

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the National Innovation Agency (“Agency”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a material accounting policy 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 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, the accompanying financial statements give a true and fair view of the financial position of the Agency as at 31 December 2023, 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

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 Agency’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 Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency’s financial reporting process.

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

1.4 Auditor'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 Agency'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 Agency'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 Agency 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 Agency, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Agency has complied with applicable written law, or other general or special directions issued by the governing body of the Agency;
- Whether the Agency has performed according to its powers, functions and duties; and
- Whether the resources of the Agency had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation	
National Innovation Agency act, N0. 22 of 2019	(i) Section (d) of 3	Although the Agency aimed to coordinate innovators and initiatives to improve outcomes, in the year 2023, these objectives were not achieved quantitatively as only 02 programs were successfully coordinated by the Agency in collaboration with private and public entities.	The number of programs conducted by our organization in year 2023 for connecting innovations and initiatives was higher than that. This task has required multiple rounds of discussions. Even if the relevant parties are interested for coordinating innovations and initiatives, it is difficult to achieve it in a short period of time and the staff of the NIA has worked hard on this regard.	Plans should be developed and actions should be taken to achieve the objectives outlined in the Act efficiently and effectively.
	(ii) Section (f) of 4	Although, in order to commercialize the products of innovation, the relevant Ministries and Departments responsible for	Discussions were held with the Sri Lanka Export Development Board and the Department of Foreign Resources and	Plans should be developed and actions should be taken to achieve the objectives outlined in the Act efficiently and

international discussion were held effectively. innovation affairs with foreign should have entrepreneurs regarding coordinated with the the same product. But innovation institutes, those efforts have failed but they did not do so. due to the discouragement of innovators to manufacture their innovations in foreign countries and the high cost of setting up and operating industries in Sri Lanka.

2. Financial Review
Financial Result

The operating result of the year under review amounted to a deficit of Rs.1,347,843 and the corresponding surplus in the preceding year amounted to Rs.6,598,340. Therefore a deterioration amounting to Rs.7,946,183 of the financial result was observed. This deterioration was mainly due to increases in personal emoluments, building rental expenses, and supplies and consumption by Rs.3,310,605, Rs.3,182,256, and Rs.978,735 respectively.

3. Operational Review
3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>Although it was a duty of the Agency to support the national innovation entrepreneurship strategy objectives by facilitating high-tech enterprises emerging through research and technology transfer, in the year 2023, only two technology transfers were successfully completed. Furthermore, the Agency spent Rs.665,890 to create a webpage to fulfill the objectives outlined in the Act and it included innovation data from only two institutions on it.</p>	<p>The Institute created the B2P Platform, a virtual platform where data entry is to be performed by innovators and researchers from various research institutes, universities, or private entities. The organization's role is to verify the data, assess the suitability of the technology readiness levels for display on the platform, approve them for publication, and facilitate the process accordingly. Data entry is not the agency's role, nor is it practical. Currently, all research institutes, universities, inventors, and researchers are informed to submit their innovations ready for commercialization to this B2P virtual platform.</p>	<p>It should be done efficiently to achieve the Agency's objectives.</p>

3.2 Human Resources Management

Audit Issue	Management Comment	Recommendation
<p>According to the approved cadre of the Agency, although they must pass the efficiency bar examinations within 03 years from the date of appointment, as of the audit date on 05 January 2024, even though two years had passed since the appointment of the 11 officers, the efficiency bar examinations had not yet been conducted and no request had been made in this regard.</p>	<p>Arrangements are being made to conduct efficiency bar examinations for 04 officers before 01 January 2025, and I will carry out the necessary work in this regard without delay.</p>	<p>Necessary arrangements should be made to conduct the efficiency bar examinations within the prescribed timeframes.</p>