

Sri Lanka Inventors' Commission

1. Financial Statements  
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1:1 Opinion  
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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the –Sri Lanka Inventors' Commission had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards give a true and fair view of the state of affairs of the Sri Lanka Inventors' Commission as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1:2 Comments on Accounts  
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1:2:1 Non compliance with Sri Lanka Accounting Standards (SLAS)  
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Instances of non-compliance with Sri Lanka Accounting Standards are given below.

Standard -----	Non-compliance -----
(a) SLAS 16 and 42	Even though 12 employees served in the Sri Lankan Inventors' Commission as at 31 December 2010 provision for gratuity had been made only for 10 employees.
(b) SLAS 18	Even though assets with zero book values should be revalued in depreciating fixed assets if they are in further use it had not been so done.

(c) SLAS 24

The capital grants utilized for the purchase of assets had not been brought to account as deferred income.

1:2:2 Accounting Deficiencies  
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The motor vehicle valued at Rs.6 million registered in the name of the Commission had not been brought to account.

1:2:3 Accounts Receivable and Payable  
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(a) According to the financial statements presented, the balance of the unsettled advances amounted to Rs.2,835,094 and comprised balances older than 03 years amounting to Rs.136,622, balances older than 02 years amounting to Rs.2,063,622 and balances older than 01 year amounting to Rs.634,850.

(b) The refundable deposit of Rs.125,000 made on the office building procured on rent had not been recovered.

1:2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions  
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The instances of non-compliance with the following laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations,  
etc  
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Non-Compliance  
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(a) Sri Lanka Investors' Incentives Act,  
No. 53 of 1979

(i) Section 4(1)

Even though the Commission should comprise a Commissioner and two Assistant Commissioner appointed by the Cabinet of Ministers on the recommendation of the Minister, all the three post remained vacant.

- (ii) Section II(h) Even though the inventiveness and creativity among the Sri Lankan community should be improved and encouraged by holding a competitions of Creative Research annually for the award of cash rewards and medals to the winners of the competitions on inventions the Presidential Award Ceremonies for the years 2008, 2009 and 2010 had not been held.
- (b) Public Finance Circular No. 353 of 31 August 2004 Even though the income received from the disposal of motor vehicles of Government institutions should be credited to the Consolidated Fund, a sum of Rs.1,036,000 received from the disposal of motor vehicles had not been credited to the Consolidated Fund.
- (c) Public Finance Circular No. 433(1) of 26 December 2008 Even though quotations should be called from the suppliers registered with the Ministry of Finance and Planning, goods valued at Rs.1,562,000 for the Awards for Inventions of the World of Arts Ceremony had been purchased from an institution not included in that pool.
- (d) Procurement Guidelines Section 9.3.1 Even though the approval of the Secretary to the line Ministry should be obtained for repairs to motor vehicles costing over Rs.100,000, such approval had not been obtained for a sum of Rs.102,205 spent on carrying out repairs to a motor vehicle.
- (e) Public Administration Circular 01/2002 of 22 February 2002 State Emblem had not been stenciled on 05 motor vehicles of the Commission.

(f) Financial Regulation of the  
Government  
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(i) Financial Regulation 155                      Replies to 11 audit queries issued during  
the year had not been furnished.

(ii) Financial Regulation 757(2)                      An annual Board of Survey of the fixed  
assets of the Commission had not been  
conducted and reports furnished to audit.

2. Financial and Operating Review  
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2:1 Financial Review  
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2:1:1 Financial Results  
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According to the financial statements presented, the working of the Commission for the year ended 31 December 2010 had resulted in a deficit of Rs.7,472,478 as compared with the corresponding deficit of Rs.22,953,040 for the preceding year. Decrease of incentives to inventors by a sum of Rs.17.9 million and the income of Rs.1 million from the sale of motor vehicles had been the reasons for such decrease in the deficit.

2:2 Operating Review  
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2:2:1 Physical Performance  
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The following activities appearing in the Action Plan prepared for the year under review had not been achieved even by the end of the year under review.

Expected Activity of the Action Plan -----	Results achieved as at 31 December 2010 according to the Progress Reports -----
i. To obtain the contribution of the inventive citizens for the improvement of the economy of the country.	Activity not carried out.

