

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Sri Lanka Inventors Commission for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2022, 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 Qualified Opinion**

My opinion is qualified on the matters described in paragraph 1.5 of this report.

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 qualified 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

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

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

## 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, 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:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission'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 Commission'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 Commission 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 Commission, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Commission has complied with applicable written law, or other general or special directions issued by the governing body of the Commission;
- Whether the Commission has performed according to its powers, functions and duties; and
- Whether the resources of the Commission 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non -Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) According to paragraph 65 of Sri Lanka Public Sector Accounting Standard 07, the fixed assets have been fully depreciated, but the cost value still in use was Rs.3,636,467. The estimation error about the effective life of those assets had not been revised and adjusted in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard 03.	According to the Governing Board decision No.1035.04.02, the lifetime of the assets has been revised from January 1, 2022. In that regard, adjustments have been made in the accounts of the year under review. The average effective life time of the asset classes has been taken into account to revise the effective lifetime. In practice, fully depreciated assets may also exist within the asset class. Those assets are disclosed in the notes.	Action should be taken in accordance with the Sri Lanka Public Sector Accounting Standards.
(b) Apart from paragraph 69 of Sri Lanka Public Sector Accounting Standard No. 7, computers and devices with a cost value of Rs.194,000 which had been withdrawn from use were not taken into account for the calculation of depreciation in the year under review. Due to this, the depreciation for the year has understated by Rs.19,400.	I accept the observation. The opening balances of the year 2023 will be restated and presented.	Calculations should be done correctly.
(c) According to paragraph 7 of Sri Lanka Public Sector Accounting Standard No.	In preparing the Financial Statements for the year 2023, intangible assets will be	Action should be taken in accordance with the Sri Lanka Public Sector Accounts

20, computer software should be treated as an intangible asset, when the software is not an integral part of the relevant hardware. However software worth Rs.162,964 has not shown as an intangible asset in the Financial Statements. presented separately in the Standards. Financial Statements.

### 1.5.2 Documentary Evidence not made available for Audit

Item available	Amount Rs.	Evidence not available	Management Comment	Recommendation
Providing financial support for innovation circles of schools.	4,845,000	Receipts	I accept your observation that the school has not sent a formal receipt to the commission to confirm that the financial aid was received by the school. It will be taken proper actions to correct this in the future.	The written evidence required to prove the expenses should be attached to the voucher.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

#### Audit Issue

The sum of Rs.9,117,682 given from the Inventors' Fund before the year 2009 had not been recovered even at the end of the year under review.

#### Management Comment

In this regard, I will take formal actions in the future.

#### Recommendation

Actions should be taken immediatly to recover the receivables.

### 1.6.2 Payables

#### Audit Issue

The sum of Rs.843,924 brought since before the year 2021 had not been recovered even at the end of the year under review.

#### Management Comment

According to the discussions held with the Mahaweli Authority, the amount of Rs.761,524 has been determined to be used for the work of Toda Farm.

According to the decisions of the Governing Board, after paying

#### Recommendation

Actions should be taken immediatly to recover the payables.

the amount of Rs.72,400 to the Mahaweli Authority, it has been decided to make the payment to the Nano Vision Institute. Further, formal action will be taken in this regard in the future. I will settle cheque number 539398 worth Rs.10,000 as soon as possible.

**1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.**

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Financial Regulation 138 (6) & (8)	72 Cheques worth Rs.720,000 were written for incomplete vouchers outside of the regulations and those cheques were kept without handing over to the concerned payee.	In the future, I will arrange to get formal bills stating the unit quantity and value.	Action should be taken in accordance with the Financial Regulations.
(b) Financial Regulation 371 (2)	Apart from the regulation, the non-staff officers of the commission had also been given Sub-imprests.	It will be corrected in the future, as per your recommendation.	Action should be taken in accordance with the Financial Regulations.
(c) Financial Regulation 780 (1)	Officers of the Commission had spent a total of Rs.1,407,399 for participating in electric fence handover, YIELD program and awareness programs. This amount had been spent on accommodation charges in air-conditioned rooms, officers' food expenses, officers' allowances and fuel expenses.	I would like to draw your attention to the fact that due to the high inflationary economic situation in the country, the prices of goods and services have risen too much, due to having to carry out these activities; relatively more expenses had to be incurred.	Action should be taken in accordance with the Financial Regulations and attention should also be paid to efficiency.

(d) Chapter XIV, section 4 of the establishments Code	In the year under review, Rs.461,520 for accommodation and Rs.718,028 for refreshments had been spent for 14 officials who participated in promotional programs held in 9 provinces.	As the Commission provides refreshment and accommodation to the officers, the composite allowance is not paid to them. I would like to emphasize that these payments are not contrary to the Code of Institutions.	Action should be taken in accordance with the Establishments Code.
(e) Public Finance Circular No.438, dated 13 November 2009	Assets worth Rs.568,000 which have not been used for more than 5 years had not been disposed.	The relevant disposals have been made on the recommendations of the Board of Survey Committee.	Action should be taken in accordance with the public finance Circulars.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 4,992,449 and the corresponding deficit in the preceding year amounted to Rs. 3,433,824. Therefore an improvement amounting to Rs.8,426,273 of the financial result was observed. The main reason for the improvement is increasing government allocation for the recurrent by Rs.9,030,000.

