

Head 299 - National Intellectual Property Office of Sri Lanka

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Intellectual Property Office of Sri Lanka for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 21 June 2021 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 11 May 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, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the National Intellectual Property Office of Sri Lanka as at 31 December 2020 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters appear in Paragraph 1.6 of this report. 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 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.

1.6 Comments on Financial Statements

1.6.1 Non-compliance with the provisions of the Financial Statements Circular

Although the financial statements need to be prepared in accordance with Guideline No. 06 issued by the Department of State Accounts, the instances where those requirements are excluded are shown below.

Audit Observation	Comments of the Recommendation Accounting Officer	
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(a) Although the total non-income receipts was Rs. 2,398,948 and the personal emoluments was Rs. 42,545,229 as per the Department books, it had been	The revised cash flow with relevant adjusted cross entries as per 3.1 and 3.6 of the Guideline No. 06 is	The Cash Flow Statement should be prepared as instructed in Guideline 06 .

shown under the cash flow generated from the operational activities in the cash flow statement removing by cross entries as Rs.4,651 and Rs. 38,198,632 respectively .

kindly submitted herewith as per your observations

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| <p>(b) Although recovery of advances and payments were Rs. 3,029,541 and Rs. 1,850,764 respectively according to the Departmental books, it had been shown under the cash flow generated from the investment activities in the cash flow statement as Rs. 48,320 and Rs. 1,004,943.</p> | <p>-do-</p> | <p>-do-</p> |
| <p>(c) Deposit receipts amounting to Rs. 21,950 had not been shown under the cash flow generated from financial activities .</p> | <p>-do-</p> | <p>-do-</p> |
| <p>(e) A sum of Rs.205,051 incurred by Department spent on other Departmental expenditure objects and a sum of Rs.102,138 incurred on other Departments spent on their main ledgers had not been adjusted to the imprests adjustment account under Financial Regulation No. 208 .</p> | <p>Accept. I hereby submit the imprest reconciliation statement for necessary purposes.</p> | <p>-do-</p> |

2. Financial Review

2.1 Non-compliance with Laws, Rules and Regulations

An instance of non-compliance with the provisions of the laws, rules, regulations observed during the audit test checks is analyzed below.

Reference to Laws, Rules and Regulations	Observation ----- Non-compliance -----	Comments of the Accounting Officer	Recommendation -----
Sections 01 and 05 of Public Administration Circular No. 02/2018 dated 24 January 2018.	Actions had not been taken to prepare a Human Resources Development Plan for signing performance agreements for each officer and for the systematic development of human resources deployed in the Department.	Accept. A Human Resource Development Plan will be prepared for the year 2021.	It should comply with circular provisions.

3. Good Governance

3.1 Performing services to the public

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the actions should be taken to formulate and implement a Citizen / Client Charter, to make the activities of the public sector more efficient and to improve public confidence in terms of Public Administration Circular No. 05/2018 dated 06 February 2008, the institutional process had not been monitored and evaluated due to not doing so.	Observation is accepted. Including in the Action Plan 2021 of the institution and the approval has been obtained for the Establishment of Citizens and Clients Charter within the entire institution.	It should comply with circular provisions.

3.2 Internal Audit

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
An Internal Audit Unit had not been established in accordance with the provisions of Section 40 of the National Audit Act No. 19 of 2018 .	Requests have been made from the Ministry of Public Administration on several occasions as attach an officer for the post of Internal Auditor approved from 06.04.2019 and to attach an officer on acting basis to this office until then.	It should comply with the provisions of the Act.

4. Human Resources Management

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
----- Nine out of the 13 vacancies at the secondary level were for the post of Patent Examiner and the approved number of employees for that post is 10 . Accordingly, 90 per cent of the approved number of employees had become vacant. Similarly, since this position is directly related to the patent registration process, it was observed that the possibility of influencing the delay in that process could not be ruled out.	----- Arrangements have been made to recruit those who qualified through an open competitive examination by publishing advertisements in the Government Gazette for the year 2020 and as the outbreak of the Covid 19 epidemic, it could not proceed as expected . Requests have been made to the Secretary to the Ministry of Public Administration and to the Hon. Minister of Public Administration as instructed to attach new trainees and perform their duties until patent examiners are recruited as per the decisions of the Presidential Advisory Committee held in the year 2020 . Similarly, a letter has also been sent to the Public Service Commission inquiring in connection with those recruitments and the relevant recruitments can be made as soon as receiving a reply to that letter .	----- Recruitments should not be delayed as it is directly related to the patent registration process.