

## **1. Financial Statements**

### **1.1 Opinion**

The audit of the financial statements of the Sri Lanka Institute of Biotechnology (Pvt) Limited “Company” for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 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. 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 Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka 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 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 Company’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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

## 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 Company, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company ;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company 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
Section 6.6 of the Operations Manual for Public Owned Enterprises introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021	<p>(i) Although a draft annual report should be submitted within 60 days after the end of the financial year, the institution had not submitted the draft annual report even up to the date of audit.</p> <p>(ii) Although the annual report should be presented to the parliament within 150 days after the end of the accounting year, the annual reports for the years 2022 and 2023 had not been presented even up to the date of the audit</p>	SLIBTEC has already submitted the annual reports for the years 2022 and 2023 to the Ministry for verification. The Cabinet paper has been prepared for its submission. The remaining reports are pending verification by the Ministry.	According to the circular rules and regulations, a summary of the annual report should be submitted along with the financial statements, and actions should be taken to present the annual report to the parliament within 150 days after the end of the accounting year.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs.132,380,612 and the corresponding loss in the preceding year amounted to Rs.181,293,005. Therefore, an improvement amounting to Rs.48,912,393 of the financial result was observed. Although there was a decrease of revenue by Rs.3,558,859, the increase of other operating income by Rs.31,004,602 and decrease of administration expenses by Rs.22,491,186 during the year under review, were the main reasons for the improvement.

## 3. Operational Review

### 3.1 Operational Inefficiencies

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
A formal research plan approved by board of directors had not been prepared for the year 2024. This oversight hindered the ability to set clear objectives, allocate resources effectively, and evaluate research performance.	As per the Research Committee's guidance, SLIBTEC has prepared a research plan for the year 2024 to evaluate each research project's performance in line with the committee's requirements. Additionally, a detailed research plan has been prepared for the year 2025.	The Board should be approved the research plan and monitored the implementation of the plan.

### 3.2 Idle or underutilized Property, Plant and Equipment

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) In 2023, the Company incurred a substantial expenditure of Rs.44,701,020 on interior design and furniture procurement. However, a significant portion of the furniture remains unused. At the time of procurement, only a limited number of laboratories were operational, while several	The expenditure on infrastructure and furniture was a strategic decision to attract and retain highly qualified professionals and create a conducive work environment. As a limited liability company engaging with business leaders and international agencies, SLIBTEC prioritized recruiting skilled personnel before developing laboratories using delayed ADB grants. Some areas, such as computer and student workstations, are already functional, while others await specialized staff and equipment.	A detailed needs assessment and phased procurement plan should be prepared to avoid idle resources and ensure efficient use of funds.

others were incompletely and non-functional. This situation raises serious concerns about the prioritization of resources and the effectiveness of Company's planning processes.

The Crispr area is being effectively used for meetings and investor engagement. Given SLIBTEC's international collaborations and recognition as an ICGEB Regional Research Centre, maintaining high infrastructure standards is essential. Therefore, the related expenditure represents a long-term strategic investment rather than unutilized spending.

(b) The Company had procured a Next Generation Sequencing (NGS) system in 2023 at a cost of Rs.120,989,136. Despite its advanced capabilities for high-throughput DNA and RNA sequencing, the equipment remains unutilized to the date of the audited, 31 August 2025 date reflecting poor strategic planning and a lack of due diligence.

SLIBTEC plans to use the equipment for upcoming research in 2025 on Dengue and Zika virus genome variants and has applied for major international grants such as NIH, Wellcome Trust, and IBRO to support related projects. Future plans include offering exome sequencing services to local universities, collaborating with international partners on advanced sequencing projects, and contributing to the Earth BioGenome Project starting in 2026.

The Company should take necessary measures to ensure uninterrupted operation of laboratory facilities by addressing infrastructure limitations.

The lack of 24/7 air conditioning continues to hinder SLIBTEC's ability to provide uninterrupted services at the facility.

### 3.3 Procurement Management

Audit Issue	Management Comment	Recommendation
(a) According to Section 4.2.1 of the Government Procurement Guidelines, a "Master Procurement Plan" should be prepared for a period of three years. However, the company had not prepared a "Master Procurement Plan" outlining its procurement activities.	All measures will be taken to prepare a Master Procurement Plan for a period of three years from next year.	A Master Procurement Plan should be prepared and duly approved.

- (b) The procurement time schedules (PTS) (Stage 1 and Stage 2) should be prepared as per the section 4.2.2 of the Government Procurement Guidelines. Furthermore it is the responsibility of the procurement committee to approve the PTS at the first meeting though the company had not complied with.
- PTS is consistently discussed during DPC meetings alongside the procurement budget and method of procurement. However it was inadvertently has not been included in the meeting minute format.
- Procurement Time Schedules should be prepared by the Company and procurement committee should be reviewed and formally approved at the first meeting.

#### 4. Accountability and Good Governance

##### 4.1 Corporate Plan

Audit Issue	Management Comment	Recommendation
<p>The company was incorporated in 2020 to support a coordinated and harmonized biotech innovation system for economic development. Those Specific goals and corresponding objectives to be achieved for each goal had not been defined at the strategic plan prepared for the period 2021-2025. Further, the corporate plan prepared for the period 2021-2025 had not been reviewed or updated.</p>	<p>The strategic plan of SLIBTEC is being updated 5 yearly and reviewed accordingly from 2025.</p>	<p>Specific goals and corresponding objectives in the strategic plan should be clearly defined, and the strategic plan should be periodically reviewed and updated.</p>

## 4.2 Internal Audit

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
All state owned enterprises should have internal auditors who report only to the Board through the audit committee, though the Company had not have appointed an internal auditor.	Three members of the Board of Directors have been appointed to the Audit Committee, and one of them has been designated as the Chairman of the Committee. Therefore, the Audit Committee can convene even in the absence of an internal auditor.	The Company should appoint an internal auditor who reports directly to the Board through the Audit Committee

## 4.3 Audit Committee

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
The company had not established an audit committee as required by the guidelines of the Corporate Governance.	The company has already appointed the Audit Committee in accordance with the guidelines with effect from 2025.	The Company should establish an Audit Committee in accordance with the Corporate Governance guidelines.

## 4.4 Budgetary Control

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
The Company had not prepared budgeted statement of income, budgeted statement of financial position and budgeted cash flow statement.	The budgeted income statements and statements of financial position for the year 2022 and 2023 were prepared in accordance with approved budgets. The remaining statements will be updated annually, based on approved budgets.	The Company should prepare a budgeted Statement of Income, Statement of Financial Position, and Cash Flow Statement annually.