

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the National Research Council for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 the Finance Act No. 38 of 1971. My comments and observations which I consider should be reported 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 Council 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 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 Council'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 Council or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Scope of Audit (Auditor's Responsibility on 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council'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 Council'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 Council 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 Council, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council;
- Whether the Council has performed according to its powers, functions and duties; and
- Whether the resources of the Council 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 Internal Control over the Preparation of Financial Statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

2. Financial Review

2.1 Financial Results

The operating result for the year under review had been a deficit of Rs. 960,252 as compared to the corresponding surplus of Rs. 3,295,913 for the preceding year. Therefore, a decrease of the financial result amounting to Rs. 4,256,165 was observed.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation

(a) Target based multidisciplinary research should be completed in 05 years and out of 05 projects started in 2014, only 4 researches had been completed. The research to develop a polyvalent anti-venom for snakebites in Sri Lanka has lasted for over 7 years, but has not been completed.

Comments of the Management

The TO 14-18 project researchers are producing a vaccine for snake species like Cobra, Common krait, Russell’s viper, Hump-nosed pit viper and Saw – scaled viper and the first of these was produced for snake species like Cobra, Russell’s viper, Hump-nosed pit viper and Saw – scaled viper. Its clinical trials had been successfully completed at the Peradeniya Teaching Hospital.

Recommendation

Plans should be prepared and projects should be started so that the respective projects can be completed within the number of years in which the projects should be completed and

The reason for producing the vaccine without Common krait venom was that the approval of the Department of Forest Conservation was not given for the addition of Common krait venom until 20 April 2018. However, our board of directors advised us to produce for all 5 species of snakes.

arrangements should be made to complete the projects within the relevant time frame.

Snake venom was sent to the Universidad de Costa Rica on 26 July 2018, with approval given on 20 April 2018.

The National Drug Regulatory Authority has granted the import license on 26 June 2020 and payments have been made to the Universidad de Costa Rica on 13 July 2020 for the delivery of the vaccines to the country under special conditions at a very low temperature.

But due to the Corona situation, it has been informed that couriership is not possible due to the suspension of flights in the world. On 30 April 2021, the approval of our institution had been given to another courier service through that university, which arrived in Sri Lanka in the first week of May 2021, after which the clinical trials were started and permission was given by the council. Action had been taken by our Board of Directors to extend the project period on the above mentioned reasonable reasons.

(b) The TO-14-04 research project had discovered a new larval strain to control dengue vectors, but the National Research Council had not focused on monitoring and following up on whether the spread of the larvae in the country would lead to the implementation of a dengue control plan in Sri Lanka. Due to this, it was not possible to get the expected benefits from the said research.

The TO 14-04 project works directly with the Dengue Control Unit of the Ministry of Health and the head of that unit also participates. The findings of this project will be used to educate students. The findings of this project will be used to enter to the teacher manuals in schools to educate students and the National Dengue Control Unit will conduct pilot projects in Gampaha district to reduce the spread of dengue with the researchers of our project and the director of that unit will participate for this.

A formal program should be created to effectively use the research results in such a way that in a manner that maximizes results from research expenditure

(c) TO-14-05 research project had conducted a study on chronic kidney disease at a cost of Rs. 47,001,209 and as a result it was found that the cause of kidney disease was the inclusion of fluoride, calcium and magnesium components in drinking water, but it was observed during the audit that the application of the results of the research to the national interest was delayed or avoided due to the fact that the relevant institutions were not properly contacted to take the necessary actions to prevent those components from entering the drinking water and the National Research Council did not pay attention to the follow-up.

The primary finding of project TO 14-05 is the presence of fluoride in water along with calcium or magnesium for kidney disease and the Ministry of Health has been informed about it. And The findings of this project are currently being used by the kidney unit of the Kandy General Hospital and our TO 16-15 project is currently working together with the National Water Supply Board to solve the problem of clean water which is a cause of kidney disease in the North Central Province and They have already developed and commissioned several water purifiers. TO 16-18 project will create a suitable filter for this disease instead of market water filters. The Biomarkers found by this project have been informed by the Director of Kandy General Hospital by a letter.

Projects should be planned and monitored so that the country can benefit from the effective use of research results.

(d) Although the research project number TO-14-10 was completed in 2020 to make Sri Lanka self-sufficient in milk production at a cost of Rs. 41,723,915 the institute did not monitor and follow up the progress of the practical use of the technology identified in the research. At present, Sri Lanka has not achieved the goal of achieving self-sufficiency in milk production.

The primary objective of the TO 14-10 project is to recommend what needs to be done to create a milk self-sufficient country and they did it through their project and the project was done in the farms of the National Livestock Development Board. Officials of the National Livestock Development Board, Department of Animal Production and Health, Ministry of Livestock and Farm Promotion and Milk and Egg Related Industries participated in the progress review meeting of this project and informed them about it. In a letter from the Director General of Animal Production and Health Department, it has been informed that the findings of this project will be disseminated among men and work will be done to create a self-sufficient country from milk. The findings of this project are being used for the breeding of dairy cattle at Ridhi Gama Farm of the National Livestock Development Board, in which the researchers of the project have participated.

Projects should be planned and monitored so that the country can benefit from the effective use of research results.

(e) The research to ensure food security through improvement of crop varieties and cultivation techniques adapted to different climatic conditions in Sri Lanka was given to the Field Crops Research and Development Institute and improved by the research, the result of paddy, maize, green bean and green chilies varieties was socialized and actions had not been received its progress, evaluated and followed up by the National Research Council.

After the successful completion of the TO 14-24 project, the people engaged in agriculture in Sri Lanka will use the results and the Ministry of Agriculture is already working with private institutions through the projects to take its products to the farmers. We have inquired from them about the current progress.

Projects should be planned and monitored so that the country can benefit from the effective use of research results.

(f) Although it has been recognized as a function of the institution to effectively use the government's expenses for research as investments, it was observed that there is no formal work arrangement to direct the said research expenses to be used as investments or to generate income.

The researcher has noted in the project proposal how to implement the projects and the officials of the Ministries involved in the implementation of the projects participated in the evaluation meetings of the projects and the secretaries of those Ministries have already been informed about these projects and the findings of the projects has been published in the website of our institution. The objectives of the National Research Council Act is to grant, facilitate, coordinate, monitor and regulate projects of national benefit and we as the institution are doing our best to achieve our objectives. Last April 27, in a discussion held with our Institution and our Ministries, we discussed these projects and were informed that the Ministries would take some steps for it.

Projects should be planned and monitored so that the country can benefit from the effective use of research results.

3.2 Underutilization of Funds

Audit Observation

Actions had not been taken for identifying time frames for estimated costs and accordingly preparing priority needs plans, obtain and efficiently use the grants for goal-based multidisciplinary research of 05 years or more, and 03 to 07 years by 31 December 2021 the unutilized amount of Rs.64,306,587 (relevant to 05 researches) remained in the current accounts during the period up to.

Comments of the Management

Our guide to targeted multidisciplinary research grants for 5 years allows them to conduct research in the right way at the right time of the year. It is not correct to note here as unused and all those projects are ongoing research. The researchers will use the money for their projects within the time frame of the research proposal.

Recommendation

A system such as setting up a fund should be used to get the maximum effectiveness from the money received for research.