National Science and Technology Commission - 2023

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the National Science and Technology Commission ("Commission") 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 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 Commission 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 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 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 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 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.

2. Financial Review
2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.7,239,466 and the corresponding surplus in the preceding year amounted to Rs.4,943,368. Therefore a deterioration amounting to Rs.12,182,834 of the financial result was observed. The reasons for the deterioration are mainly, increasing in personal emoluments, contractual services expenses, research and development expenses, and depreciation and amortization, Rs.2,166,591, Rs.1,954,089, Rs.6,095,491, and Rs.2,047,594 respectively.

3. Operational Review
3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
The budgeted expenditure for the year 2023 is Rs.57,474,000, while the actual expenditure is Rs.31,874,722. The difference between the budgeted and actual expenditure was Rs.25,599,278. That value was 44.5 percent of the total budgeted value, no more rational basis was used in forecasting the budgeted values.	Due to adherence to the budget circulars issued for government expenditure control, many of the provisions allocated from the budget were saved. Additionally, due to the delay in the relevant review activities, the allocated provisions for reviewing the institutions were also saved.	The budget should be prepared in a more rational and timely manner and revised regularly if material variations are observed.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
The cost of building rent for the year 2023 was Rs.8,977,032. It was 38.43 percent of the recurring grants and 24 percent of the total expenditure. The expenditure incurred for salaries in the year 2023 was Rs. 12,555,903 and that expenditure was 53.75 percent of the recurring capital and it demonstrated 33.46 percent of the total expenditure. But for the purposes of setting up the institute, that is for research and development the amount incurred was Rs.7,057,079 and that value was only 18.8 percent of the total cost. Accordingly, expenses have been incurred for other recurring costs rather than contributing to the institution's objectives.	Although the financial progress of the Commission's research and development activities was 18.8 percent, the physical progress achieved was about 80 percent. Thus, the budget circulars issued to control public expenditure led to a reduction in research and development costs, and the method for carrying out many activities was adjusted accordingly. As a result, it was possible to reduce the allocation for research and development expenses.	Plans should be made appropriately to achieve organizational objectives, and activities should be carried out effectively.

4. Accountability and Good Governance

4.1 Tabling of Annual Report in Parliament

Audit Observation	Management Comment	Recommendation
Though the annual report for the years 2021 and 2022 should be tabled in the Parliament within 05 months after the beginning of the financial year the reports have not yet been tabled according to section 6.6 of the Operations Manual for State-Owned Enterprises issued by the Department of Public Enterprises of the Ministry of Finance under number 2021/01, dated November 16, 2021.	The annual report of the year 2021 was forwarded to the Ministry on 2024.04.02 and the 2022 annual report on 2024.04.19.	Actions should be taken in accordance with the circular.

4.2 Annual Action Plan

Audit Observation	Management Comment	Recommendation
According to the annual action plan and progress prepared by the National Science and Technology Commission for 2023, 20 million rupees have been allocated for 06 major activities planned during the year, but the actual value spent at the end of the year under reviewed, was only Rs.4 million. This is as little as 20 percent of the total allocation. Although Rs.1.2 million was allocated for employee staff training from that provision, due to the fact that only 30 percent of it had been spent by the date of the audit the consideration of human resource development has not insufficient.	Based on the budget circulars, the main activities in the action plan were modified in the prescribed method. Accordingly, most of the programs were conducted online and through electronic media, resulting in cost savings. Due to the delay in the review process, the allocated funds were saved. According to the scheme of recruitment procedure, as per the Budget Circular 01/2023(c) issued for government expenditure control, only training opportunities and essential training opportunities were given to the staff.	Action should be taken in accordance with the Annual Action Plan.