

Sri Lanka Inventors Commission - 2013

The audit of financial statements of the Sri Lanka Inventors Commission comprising the statement of the financial position as at 31 December 2013 and the comprehensive income statement and cash flow statement for the year then 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 Management's Responsibility for Financial Statements

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 Auditor's Responsibility

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 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 Commission'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 Commission'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 power 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 qualified audit opinion.

2. Financial statements

2:1 Opinion

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 2013 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

2:2:1 Accounts Receivable and Payable

Action had not been taken even up to 31 December of the year under review for the settlement of the balances of 03 accounts totalling Rs.491,244 shown as balances receivable under the current assets from the year 2010 to the year 2011.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the financial results of the operations of the Commission for the year ended 31 December 2013 had been a deficit of Rs.26,067,297 as compared with the corresponding deficit of Rs.29,099,096 for the preceding year. Accordingly, the deficit for the year under review had decreased by Rs.3,031,799 and the decrease of the inventors incentive expenditure by Rs.12,000,000 had been the main reason for the decrease.

4. Operating Review

4:1 Performance

Courses of action had not been taken for the execution of the following activities which should be executed by the Commission in terms of Section 11(1) of the Sri Lanka Invention Incentives Act, No. 53 of 1979.

- (a) Selection of patentable inventions and help them to prepare patent applications.
- (b) To render legal assistance to inventors to protect their secured intellectual properties of patents from infringements in Sri Lanka or abroad.
- (c) To recommend inventions beneficial to Sri Lanka to Government lending institutions with only the patent as security.
- (d) To help inventors find markets for their inventions in Sri Lanka and abroad.
- (e) To establish a public research laboratory to carry out researches on inventions.

- (f) To hold regular monthly sessions for the exchange of ideas among inventors.
- (g) To organization of creative societies in Universities and Colleges.

4:2 Management Inefficiencies

4:2:1 Loans granted for improvement of Inventions

The following observations are made in connection with the loans amounting to Rs.10,200,000 granted in the years 2008 and 2009 to 12 persons identified as inventors for the promotion of inventions.

- (a) A sum of Rs.9,534,220 that remained recoverable as at 31 December 2013 as the installments and interest on the loans granted to the inventors had not been being recovered regularly. The management had not taken adequate action for the recovery of that amount.
- (b) No invention had been produced by utilizing the loans amounting to Rs.3,700,000 granted to 04 inventors.
- (c) Four inventors had made the minimum use of the loans amounting to Rs.3,500,000 granted by the Commission and produced the inventions at commercial level. Nevertheless, a sum of Rs.3,416,800 remained recoverable as at 31 December 2013 as they had defaulted the repayment of loans.

4:3 Personnel Management

Even though 6 vacancies in the Executive and Non-executive staff existed as at 31 December 2013, no action had been taken to fill the vacancies.

5. Accountability and Good Governance

5:1 Action Plan

The Action Plan of the Commission had been prepared without covering the entire range of functions set out in Section 11 of the Sri Lanka Inventors Incentive Act, No. 53 of 1979.

6. Systems and Controls

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

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