

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Science and Technology Commission (“Commission”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity and 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No.38 of 1971. My comments and observations which I consider should be report to Parliament appears in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

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 qualified 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 determine 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 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 intend 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 financial reporting process.

As per 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 Audit's Responsibilities 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 auditor's 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, misrepresentations, 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 auditor's 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 auditor's 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 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
Contrary to the alternative remedies outlined in Sri Lanka Public Sector Accounting Standard No. 11, the institution recorded an annual depreciation of Rs.3,587,878 as income in the financial performance statement. Therefore, the surplus for the year under review was overstated by Rs.3,587,878.	For the 2023 financial statements, we will adhere to the updated Sri Lanka Public Sector Accounting Standard No. 11.	According to Accounting Standards annual depreciation should only be recognized as an expense.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Section 6.6 of the Operational Manual for State-Owned Enterprises issued by the Department of Public Enterprises, Ministry of Finance, dated 16 November 2021, numbered 2021/01.	(i) A draft of the annual report must be submitted with the financial statements within 60 days after the end of the financial year. However, the company had not submitted a draft of the annual report with the financial statements. Also, according to the same section, the	The annual report related to the year 2021 was submitted for the approval of the Ministry on 20.04.2023 and further work will proceed after the approval.	Action should be taken in accordance with the circular.

annual report should be presented to Parliament within 05 months of the start of the financial year. However, the annual report for the year 2021 has not been presented yet.

(ii) Although the financial statements were supposed to be submitted to the Auditor General within 60 days after the end of the financial year, the Commission had submitted them to the Auditor General on 12 May 2022, which was a 50 days delay.

The financial statements for the year 2022 were submitted on 11 May 2023, and the IX Biennial Science and Technology Conference were held in March and because the staff was fully engaged in conference duties and there was a lack of available staff, the financial statements were delayed by a period of 2 months. The preparation was delayed, and officials were instructed to prepare and submit the financial statements promptly.

-do-

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.8,531,246 and the corresponding deficit in the preceding year amounted to Rs.3,711,160. Therefore an improvement amounting to Rs.12,242,406 of the financial result was observed. This improvement was mainly due to the increase of annual depreciation which was taken under income by Rs.3,036,485 and the fact that NAM CENTER contribution of Rs.6,897,700 which had been reserved for the previous year but not paid was taken into income in the year under review.

3. Operational Review
3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
Out of the 15 sub-activities included in the 2022 action plan's 5 main activities, only 2 have been completed. According to the action plan, the estimated cost for the year ranged from Rs.100,000 to Rs.2,350,000. The physical progress of these 07 activities ranged from 0 percent to 56 percent.	Development activities for year 2022 should involve collaboration with other institutions and with the participation of experts from various fields. Therefore, Commission approval is required for these activities. But until October 2022, the commission lacked a quorum and a permanent chairman, rendering it unable to function and approve the related activities. Therefore, it was not possible demonstrate the anticipated physical and financial progress in the main activities of the action plan of the year 2022.	Plan pragmatically and make every effort to implement those plans to the best of your ability.