,017,664. Expenditure on travel had decreased by Rs. 290,465 in the current year as compared to the previous year.

2.3 Analysis of Ratios

In 2019, the current ratio and acid ratio were 0.51: 1 and 0.49: 1, respectively, and in 2018, the ratios were 1.12: 1 and 1.1: 1, respectively. The year under review showed a decline in working capital compared to 2018.

3. Operational review

3.1 Non-financial transaction

Audit Observation	Comments of the Management	Recommendation
The Director of the Commission was transferred to the Ministry of Science, Technology and Research with immediate effect from 20 February 2018 and was granted compulsory leave on 09 July 2018 as per the report of the Board of Governors of the Commission dated 19 June 2018. Therefore, Rs.	The former Director of the Institute was sent on compulsory leave by the 193 Commission Meeting held on 9 July 2018. During that commission session it was decided to pay the former Director the basic salary and allowances (Cost of Living Allowance and Professional Allowance). Accordingly, the payment of the salary was	An officer who has been sent on compulsory leave can be paid only on the recommendation of the end of the disciplinary inquiry and action should be taken on that.

3,036,619 had been paid to this officer as salary and allowance from 01 March 2018 to 31st December 2019 and that amount had been a non-economic expense for the Commission.

effective until the completion of the preliminary examination, that was, until June 2020. After the new Chairperson of the Commission took office on 16 January 2020, much attention was paid to this and the Preliminary Inquiry Report with the Acting Director was brought down in April 2020. The recommendations of the report were submitted to the Commission in June and ratified. Accordingly, the decision was taken to suspend the service of the former Director without pay from July 1 and to issue a charge sheet. The charge sheet prepared by the Preliminary Investigation Officer was referred to the Director with the approval of the Commission. Further investigations in this regard will be completed soon.

4. Accountability and good governance

4.1 Performance

The following points are observed in this regard.

Audit Observation	Comments of the Management	Recommendation
(A) The Science, Technology and Innovation (STI) strategic development activities of the Science and Technology (S&T) Policy and Strategy Development Project had completed only 10 percent of the work to be completed as per the Action Plan of the year 2019.	According to the Science and Technology Development Act No. 11 of 1994, the National Commission for Science and Technology (S&T) has organized policies, strategies, planning and development programs related to science and technology (S&T). The program to identify and launch new science and technology (S&T) policies for the year 2019 was intended to be identified in conjunction with	That the activities planned to be implemented should be implemented as per the annual action plan of the Commission.

the 9th Biennial Science and Technology Conference. The 9th Biennial Science and Technology Conference was decided not to be held in 2019 by the 200th Commission Meeting held in March 2019. It was decided to hold that Conference in the year 2020. This was also affected by the administrative problem of the institution. Identifying and preparing new policies We intend to complete the Vision of Prosperity in 2020 in line with the Policy Statement and we would like to mention that this has already been discussed.

(B) It was observed that out of the activities related to the development of policies of Science and Technology (S&T), only 50 percent activities to be completed during the year as per the action plan for the year 2019 had been completed.

The revision of the National Science, Technology and Innovation (STI) Policy was initiated in 2018 with the approval of the Commission and is scheduled to be completed in 2019. Its Policy Draft has been finalized and the launch and publication of those policies were scheduled to conclude in conjunction with the 9th Biennial Science and Technology Conference, but the National Science and Technology Commission 200 not to hold and organize the conference in 2019 Decided by the meeting of the Forest Commission. Therefore, the National Science and Technology Policy was not launched in 2019. Given the current state of health, the biennial conference is expected to be held later this year and the initial steps to achieve the goals of the prosperity vision are expected to be implemented.

That the activities planned to be implemented should be implemented as per the annual action plan of the Commission.

Accordingly, it is hoped to formulate the proposed National Science Technology and Innovation Policy or Strategic Plans.

C) Although the database development of the Science and Technology Quality Assessment Project in Sri Lanka was planned to be carried out during the year of review, only 60 per cent of it had been completed during the year under review.

Data collection for the report on Science & Technology Status (S&T Status) for the year 2018 was carried out after August 2019, and data collection, compilation and analysis due to delays in the submission of that data by the Institute of Science and Technology extended to the year 2020. Data collection is currently done by NSF's existing server computer, and this year NASTEC hopes to acquire a server computer. This is expected to make the development of this database more efficient.

That the activities planned to be implemented should be implemented as per the annual action plan of the commission.

(D) Although 10 steering committee meetings were scheduled to be held in 2019, only 6 meetings were held in 2019 in connection with the setting up working group of scientists from senior scientists, young scientists and scientists of other professional organizations of the project to establish a system to advise to the government on science, technology and innovation (STI).

Although 10 steering committee meetings of the Young Scientists Forum (YSF) are scheduled to be held in 2019, due to their busy schedule, all the committee members were scholars and lecturers working in other institutions / universities, so only six committee meetings could be held. But this forum of young scientists was more proactive and met the expected contribution.

That the activities planned to be implemented should be implemented as per the annual action plan of the Commission.