

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

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### **1. Financial Statements**

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#### **1.1 Audit Opinion**

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The audit of the financial statements of the National Intellectual Property Office of Sri Lanka for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, and cash flow statement for the year then ended, 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 containing my comments and observations on the financial statements of the National Intellectual Property Office of Sri Lanka was issued to the Accounting Officer on 26 May 2022 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Office was issued to the Accounting Officer on 06 July 2022 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements, give a true and fair view of the financial position of the National Intellectual Property Office of Sri Lanka as at 31 December 2021 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

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

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, for the financial statements are further described in the Auditor's Responsibilities section of my 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 Chief Accounting Officer and the Accounting Officer on Financial Statements**

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The Accounting Officer is responsible for preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal controls as the Accounting Officer 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 the National Audit Act No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the preparation of annual and periodic financial statements.

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 Department and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibility on Audit of Financial Statements**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's summary 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 and its materiality depends on the influence on economic decisions taken by users 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 skepticism throughout the audit. I also;

- Appropriate audit procedures were designed and performed to identify and assess the risk 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 omission, misrepresentations or the override of internal control.
  
- An understanding of internal controls relevant to the audit, was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department'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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicated to 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 Other Legal Requirements

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I express the following matters in terms of Section 6(1) (d) of the National Audit Act, No.19 of 2018.

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

## 2. Financial Review

### 2.1 Non - Compliance with Laws, Rules and Regulations

<b>Reference to Laws, Rules and Regulations</b>	<b>Audit Observation Non-Compliance</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Section 01 & 05 of Public Administration Circular No. 02/2018 dated 24th January 2018	Actions had not been taken to prepare a Human Resource Development Plan for the year under review and to get Performance Agreements signed by each and every officer for the purpose of developing the human resource of the Department in a planned manner.	The preparation of Human Resource Development Plan commenced after recruiting the Assistant Director (Planning) in 2020. Signing of Annual Performance Agreements had been completed for Executive Officers but it had not been completed for entire staff.	Should comply with the regulations in the circulars.

### 3. Operational Review

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#### 3.1 Management Deficiencies

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##### Audit Observation

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As per a budget proposal in 2016, a provision of Rs. 100 Million has been approved for the project of access system to the “Madrid Agreement” which facilitates registration of trademarks internationally. Information & Communication Technology Agency of Sri Lanka (ICTA) was selected for the supply, installation and maintenance of servers and other hardware required for implementation of this project and on 30th December 2016, a Memorandum of Understanding was entered into with that Institute. As per the agreement, the project had to be completed within six (06) months from the agreement date and a total sum of Rs.32.5 Million including the maintenance fee of Rs.7.5 Million to be paid over next three years, was paid to the relevant Institute on the agreement day. As the job was not done as per the agreement, instructions were given by the Cabinet Paper No. **CP/20/0139/215/009** dated 20th February 2020, to the relevant Secretary to the Ministry to take necessary actions to enter in to a new agreement again with the Institute and for the draft Memorandum of Understanding presented, observations were received from the Attorney General’s Office on 20th August 2021. However, both parties had not entered in to a Memorandum of Agreement, even by 30th April 2022. Even though the revisions to be made to The Intellectual

##### Comments of the Accounting Officer

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As per the Cabinet Paper No. CP/20/0139/215/009 dated 20th February 2020, a Memorandum of Understanding was prepared considering the observations suggested by the Attorney General’s Department and a revised draft was sent to ICTA on 17th February 2022 for observations and, the first reminder for the draft too was sent to ICTA on 04th April 2022.

##### Recommendation

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Actions should be taken to accomplish the relevant task quickly without time delay by entering into an agreement.

Property Act, have been authorized by the Cabinet Paper No. **CP/20/0154/215/011** dated 20th February 2020, when entering into this agreement. No further actions have been taken, in respect of the first draft, which was received from the Legal Draftsman's Department, during the month of August in the year under review.

**4. Good Governance**

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**4.1 Internal Audit**

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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Though, the post of Internal Auditor has been approved since April 2019, the position has still been vacant and the section 40 of the National Audit Act No. 19 of 2018 has not been fulfilled.	Requests as well as reminders were made to the Director General – Combined Services & Line Ministries, for the recruitment of a suitable officer as the Internal Auditor, to commence the operations of Internal Audit Unit.	Should be complied with the regulations of the Act.

**5. Human Resources Management**

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The following observations were made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) Nine (09) positions out of Thirteen (13) vacancies prevailed at secondary level, were for the post of Patent Inspectors. The approved cadre for the post is ten (10) and 90% of the cadre has been vacant for five (05)	Requests as well as subsequent reminders were made to the Director General – Combined Services & Line Ministries for the recruitment of officers for the approved and actual vacancies.	Recruitments should not be delayed as this is directly related to patent registration process.

years. Requests have been made to the Public Service Commission to absorb, three development officers who at present assume duties in these positions, into the permanent cadre, without undergoing a placement test, revising the standard recruitment procedure.

(b) Though, requests have been made to recruit for two positions existing in Information & Communication Technology Assistants and Information & Communication Technology Service, these vacancies have not been fulfilled even in the year under review.

Requests as well as subsequent reminders were made to the Director General – Combined Services & Line Ministries for the recruitment of officers for the existing vacancies.

As the Department is planning to establish an information & communication network, the requirement of officers for those positions should be fulfilled.