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|-------|--|---|
| ii.   | Establishment of Schools Inventive Circles   | Awareness only had been made through a circular of the Ministry of Education. No follow up action had been taken. |
| iii.  | Establishment of Inventions Circles in the Technical Colleges and conduct Inter – Technical Colleges Competitions and Awareness. | One joint Technical Colleges programme had been held.   |
| iv.   | Establishment of Inventions Circles in the Universities.   | Not carried out.  |
| v.    | Upliftment of the Nation through Inventions  | Only the “:Kala Lowe Nawa Nipeyum Kirula” prize distribution ceremony had been held.                              |
| vi.   | Inventions Exhibition and Sales Centre   | Not Constructed   |
| vii.  | Scientific Inventions and Explorations   | One project carried out.  |
| viii. | Holding a Presidential Awards Ceremony.  | Ceremony not held.  |
| ix.   | National Exhibition of Inventions.   | Not held.   |
| x.    | Establishment of Inland-wide Creativity Societies covering 22 Districts.   | Held only in the Kalutara District.   |
| xi.   | Holding Exhibitions and Competitions for International Inventions in Geneva in April and in Seoul in December.                   | Not held.   |
| xii.  | Participation in International Seminars and Workshops.   | Not participated.   |

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| xiii. | Establishment of Inventions Centres in the Hambantota and Polonnatuwa Districts.  | Not established.   |
| xiv   | Provide financial assistance for the improvement of products in the final stages. | Financial assistance of Rs.75,000 had been provided to one inventor. |
| xv.   | Training of officers of the Commission.   | Training had been provided to one officer only.                      |

#### 2:2:2 Irregular Transactions

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- (a) Even though the creations of the inventor should not be changed without his approval, a banner with name changes had been displayed at a foreign exhibition in the year 2009.
- (b) Two storeys of the three storeyed building procured on rent from the Battaramulla area in the year 2009 for as a Research Centre had been used as the official quarters of the Commissioner and no recoveries had been made in that connection.

#### 2:2:3 Management Inefficiencies

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No courses of action whatsoever had been taken for carrying out the following activities which should be carried out in terms of Section 11(1) of the Sri Lanka Inventors' Incentives Act, No. 53 of 1979.

- (a) Take action to obtain patent rights by the selection of inventions that need to be patented.
- (b) To provide legal assistance to the inventors to protect their intellectual properties when their intellectual property rights are infringed in Sri Lanka or in a foreign country.
- (c) Recommend inventions with commercial value to enable obtaining loans from any state institution or other institution by hypothecating the patent.

- (d) Assisting in finding local and foreign market facilities.
- (e) Establishment of a Research Facility open to all to enable the conduct of research on inventions.
- (f) Implementation of public awareness programmes on inventions through publication of News Bulletins and through television and radio programmes and other media programmes.
- (g) Commercialization of Inventions

The Acting Secretary informed that the administration during this period had come to a standstill due to the conduct of the then Commissioner and that the work of the Commission had not been performed at the optimum level.

#### 2:2:4 Uneconomic Transactions

##### ----- Scientific Inventions Centre -----

At the discretion of the former Commissioner, the Commission had established a Scientific Inventions Centre in a building in the Battraramulla area taken on rent and a monthly rent of Rs.125,000 had been paid thereon. A sum of Rs.2,242,797 had been paid as the building rent and the cost of electricity, water and telephones in respect of the period 01 September 2009 to August 2010. No activities what so ever had been performed therein and it had been closed down after August 2010. It was observed in audit that the objective of the establishment of the Centre had not been achieved and that the expenditure incurred thereon had become an uneconomic expenditure.

#### 2:2:5 Human Resources Management

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According to the Organization Chart of the Commission, the staff comprised 23 officers while 10 vacancies in 10 posts remained without being filled.

### 2:2:6 Corporate Plan and Action Plan

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The Commission had not revised the Corporate Plan annually. After its preparation for the years 2008 / 2012 it had not been revised annually.

### 2:2:7 Underutilised Assets

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- (a) The balance of the Bank Account No. 033100121791065 as at the end of the year under review amounted to Rs.3,184,502 and the account had been dormant from May 2010.
- (b) The balance of the Inventors' Fund as at 31 December 2010 amounted to Rs.2,502,375, and no loans what so ever had been paid to the inventors during the year under review.
- (c) Even though the Commission had a pool of 05 motor vehicles three of those were idling as they were not in running conditions.

### 2:2:8 Internal Audit

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An Internal Audit Unit had not been establishment.

## 3. Systems and controls

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Commissioner of the Commission from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Fixed Assets
- (c) Internal Audit
- (d) Performance
- (e) Administration