

## **National Science and Technology Commission - 2024**

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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 2024 comprising the statement of financial position as at 31 December 2024 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 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, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2024, 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 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’s 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 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 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 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 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.6,748,006 and the corresponding deficit in the preceding year amounted to Rs.7,737,999. Therefore an improvement amounting to Rs.989,993 of the financial result was observed. Although employee expenses increased by Rs.4,990,838, the main reason for the overall increase was the rise in recurrent expenses by Rs.6,401,462.

## **3. Operational Review**

### **3.1 Uneconomic Transactions**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
The 2nd BIMSTEC Expert Group Meeting, established with the aim of expanding knowledge sharing on the use of technology in the economic and lifestyle of people for sustainable development in India, Bhutan, Bangladesh, Myanmar, Thailand, Nepal, and Sri Lanka, had been held on the 25 and 26 July 2024. Although Rs.2,055,628 was spent on food, drinks and accommodation for 100 local and	The main objective of holding the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Summit is to improve the socio-economic conditions in the country and build up regional cooperation through the sharing of scientific and technological knowledge. According to the meeting held with the Ministry of Education	Occurrence of Such uneconomic transactions should be prevented by through planning and properly carrying out efficiently organizational activities.

foreign experts for the conference, only 42 representatives attended during the two days. Due to lack of confirmation of participation and poor pre-planning, a large amount was overspent unnecessary for the conference.

regarding the BIMSTEC Summit and the meeting held with the Ministry of Foreign Affairs, it was proposed to hold this summit physically. Procurement was carried out with the expectation that 50 local and foreign representatives would participate in the workshop, and although two representatives were expected from each country, many countries sent one member to participate. However, the initial procurement process resulted in lower costs for accommodation and food than expected, and it was also possible to hold the conference with high quality.

### 3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>For the year 2024, the Commission's building rental expenditure was Rs.9,644,186 and salary expenditure was Rs.17,546,741. The relevant expenses were 22.30 percent and 40.58 percent respectively as a percentage of the total expenditure. However, as the Commission is the highest institution that provides policy formulation and advisory services to the Government of Sri Lanka on scientific and technological matters, the amount spent on research and development activities related to this function was Rs.5,525,746, which represented only 12.79 percent of the total expenditure. The Commission's budget for the year</p>	<p>Although the financial progress of the institution's research and development activities was 12.79 percent, it was able to achieve a physical progress of about 80 percent. The main reasons for the reduction in research and development expenditure were the Budget Circulars No. 3/2022 and No. 9/2022, issued to control government expenditure. Furthermore, since many programs were conducted through online methods, it was possible to save the allocations made for research and development expenses. However, as the expenses incurred for building rent and</p>	<p>Adequate financial allocations should be made to achieve the main objectives of the institution, and necessary actions should be taken to utilize those allocations effectively to accomplish those tasks.</p>

2024 allocated Rs.20,400,000 to achieve the objectives and the expenditure incurred was 27.1 percent of the allocation. Accordingly, the focus on carrying out the tasks required to achieve the objectives of the institution was relatively low.

salaries were mandatory payments, and since such expenses could not be controlled or postponed under the expenditure control circulars, payments had to be made accordingly.

### 3.3 Operational Inefficiencies

According to Section 2 of the Science and Technology Development Act No. 11 of 1994, the Commission is required to submit an annual review report to the Government on the scientific and technological activities of the preceding year. However, by the end of the year under review, only the data collection process for the 2023/2024 report had been initiated.

Answer has not been submitted

Priority should be given to achieving the institutional objectives.

## 4. Accountability and Good Governance

### 4.1 Tabling of Annual Reports in Parliament

Audit Issue	Management Comment	Recommendation
<p>The annual reports for the years 2022 and 2023 had not been tabled in Parliament up to the date of this report as per Section 6.6 of the Operations Manual for State-Owned Enterprises introduced by Public Enterprise Circular No. 01/2021 dated 16 November 2021.</p>	<p>Although the 2022 and 2023 annual reports were submitted by the Commission to the Line Ministry for approval on 04 November 2024, and 10 March 2025 respectively, approval for tabling in Parliament has not yet been granted. The Line Ministry (Ministry of Science and Technology) has been informed regarding this matter, and necessary action will be taken to table the reports in Parliament immediately upon receiving the required approval.</p>	<p>As per the circular provisions, the annual report should be tabled in Parliament before the due date.</p>