

## Head 299 - National Intellectual Property Office of Sri Lanka

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Head 299- the National Intellectual Property Office of Sri Lanka for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and statement of financial performance and the 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. The summary report including my comments and observations on the financial statements of the National Intellectual Property Office of Sri Lanka in terms of section 11(1) of the National Audit Act No.19 of 2018 had been issued to the Accounting Officer on 11 June 2024. In terms of section 11(2) of the Audit Act, Annual Detailed Management Audit Report related to the Office had been issued to Accounting Officer on 05 July 2024. This report will be presented in to the Parliament in pursuance of provisions in 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, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Office as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for qualified Opinion**

My opinion is qualified based on matters described in paragraph 1.6 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 audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements**

Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the Generally Accepted Accounting Principles and the provisions in section 38 of the National Audit Act No. 19 of 2018 and for such internal control as management determines 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 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 of the Institute.

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 on Audit of 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 judgement and maintain professional skepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess the risks of material misstatement in financial statements 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute'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 the 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 the other legal Requirements**

In terms of the Section 6(1) (d) of the National Audit Act No.19 of 2018, I state the under-mentioned facts.

- (a) The financial statements are consistent with the preceding year
- (b) The recommendations made by me on the financial statements in relation to the preceding year had been implemented.

## 1.6 Comments on the Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Even though the treasury imprest receipts and the remittances made to the Treasury in the year under review were Rs. 48,291,000 and Rs. 870,915 respectively, It had been stated as Rs. 48,039,988 and Rs. 619,903 respectively in the statement of financial performance.	The trial balance obtained from CIGAS Program as at 31.12.2023 for the preparation of the financial statements had been used and accordingly, the debit and credit balances of 7002 with regard to the imprest account in the trial balance had been included in the statement of financial performance.	The accurate financial statements should be prepared.
(b) Even though the settlement of imprest by cash in the year under review was Rs. 870,915, the settlement of imprest through expenses had been increased by Rs. 870,000 due to mentioning as Rs.915 in the statements of imprest account (ACA-3).	The imprest balance settled in June 2023 had been avoided and it will be noted to take action to avoid these types of mistakes in the due course.	The accurate financial statements should be prepared.

## 2. Financial Review

### 2.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
As per section 3.4 of the State Accounts Guideline No. 05/2023 dated 30 November 2023, even though the reasons for the difference between the total net provision and actual expense for every object should be indicated in	This had not been inserted in the ACA 2(ii) format by mistake.	It should be compliance with the guidelines.

ACA-2(II), the reasons in relation to non-incurring of the budget allocation of Rs. 10,000,000 for the development of software under the acquisition of the capital assets had not been shown.

### 3. Operating Review

#### 3.1 Non-performance of the Functions

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) An amount of Rs. 10.9 million had been allocated in the Action Plan 2023 for the digitalization of trademarks, patents and industrial plan data and since the project is implemented in line with World Intellectual Property Office, its expenses had not been made in the year under review until the commencement of the project by the institute and only several preliminary activities had been made.</p>	<p>The selection of a supplier for scanning the files in relation to this project had been started in December 2023. It couldn't be utilized the money estimated to incur from the Intellectual Property Fund until commencement of the project by the World Intellectual Property Office.</p>	<p>The planned activities should be implemented.</p>
<p>(b) Having entered into a memorandum of understanding on 30 December 2016 for purchase of a server machine from the Information and Communication Technology Agency of Sri Lanka (ICTA), on that day itself Rs.32.5 million had been paid. However, since said agreement had been breached by the client, it had been requested on 16 February 2024 to the Secretary of Ministry of Finance by the relevant line ministry and Ministry of Technology to promptly repay the amount paid. But the money had not been received even up to the date of report.</p>	<p>Even though the letters had been forwarded to the Secretary of Ministry of Finance by Director General dated 16.02.2024 and Secretary of the line ministry dated 19.04.2024, no answers had not been received yet.</p>	<p>The action should be taken to recover the money.</p>

Therefore, even though the providing of server facilities had been included in the annual action plan, it couldn't be fulfilled.

**4. Good Governance**

**4.1 Internal Audit**

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
No permanent Auditor has been appointed for internal audit activities since 4 years.	A request had been made to the Secretary of Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government to be attached an officer for the vacancy.	It should be consistent with section 40 of the Audit Act.

**5. Human Recourse Management**

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a) The post of Additional Director General had been vacant since the date of approved in 2015 and the 03 posts of Deputy Director/Assistant Director approved in 2015 and 2016 had been vacant since the date of approved.	Since the officers who had fulfilled the relevant qualifications for the recruitment on the limited basis for the post of Assistant Director (Information and Investigation) are not in the Department, no recruitments had been made. Similarly, even though an officer in Sri Lanka Administrative Service had been attached since 15.06.2023 for acting in the post of Assistant Director (Administration), no adequate facilities are available in the office for that officer. Therefore, he had removed from the acting post.	The action should be taken to fill the vacancies.

- (b) 10 approved Patent Officer posts are departmental posts but Development Officers had been attached. Even though such officers had participated for 3-26 local and foreign trainings with regard to the intellectual property subject, the transfers are made to these officers under annual transfers. Since the training obtained related to the patent field couldn't be used for the future performance in the patent field, it was observed that its performance would be adversely affected.
- As 10 posts are vacant, the duties pertaining to these posts are performed by the Development Officers who are science graduates. Even though the local and foreign training opportunities in relation to intellectual property should be given to such officers, they are subject to annual transfer orders. Since said officers are in combined service, they are subject to the annual transfer orders.
- The vacancies should be filled in order to protect the performance of the institute.
- (c) 08 Intellectual Property Officers out of 13 who had been entrusted the duties such as registration, renewal, alteration and transfer of trade mark and permit agreements had been vacant since the date of audit and it was observed that such officer vacancies would be adversely affected to the performance of the Trade Mark Division.
- Since the approval of Director General of the Management Services had been obtained for the recruitment for this vacant post, the gazette notification in relation to conducting the examination had been referred to the relevant line ministry having prepared the draft for that.
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