

Head 299 – National Intellectual Property Office of Sri Lanka

1. Financial Statements

1.1 Opinion

Head 299- The audit of the financial statements of the National Intellectual Property Office of Sri Lanka for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 including my comments and observations on the financial statements of the National Intellectual Property Office of Sri Lanka was issued to the Accounting officer on 31 May 2023 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Detailed Management Audit Report relating to the Office was issued to the Accounting Officer on 14 July 2023 in terms of Section 11(2) of the National Audit Act. This report is furnished to the Parliament in terms of the Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Intellectual Property Office Sri Lanka as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give true and fair view in accordance with Generally Accepted Accounting Principles and with the provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the preparation of annual and periodic financial statements.

In terms of sub Section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Office and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 **Auditor's Responsibilities for 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 and its materiality depends on the influence on the economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statement 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 Office's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on other Legal and Regulatory Requirements

I express the following matters in terms of Section 6(1)(d) of the National Audit Act, No.19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (എ) The recommendations made by me on the financial statements of the preceding year had been implemented .

2. Operational Review

2.1 Annual Performance Report

Audit Observation	Comment of the Accounting Officer	Recommendation
Three thousand six hundred and forty three registrations of trademarks had been carried out in the year under review and, it had been represented in the Performance Report that the registration of the applications received in the year would not occur in the same year on the applications not being classified as per the received year.	The information had been presented by giving prominence to the functions executed in each year in presenting the Performance in the Annual Performance Report and, such a classification had not been carried out on the classification of those functions executed as per the year that the applications were received, not being essential. Action would be taken to include those information as well, in the next year.	Those registrations should be indicted by classifying according to the year that the applications were received in stating the progress of the registrations of the trademarks in each year.

2.2 Management Weaknesses

Audit Observation	Comment of the Accounting Officer	Recommendation
A Mutual Agreement had been entered into by the Information and Communication Technology Agency (ICTA) for the purchase of a server on 31 December 2016 and, the Agreed Amount of Rs.32.5 million including a sum of Rs.7.5 million payable for service charges had been paid on the same date. However, this Agreement had been breached by the ICTA and even though action had been taken to enter into an Agreement again as per the Decision of the Cabinet of Ministers	It had been informed by the ICTA to enter either into a Telecom Cloud Server or to any other suitable alternative and, that the necessary technical assistance could be provided from Information and Communication Technology Agency (ICTA) and, that the copies of the necessary documents should be referred to the Intellectual Property Office to take the necessary steps to repay the sum of Rs.32.5 million, paid to that Institution.	The server requirement should be fulfilled in a manner that settles the sum of Rs.32.5 million paid without a delay.

No.CP/20/0139/215/009 of 20 February 2020, an Agreement had not been made accordingly. Afterwards, even though it had been agreed to provide the Cloud Server (LGS) System with software as per the discussions held in December 2022, it had been informed by ICTA in the discussion held on 27 March 2023 that it is suitable to enter into another alternative on it not being suitable for the prevailing system.

3. Achievement of Sustainable Development Goals

Audit Observation

Even though identifying the condition prevailed in that year as based data and a base year to measure the progress of achieving the identified objectives and the destinations that the targets should be approached and clearly identifying the indicators that the progress is measured is carried out and even though the progress obtained in the year under review had been stated as 0 per cent, 65 per cent and 75 per cent respectively in the Annual Performance Report instead, the accuracy of those progress values could not be confirmed.

Comment of the Accounting Officer

The progress achieved had been stated in this as per the Action Plan of the year under review and, that its accuracy could be confirmed by the Annual Progress Report of the year under review that, steps would be taken in the forthcoming years to submit the progress relative to the base year.

Recommendation

Identifying a base year to measure the progress of achieving the identified objectives and identifying the condition prevailed in that year as base data and the destinations that the targets should be obtained and identifying clearly the indicators that the progress is measured, should be carried out.

4. Good Governance

4.1 Internal Audit

Audit Observation	Comment of the Accounting Officer	Recommendation
The approved post of Internal Auditor remained vacant from a period of 4 years and, an Officer had been appointed on a cover- up duty basis from 17 October 2022.	An Officer had been appointed to cover up the duties from October 2022 as per the requests made to the Ministry from time to time to attach an Officer for the vacant post of the Internal Auditor. However, she had been released from that duty from March 2023 on the request of that Officer and, another Officer had been appointed again from May 2023 for cover- up duties. .	It should be activated on the Internal Audit being a process that assists for the development of the operational process of the Institution and to improve its performance.

5. Human Resource Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Nine out of 10 approved posts of patent Inspector remained vacant from over a period of 6 years and even though it is a Departmentalized post, it had not been effective on various reasons despite Development Officers being attached for those posts.	That, new recruitments of the Affiliated Service had been discontinued and instead, Science Graduate Development Officers had been referred from time to time from the year 2015 to the year 2020. Even though the training for Patent Inspection had been given to those Officers, an efficient service could not be obtained continuously on those Officers being received with transfers under the Annual Transfer Procedure. As such, the Examination Notice has been submitted to the Department of Examinations by taking the necessary action to make recruitment to this post from the Officers who are employed in that Service.	The proposed recruitments should not be delayed to make the given training effective on the transfers being given to the Development Officers.
(b) Even though 21 posts of Intellectual Property Officer had been approved, later, 10 posts had been approved in a personal manner to the holder of the designation. Out of	Even though 21 posts of the Intellectual Property Officer had been approved in the Approved Cadre, 10 posts had been approved in a personal manner to the position holder in the year 2018 by the Department of Management Services. Currently, only 05 Officers are employed in service due to reasons such as the	Action should be taken to increase the performance of the Trademarks Division.

them, 05 posts had been abolished, up to date. This condition had been affected towards the decrease of performance of the Trademarks Division.

retirement and the resignation of the Officers. A Request Letter has been submitted to the Department of Management Services on March 2023 requesting for the removal of the clause “in a personal manner to the position holder” for that post and to include the posts of the Intellectual Property Officer approved previously to the Approved Cadre again on the deficit of the Officers prevailing in this Office being affected towards the productivity of the Institution.