

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Science and Technology Commission for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 appear 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 Board as at 31 December 2021, 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 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 Board'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 intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board 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 Scope

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 skepticism 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 Company'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 Company'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 Company 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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board 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
<p>The cost of the institution had been Rs. 20.4 Million and the total value of the Property, Plant and equipment was fully depreciated. But, the Commission is already using assets worth Rs. 16.7 Million and according to Sri Lanka Public Sector Accounting Standard No. 3 the useful life of these assets has not been re-estimated and adjusted in the Financial Statements.</p>	<p>The Valuation Department restitution all the assets on 22.02.2022 and 23 have now given the restitution report to the Commission. This restitution report has been given to the auditor on 22.06.2022. Also, the information related to this restitution has been disclosed as a note in the 2021 Financial Statements.</p>	<p>Should be done in accordance with the Public Sector Accounting Standards of Sri Lanka.</p>

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit observation	Management Comment	Recommendation
<p>The outstanding balance from the previous years was Rs. 3,339,400 and by December 31, 2021, the balance has not been paid and settled.</p>	<p>This money has been allocated for formal disciplinary investigations, payment of the annual membership fee of the NAM Center, annual review of science and technology to payment of a consultant to prepare the report of the biennial conference. However, due to non-approval of payments by the National Budget Department, non-approval of the Commission and non-submission of invoices, these balances could not be settled.</p>	<p>Action should be taken to non-responsive balances looked into and adjusted to the income or settle the outstanding balances.</p>

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section (1)(E) of Treasury circular No. 1/2010 dated 10 December 2010.	It has been stated that it is possible to get a duty-free vehicle license for executive officers who have completed a period of 12 years holding a senior level position in public enterprises. But, contrary to that, the director of the Commission had imported a vehicle on June 8, 2011 on a duty free vehicle permit. However, his date of appointment was 31 July 2003 and his tenure was only 8 years on the date of importation of the duty free vehicle. An investigation is being conducted in this regard and an expenditure of Rs. 1,568,485 has incurred. But the Commission had failed to complete the investigations and take disciplinary action or to collect the loss to the government from the responsible officials.	There was a preliminary investigation to look into this matter and according to its recommendations, the concerned officer was suspended without pay from 1 st July 2020 and a charge sheet has also issued. A formal disciplinary investigation has been underway after the initial investigation. After its completion, steps will be taken to implement further activities.	After the completion of the disciplinary investigation, if any losses have been incurred by the government, they should be recovered as soon as possible.
(b) Public Administration Circular No. 18/2018 dated July 31, 2018	In case of an inquiry against an executive officer, the inquiry officer shall be paid Rs.1,000 per hour during which the inquiry is conducted. But, without paying attention to those rates, Rs.700,000 had been paid to the Independent Inspection Board. Also, Rs.150,000 had paid to the preliminary investigation officers and Rs.551,800 to the formal disciplinary investigation offices. Accordingly, a total amount of Rs.1,401,800 had been paid to the inspection board.	These payments have been made on the approval of the Commission.	Payments should be made as per Circular provisions.

- © Paragraph (b) of Section 5 of the Science and Technology Development Act No. 11 of 1994
- A report regarding the use of Science and Technology by the public sector and private sector businesses should be submitted to the government annually by the Commission reviewing the Science and Technology work done in Sri Lanka in the previous year. But, the reports related to the years 2018, 2019 and 2020 had not been submitted by the date of auditing in December 2021.
- The delays in providing data by some institutions and the COVID-19 epidemic situation in the country in the years 2020 and 2021 have affected this. The data collection related to the reports is currently in the final stage and the final report will be prepared after analyzing the data.
- A most suitable method should be developed and used to achieve the objectives of the Act.
- (d) Paragraph (5)(c) of the Science and Technology Development Act No. 11 of 1994
- Although the progress of the Science and Technology institutes should be reviewed in relation to the objectives of the institute, 66 institutes have been identified under the Science and Technology institutes and by December 2021 within ten years (during 2010-2020) a review has conducted and reports has submitted for only 22 institutes. According to the guidelines related to the evaluation process, the responsibility for the actions taken to implement the recommendations in these reports has been assigned to the relevant institution and the Commission. Accordingly, it was observed that reports have not been prepared to find out whether the recommendations were implemented, accepted or benefited from them.
- A Commission Sub-Committee was established in the year 2021 to update the review process of Science and technology Institutes conducted by the Institute of NASTEC and to study and provide solutions to the existing problems and to start a process to supervise, the implementation of the recommendation given by the institutes that were reviewed. On the recommendations of the Sub-Commission, these tasks are to be carried out on the recommendations given after the appointment of a new chairman.
- A most suitable method should be developed and used to achieve the objectives of the Act.
- € Paragraph (5)(e) of the Science and Technology Development Act No. 11 of 1994
- The Sri Lanka Science and Technology conference should be convened once in two years with the prior approval of the Minister. However, in accordance with the objectives set out in section 2 of the Act, discussions on Science and technology in Sri Lanka and a
- Since the post of chairman of the council is vacant from January 2021 till now, the related activities were not started as per the instructions of the Commission.
- In order to fulfill the functions of the Act, the management should work to achieve the goals of the organization's