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) Without paying attention to the need, 1270 T-shirts had been printed at a cost of Rs.998,450 in the year 2018 for the Sahasak Nimeum program. By the end of the year under review, there was remained a stock of 408 T-shirts worth Rs.320,280.	I accept that the observations are correct and I will take actions to correct those facts in the future. Arrangements are being made to distribute the stock of t-shirts systematically in various programs of the project division.	Action should be taken efficiently and effectively in incurring government expenses.
(b) The total cost spent on YIELD and provincial awareness programs in the year under review was	The commission organized the training programs of the YIELD 3D Innovation Competition. For	In the performance of duty, it should be done efficiently and

Rs.3,254,791. 81 percent of the total cost was spent on activities not directly related to the purpose, such as providing food and accommodation facilities to the people who participated in the programs and the officials of the commission.

that, the commission was able to get resource contributions from the Institute of Panacea Solutions for free. The projects were planned considering the provision of food and accommodation as part of the respective project. Those tasks were essential for the successful implementation of that series of programs. Accordingly, while preparing estimates for those projects, those estimates were prepared including those cost categories. Therefore, the relevant expenses have been incurred for the purposes of the project.

effectively within the prescribed time frame.

(c) According to the Management Board Decision No. 1002.01.07, approval was given to provide financial assistance to newly registered innovation circles. However, the amount of 595 applications received from the year 2019 was properly studied and the registered or computerized data system, which was prepared by entering correct information such as school name, address, account number, principal, coordinator's phone number, etc., was not updated.

Account numbers and more updated information will be added to the data file in the near future.

The data system should be updated and maintained.

### 3.2 Operational Inefficiencies

#### Audit Issue

(a) According to the action plan of the year 2022, the commission had allocated Rs.1,800,000 for the establishment of innovation circles and their supervision. Through that, the objective of the commission in the year 2022 was to establish 70 new circles and present 80 new products for national level competitions. The 2022 Sahasak Nimeum National

#### Management Comment

In the year 2022, 132 school innovation clubs and 5 university innovation clubs have been established.

Due to the Corona various epidemic since March of 2020 and the crisis situation that occurred from time to time in the school system and the growing economic crisis in the country, it was difficult to get the necessary

#### Recommendation

Immediate action should be taken to complete the activities planned annually within the stipulated time frame.

Competition was not held by 31st May 2023. During the period of 04 years from 2019 to 2023, only 06 circles were formed in the universities. Accordingly, the commission had failed to achieve the expected benefit of creating a culture of innovation among the youth community and creating investment opportunities within the country.

support from them by creating interest in innovation in the universities as expected. In the future, the commission will work to create innovation societies more systematically in the university system. The Commission will also direct them to suitable commercialization opportunities.

(b) As at December 31, 2022, the balance of the Sri Lanka Inventors Fund was Rs.12,837,184 and it was observed that this account remained inactive during the year 2022.

I am also kindly informed that we have signed a Memorandum of Understanding with RDB Bank for the purpose of regularizing the provision of credit assistance to the inventors, they have been referred to the banking system. Meanwhile, the Commission have been conducted field tests of 07 inventors with the RDB Bank.

Loans should be given to encourage innovation.

(c) According to the action plan, financial and technical support was expected to be provided for 40 patents. However, only 04 inventors joined the commission during the year.

09 awareness programs were held in 09 districts to provide necessary support for patent applications. In addition, 04 awareness conferences and workshops have been conducted in 03 schools and one university, and 2 online programs. Also 02 patent workshops have been conducted for 8 university students.

Awareness workshops and programs had not been targeted at patent applicants action should be taken to achieve the targets of the action plan.

#### 4. Accountability and Good Governance

##### 4.1 Annual Action Plan

###### Audit Issue

(a) When presenting the progress of the action plan, the financial and physical progress of the allocations allocated for each sub-activity and the percentage of that progress should be clearly indicated separately in front of each sub-activity but it was not presented as such.

###### Management Comment

I accept your observation regarding the separate presentation of each sub-activities in the action plan for the year 2022. I will comply with your observation while preparing action plans for the coming years.

###### Recommendation

Action should be taken in accordance with the Action Plan.



(b) The approved estimates for sub-activities YIELD program and awareness program of the action plan were Rs.200,000 and Rs.700,000 respectively. But for that, Rs.1,367,222 and Rs.2,518,093 has spent respectively. Accordingly, Rs.1,167,222 and Rs.1,818,093 were respectively spent beyond the estimated limit. Exceeding that limit was 584 percent and 260 percent respectively.

I accept the observations regarding expenditure incurred in excess of approval regarding the sub activities you indicated

Expenses should be incurred within the approved expenditure limit.

(c) Among the activities out lined in the action plan, Five sub activities valued at Rs.6,950,000 were not executed during the year, Further more, eight sub activities, with a total value of Rs. 19,950,000 did not achieve their expected target

The financial provision required to carry out the relevant activities has not been properly received by the Commission. As a result, the activities of this program, which has been running for several months had to be stopped in the middle. Accordingly, I accept your observation that it was not possible to complete the competition of Sahasak Nimeum – 2022 within the year under review.

Action should be taken in accordance with the Action Plan.