

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Inventors Commission for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020, 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 the Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Commission as at 31 December 2020 and 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 Opinion

I conduct my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under these Auditing Standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section in this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 the 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 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 sub 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 Audit Scope (Auditors Responsibility for 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 Institute'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 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 Institute'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. However, future events or conditions may cause the Institute 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 Institute, and

whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Comments on Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting standards

Non-compliance with the reference to particular standards	Comments of the Management	Recommendation
According to paragraph 30 and 39 of Sri Lanka Public Sector Accounting Standards No. 03, If fully depreciated assets, such as assets with zero value are used beyond that should be taken to action revise the lifetime of the assets by reasonably estimating the lifetime of the assets. However, no such actions had been taken against the assets of the Commission amounting to Rs. 24,133,445.	The observation was accepted.	Action should be taken in terms of the Accounting Standards.

1.5.2 Unauthorized transactions

Detail of Non-authoritative transactions	Comments of the Management	Recommendation
The recurrent expenditure approved by the treasury for the current year amounted to Rs. 40,600,000 whereas the value of recurrent expenditure spent by the commission during the year amounted to Rs. 42,584,746.	The observation was accepted.	Neither expenses nor liabilities should be incurred in excess of the limit approved by the treasury without permission of the treasury.

Accordingly, recurrent expenditure amounted Rs.1,984,746 had been incurred in excess of the limit approved by the treasury.

1.6 Non – compliance with Laws, Rules and Regulations and Management Decisions

Reference to the Laws, Rules, Regulations ect.	Non compliance	Comment of Management	Recommendations
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	According to No. 372 the advance should be regularly inspected by the head of the institution or an authorized officer. But, the advance register of the commission had not been so checked and signed and the register had not been properly maintained.	The observation was accepted and kindly inform you that action will be taken to prevent such mistakes.	Actions should be taken in accordance with Laws, Rules and Regulations ect.

2. Financial Review

2.1 Financial Result

The operating result for the year under review had been a deficit of Rs.1,025,898 and the corresponding deficit of Rs. 4,589,666 in the preceding year. Thus indicating a improvement of Rs. 3,563,768 in the financial results. Compared with the preceding year, the decrease of administration expenditures had mainly been attributed to this development.

3. Operational Review

3.1 Identify Losses

Audit Observation	Comments of the Management	Recommendation
Even though a sum of Rs. 1,680,000 had been formulated a Media Policy to promote and establish an Innovation culture in Sri Lanka the commissioner of the Inventors Commission has informed that the Media Policy could not be used	Rs. 2017 to 2019 and 08 May 2019. Also, The formulation of a Media Policy to promote and establish an Innovation culture in Sri Lanka was discussed at the Committee On Public Enterprises held on 20 February 2019 and 08 May 2019. Also, Formulation of	Study should be done before the spending money about the requirement and productivity. Also action should be taken to recover from the officers who money

effectively. As a result, there was no focus on recovering the above financial expenses from the responsible officials or taking disciplinary actions.

this Media Policy was done by another institution. Kindly inform you that the Media Policy formulated by that institution cannot be used practically and successfully.

spent without responsible.

3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>Hundred percent of doubtful debts had been allocated for the loan receivable balance of Rs. 9,802,964 of which was adequate action had not been taken to recover the loans given to the inventors for more than ten years.</p>	<p>Letters have been sent to the Grama Niladharis by the Divisional secretaries to obtain the Grama Niladhari reports to write off the loans given in the years 2008 and 2009 as per the recommendations of the Ministry. Accordingly that, 8 Grama Niladhari reports have been received. Further, the matter was discussed at the Committee On public enterprises. Also, from time to time since year 2013 it was requested from the Ministry to be cut off with the approval of the Board.</p> <p>Necessary action has been taken through the Ministry to take necessary action to write off these loans and the Commission has formulated a formal system for the loans currently being given.</p>	<p>Appropriate actions should be taken to recover the debt.</p>

3.3 Under-Utilization of Funds

Audit Observation	Comments of the Management	Recommendation
<p>An Innovation Acceleration Fund was established in 2017 with an allocation of Rs. 5 Million to bring products of Sri Lankan inventors to market and to</p>	<p>The Commission has been proposed a method of lending because of the paid the attention of the Committee On Public Enterprises. It was approved at the</p>	<p>Formal Plans should be prepared and use the relevant funds for the purpose for which they were provided.</p>

promote research. The opening balance of the year under review is Rs. 46,472,155 out of which Rs. 10 Million had not been done another activity during the year under review other than transfer to the inventors' fund.

Board meeting held on April 29 2019. However, application received in 2019 could not be evaluated due to delays in nominations required to appoint members to the Technical Evaluation Committee and there isn't no permanent Commissioner for the Commission.

Due to the Covid-19 epidemic there was a delay of about 3 quarters in 2020 due to the suspension of office work till August 2020, difficulties in getting the members of the evaluation committee and inability to reach the files of the institution.

According to the first evaluation on August 26, 2020, the evaluation conducted on December 07, 2020 and the evaluation of the financial committees conducted online on December 22, 2020 Rs. 18 Million has been recommended for business proposals related of three new inventions.

At the moment, the loan methodology for the IAFMSL project has been formulated.

3.4 Utilization of Resources of other Organizations

Audit Observation	Comments of the Management	Recommendation
Although the State ministry of Skills Development, Vocational Education, Research and Innovations had temporarily handed over the van No. 253-2750 dated 17 September 2020 to the Commission, It was not disclosed in the accounts.	Kindly, inform that the action is taken to disclosed relevant this in the Financial Statements of the year 2021.	Action should be taken to disclose the assets.

4. Accountability and Good Governance

4.1 Tabling of Annual Report in Parliament

Audit Observation	Comments of the Management	Recommendation
Acc According to paragraph 6.5.3 of the Public Finance circular no. 12 dated 02 June 2003 the Annual Report should be tabled of the parliament after 150 days of the closure of the financial year. However, the Annual Reports for the year 2017, 2018 and 2019 had not been tabled of the parliament on 01 August 2021.	Annual Report for the years 2017–2019 have been printed and requested had been made to the Line Ministry by letters dated 03.05.2019, 16.07.2020, 07.09.2020 and 26.01.2021 to make the necessary arrangements for their submission to the Parliament.	Action should be taken to submitted reports to the parliament expeditiously.

4.2 Internal Audit

Audit Observation	Comments of the Management	Recommendation
It was proposed to cover the audit activities by the internal Audit Division of the Ministry. However, Internal Audit division of the Ministry had not carried out an audit relating to the functions of the commission during the year under review.	According to the public Finance Circular no. 01/2016 and ancillary circulars, the Department of Management Services has approved that the internal audit duties of the Commission has been to carried out under the supervision on Internal Auditor of the Line Ministry. Accordingly, the Commission has requested in writing that the internal audit of the Commission be carried out by the Internal Audit Division of the Line Ministry. Although, in this regard no in writing reply was received from the Ministry at the meeting of the Commission held on 13.07.2020, the Chief internal Auditor has agreed to carry out the audit.	Internal Audit should be carried out annually.