report on those discussions should be submitted to the Minister, but arrangements have not been made to hold a conference after 2016.

action plan.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit Rs.3,711,160 and the corresponding deficit in the preceding year amounted to Rs. 2,966,932. According to that, a decline amounting to Rs.744,228 of the financial result was observed. This decline was mainly due to lower receipt of recurrent grants and increased expenditure on contract services.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) By December 2021, the chairman of the Commission and three members of the governing body had not been appointed. Also, the director has been suspended due to a disciplinary action. At present, an acting director is carrying out the work of the Commission. It was observed during the audit that there is no responsible staff to carry out the governance and operational activities of the Commission, which is an obstacle to efficiently accomplishing the purpose of the Commission.	On 21.01.2021 and 19.07.2021, the secretary of the Ministry has been informed about the vacancies of the chairman of the Commission.	The vacancies in the posts of Top Management should be filled so as not to hinder the achievement of the objectives of the Commission.
(b) In order to fulfill the function of the Commission and the objectives of the Act, Rs.135,206,078 as recurrent expenses from 2018 to 2021 and Rs.14,472,223 to pay evaluation committees with external expertise to prepare policy and institutions review reports, as a total expenditure of Rs.149,678,301 by the commission had been borne. However, it was observed that 05 out	Regarding the policy and review reports that were in draft form, it was not possible to regarding the policy and review reports that were in draft form, it was not possible to get the final approval related to the reports for the future work due to the opinions and suggestions that appeared in the Commission from time to time. For this, the position of the chairman of the Commission	To achieve the objectives of the Act, the most suitable methods should be prepared and used.

of 05 policies and 06 out of 15 review reports prepared and presented between 2017 and 2021 were still in draft status by the end of 2021 and those reports had not been prepared as final reports and forwarded to the relevant institutions.

and the changes of the members of the Commission from time to time during the period from 2018 to 2021, and the absence of a full time chairman in 2021 had been affected.

- © The institution had not prepared a follow-up process to see if the recommendations included in the policy and review reports issued by the Commission were effectively used by the respective institutions.

A Commission sub-committee was established in the year 2021 to update the review process of Science and Technology institutes conducts by the Commission, to study the existing problems and provide solutions and to start a process to implement the recommendations given by the relevant review institutes. Accordingly, this task, which is a recommendation of the sub-committee of the Commission, is to be carried out based on the recommendations given after the appointment of a new chairman.

To achieve the objectives of the Act, the most suitable methods should be prepared and used.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Issue	Management Comment	Recommendation
-----	-----	-----
<p>According to 6.3 of the operation manual issued according to the Public Business Circular 1/2021 dated November 16, 2021, the accounts must be submitted for audit within 60 days after the end of the financial year but the Financial Statements of the year 2021 had been submitted 3 months and 15 days late on June 15, 2022.</p>	<p>The Financial Statements has been prepared by January 2022 with the aim of submitting them to the National Audit Office before February 28 and has also presented to the Audit and Management Committee held on February 22, 2022. It has taken time to get the approval as one of the members of the Commission resigned from that position in February 2022 and another member has abroad.</p>	<p>Financial Statements should be submitted on due dates as per circulars.</p>

4.2 Annual Report

Audit observation	Management Comment	Recommendation
According to paragraph 6.5.3 of Public Enterprise Circular No.PED 12 dated 2 June 2003, the Annual Report of the Commission should have been tabled in parliament in 150 days after the end of the financial year, but the Annual Reports for the years 2019 and 2020 had not been tabled in parliament.	The Annual Reports related to the years 2019 and 2020 were referred to the Ministry of Education to obtain the approval of the Ministry of Education to table them in the parliament through the letter dated 16.06.2022. We will get the approval of the Ministry and take steps to proceed.	According to the Circular directives, the annual report should be submitted to the parliament before the due date.