

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Inventors Commission (“Commission”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, 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 2023, 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
Though the fixed assets have been fully depreciated, according to paragraph 92(b) of Sri Lanka Public Sector Accounting Standard No. 7, the carrying value has not been disclosed in the financial statements, in respect of assets still in use, which the cost amounted to Rs.1,469,302.	Actions have been taken to update the effective life of the assets on 01.01.2022 and if the effective life time of the fully depreciated assets of the asset group that you have specified is updated, an abnormal lifetime increase will be shown. As you mentioned, if the useful life of the asset is increased, the depreciation of the asset will be overestimated.	Action should be taken in accordance with the Sri Lanka Public Sector Accounting Standards.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Management Comment	Recommendation
(a) Debt balances of Rs.12,632,009 over 5 years and Rs.1,740,600 over 3 years totaling Rs.14,372,609, which are included in the debtor balance have not been recovered due to lack of strong loan conditions, a set of general conditions and insufficient information about the guarantors.	Efforts to recover the debt could not proceed without the advice of a legal officer, and further action will be taken by the newly appointed legal officer.	Actions should be taken immediately to recover the receivables.
(b) Actions have not been taken even the year under review to	I accept the observation will take action to correct this in the future.	Advance payments must be processed to either receive the

settle the prepayment of Rs.341,088 for contractual services which is coming from more than 5 years.

service or obtain a refund.

1.6.2 Payables

Audit Observation	Management Comment	Recommendation
The creditor balance of Rs.834,224 related to the Mahaweli project, which has been ongoing since 2021, and the balance of Rs.330,000 allocated to school innovation circles had not been settled by the end of the year under review.	In order to obtain the necessary approvals from the Mahaweli Authority of Sri Lanka for the future work required to settle the balances, reminders have been sent on 03 occasions: 02 occasions via email and once by letter and another letter dated March 16, 2023, has been sent. Accordingly, although the Commission had taken further actions to settle the creditor balances, it was unable to do so due to the lack of action by the Sri Lanka Mahaweli Authority.	Actions should be taken to recover the payables.

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 756(2)(a)	Composition of the Board of Survey – The commission had appointed a board of survey consisting of 05 officers, although this board was meant to include two responsible officers other than the officer or officers directly in charge of the stores and their immediate subordinates.	I accept the observation, and action will be taken to correct it.	Action should be taken in accordance with the Financial Regulations.
(b) Chapter XIV, section 1:1, 3.1 and 4.1 of the Establishments Code	A government officer who is required to travel for the performance of duties is paid traveling expenses in accordance with the regulations of the	I accept the observation. Action will be taken to correct it in 2024.	Action should be taken in accordance with the Establishments Code.

Establishments Code and though the official travel should be carried out as quickly as possible based on the situation at the time, while bearing that the government incurs the minimum cost, contrary the Commission's vehicles had been provided to the officials participating in the board of surveys and Rs.48,224 and Rs.56,488 had been spent for fuel and other expenses respectively.

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| (c) Paragraph 11(1) of the Sri Lanka Inventors' Incentives Act No. 53 of 1979 | In Sri Lanka, though presidential awards for new inventions are intended to encourage inventors of patented innovations; no awards were given for a period of 07 years, from 2017 to 2023. | Although requests have been made to obtain a date from the President since June 2023, no specific date has been received. Kindly inform that it is beyond the control of the Commission. | Action should be taken in accordance with the Sri Lanka Inventors' Incentives Act. |
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2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.10,586 and the corresponding surplus in the preceding year amounted to Rs.4,992,448. Therefore a deterioration amounting to Rs.5,003,034 of the financial result was observed. The reasons for the deterioration is mainly, decreasing in government's contribution for recurrent expenditures by Rs.6,377,000.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
Though a data system was developed in 2018 at a cost of Rs.4,600,000 to manage the applications received, without a proper feasibility study or plan. The total number of applications received since its establishment has been only 39 and no such data system was in operation by the year under review.	I accept the observation. At present, the officers of the commission are maintaining the data system.	Actions should be taken efficiently and effectively in incurring government expenses.

3.2 Transactions of Contentious Nature

Audit Observation	Management Comment	Recommendation
The amount of Rs.500,000 owed to the Dompe Pradeshiya Sabha for the expenses of the Educational Trade Exhibition was credited to an account labeled 'Cultural and Religious Committee,' which is not part of the official bank account of the Pradeshiya Sabha.	An amount of Rs.500,000 was specified for hall fees, electricity, water, tables, and chairs on the letterhead of the Dompe Regional Council and after confirming the relevant account with the People's Bank, payment was made via cheque.	Arrangements should be made to credit the correct accounts of the government.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Management Comment	Recommendation
The balance of the Sri Lanka Inventors Fund is Rs.12,837,184, and the remaining amount of Rs.13,762,138 from the funds allocated for the construction of seed germination centers has remained in the current account since 2017 and 2020, respectively.	Agreed with the observations. Due to various reasons such as COVID-19, economic disaster, various practical issues have arisen in providing services to inventors through technology incubators. Therefore, discussions are ongoing to develop a mechanism that can effectively utilize this amount to provide better services to inventors.	Actions should be taken to ensure the proper utilization of funds.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Management Comment	Recommendation
Though, Rs.9,000,000 has been estimated for 02 activities, called data system management and website development and acquisition of fixed assets in the year 2023 action plan, no activities were undertaken during the year under review.	Agreed with the observations. In the quarterly progress reports for 2023, the reasons for not achieving the expected goals of the relevant activities have been mentioned. The grants approved for the year 2023 were not received on time.	Actions should be taken in accordance with the Action Plan