

Head 299 - National Intellectual Property Office of Sri Lanka

1. Financial Statements

1.1 Unqualified Opinion

The audit of the financial statements of the National Intellectual Property Office of Sri Lanka for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, and cash flow statement for the year then ended, 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. The Summary Report containing my comments and observations on the financial statements of the National Intellectual Property Office of Sri Lanka was issued to the Accounting Officer on 16 June 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018 . The Annual Detailed Management Audit Report of the Office was issued to the Accounting Officer on 26 January 2021 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the National Intellectual Property Office of Sri Lanka as at 31 December 2019 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Unqualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, on the financial statements 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 Chief Accounting Officer and the Accounting Officer on Financial Statements

The Chief Accounting Officer and the Accounting Officer is responsible for preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 .

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

The Accounting Officer shall ensure that an effective internal control system is maintained and maintained for the financial control of the Office in terms of sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to express a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the Summary Report of the Auditor General 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.
- It is not intended to express an opinion on the effectiveness of internal control of the Office to plan appropriate audit procedures in a timely manner.
- Evaluate the structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- The transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Sub-section 6 (1)(d) and Section 38 of the National Audit Act No. 19 of 2018 .

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendations made by me regarding the financial statements furnished for the preceding year had been implemented.

2. Operating Review

2.1 Projects where money has been released but no progress has been made

Audit Observation

Provisions of Rs. 97,000,000 had been received from the Line Ministry from year 2016 to 31 December 2019 for the implementation of the Project related to the approach into the Madrid Alliance Paper and out of which, a provision of Rs. 79,917,430 had been utilized. Out of that, a sum of Rs. 32,500,000 had been paid to the Information and Communication Technology Agency on 30 December 2016 for carrying out purchasing activities for server machine, system installation and maintenance of the system required for the Project. A Memorandum of Understanding had been signed for this and the relevant activities had to be completed within a period of about 06 months.

Nevertheless, relevant work had not been completed even by the end of September 2020 . Even though it had been informed that necessary steps should be taken to reach an

Recommendation

Maximum benefits should be obtained for the money incur.

Comments of the Accounting Officer

Negotiations are being carried out with the Information and Communication Technology Agency.

agreement again as per the Decision of the Cabinet of Ministers No. 40320/0139/215/009 dated 20 February 2020, purchasing of the machine or an alternative actions had not been taken even by the end of the September 2020 .

3. Good Governance

3.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>(a) An Internal Audit Unit had not been established for the office and an Internal Auditor had also not been appointed by the end of the year under review. Similarly, it had not yet been acted by now as per the Circular No. DMA / 01-2019 dated 12 January 2019 issued by the Department of Management Audit. Conducting of an internal audit for the year under review and issuing of reports had not been carried out even by the Internal Audit Division of the Line Ministry .</p>	<p>An internal audit should be conducted on the activities of the institution.</p>	<p>Requests had been made from the Ministry of Public Administration to attach an officer to the post of Internal Auditor which was approved from 6 April 2019 and to attach an Acting Officer to this office until then.</p>

4. Human Resources Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>(a) The number of approved employees was 100 by the end of the year under review and the number of actual employees was 70 . Accordingly, the number of vacancies was 30 .</p>	<p>Actions should be taken to recruit the staff for the essential posts.</p>	<p>It has been stated that the actions are being taken to fill the vacancies.</p>
<p>(b) The posts of Deputy Director / Assistant Director (Administration) and Assistant Director (Information and Communication Technology) approved by the Department of Management Services had been in vacant since the date of approval and even though documents had been exchanged with the Ministry of Public Service, Provincial Councils and Local Government in this regard, there were vacancies even by 31 December 2020 .</p>	<p>-do-</p>	<p>Requests have been made by letters to attach officers to those posts.</p>
<p>(c) There were 2 vacancies in tertiary level translators and 10 Patent Examiner posts had been approved by the Letter No. DMS / 1120 dated 30 December 2016 of the Department of Management Services and 30 Development Officer posts had been approved by the Letter No. DMS / 1120 dated 20 December 2016 . Nevertheless, out of those posts, 9 and 2 posts were vacant as at 31 December 2020 respectively.</p>	<p>-do-</p>	<p>Agree. Requests have been made to the Director General of Combined Services to attach officers to those posts</p>