

## **Sri Lanka Inventors Commission - 2014**

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The audit of Financial Statements of the Sri Lanka Inventors Commission for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and statement of comprehensive income and cash flow statement for the year ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 27 of the Sri Lanka Inventors Incentives Act, No. 53 of 1979 . My comments and observations which I consider should be published with the Annual Report of the Commission in terms of Section 14(2)(c) of the Finance Act appear in this report.

### **1:2 Responsibility of the Management for the Financial Statements**

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The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### **1.3 Auditors Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgements, including the assessment of the risks of material misstatements

of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Inventors Commission as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Non- compliance with Sri Lanka Public Sector Accounting Standards**

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According to the Sri Lanka Public Sector Accounting Principles No.01, the liquidity of non-current assets, current assets, non-current liabilities and current liabilities had not been presented in the regular order.

### 2.3 Accounts Receivable and Payable

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Action had not been taken even by 31 December of the year under review to settle the sums totalling of Rs.477,720 of two accounts shown as balances receivable under the current assets from the years 2010 and 2011.

### 2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

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Non-compliances with the following laws, rules, regulations and management decisions were observed.

#### Reference to Laws, Rules, Regulations, etc

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#### Non-compliance

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(b) Paragraph 2.14.1 of Supplement No.28 of the Procurement Manual dated 04 July 2014.

Monthly rental of Rs.600,000 paid on a building procured on rent for the Commission for a period of two years by following the shopping method without inviting open competitive bids .

(c) 8.9.1 (b) of the National Procurement Circular Guidelines dated 25 January 2006.

A formal Agreement had not been signed by the Commission in relation to the office building taken on rent and valuation reports also had not been obtained.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the operations of the Commission for the year ended 31 December 2014 had resulted in a deficit of Rs.4,435,997 as compared with the corresponding deficit of Rs.12,582,449 for the preceding year. Accordingly, decrease of the deficit by Rs.8,146,452 was shown in the year under review. Provision of doubtful debts amounting to Rs.9,534,221 had been made in the preceding year and such a provision not being made for the year under review had been the reasons for such decrease in the deficit.

#### **3.2 Analytical Review**

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An increase of the current assets of the Commission by 200 per cent is shown for the year under review as compared with the year 2013 and the sum of Rs.8,000,000 received from the Ministry of Technology and Research granted for the inventors had been the main reason therefor.

### **4. Operating Review**

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#### **4.1 Performance**

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The following observations are made.

- (a) Even though 8 seminars should have been held for implementation of School Inventive Circles according to the Action Plan for the year under review, only 4 seminars had been held.
- (b) Even though a plan had been made for a proposal to grant a tax relief of Rs.10 million for the Angel Investors who invest in the Projects of inventors, it had not been done so.

- (c) Among the powers and tasks of the Commission ordered in Section 11(1) of the Sri Lanka Inventors' Incentives Act, No. 53 of 1979, the tasks not fulfilled in the year under review are given below.
- (i) Recommend inventions with commercial value to enable obtaining loans from any State institution or other institution by hypothecating the patent.
  - (ii) Establishment and maintenance of a common research laboratory to carry out approved inventions and researches for the authorized inventors and researchers.
  - (iii) Organizing creative societies in schools and Universities to improve and encourage the creativity among Sri Lankan youths.
- (d) Even though a sum of Rs.15,884,019 had been spent in the year under review for the "Sahasak Nimavum" exhibition and awarding ceremony annually held, the programme had been limited only for a limited number of inventors due to the social awareness of this exhibition had been at a minimum level.
- (e) Actions in terms of the Circular No.2006/23 dated 06 June 2006 of the Ministry of Education had not been taken for holding the annual school level inventions exhibitions for directing students for inventions and award of certificates.

#### **4.2 Management Inefficiencies**

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Loans amounting to Rs.10,200,000 had been given without signing of Agreements during the years 2008 and 2009 for the promotion of inventions for 12 persons who were identified as inventors. Although the originals of their patent should be hypothecated in granting of those, patents of 08 persons had not been hypothecated.

**4.3 Staff Administration**

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Three vacancies in the non-executive staff existed as at 31 December 2014.

**5 Accountability and Good Governance**

**5.1 Budgetary Control**

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A reconciliation of the budgeted expenditure for the year under review with the actual expenditure revealed over estimate variances ranging from 10 per cent to 100 per cent thus indicating that the budget had not been made use of as an effective instrument of management control.

**6. Systems and Controls**

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Commissioner of the Commission from time to time. Special attention is needed in respect of the following areas of control.

- (a) Loan Administration
- (b) Assets Management
- (c) Staff Management