

Head 299 - National Intellectual Property Office of Sri Lanka - 2024

1. Financial Statements

1.1 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 2024 comprising the statement of financial position as at 31 December 2024 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 office was issued to the Accounting Officer on 30 May 2025 in terms of section 11 (1) of the National Audit Act No.19 2018. The Annual Detailed Management Audit Report related to the Office had been issued to Accounting Officer on 26 June 2025 in terms of section 11 (2) of the National Audit Act No.19 of 2018. This report will be tabled in 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, 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 2024, and its financial performance and cash flows and on all the immaterialities in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

1.2 Basis for Opinion

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

1.3 Emphasis of matter – Basis for preparing Financial Statements

The attention is drawn to the Note 1 related to the Financial Statements which describes the basis of preparing these financial statements. The financial statements have been prepared as per the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 for the requirement of the National Intellectual Property Office of Sri Lanka, General Treasury and the Parliament. Consequently, these financial statements may not be suitable for other objectives. My report is only for the use of the National Intellectual Property Office of Sri Lanka, General Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

1.4 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 and for determining such internal control as 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 office must 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 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.

1.5 Auditor's Responsibilities for the Audit of 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 and its materiality depends on the 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 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 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 office'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 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.

2 Report on Other Legal Requirements

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

- (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.

3. Operating Review

3.1 Non- performance of Functions

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although the arrangements have been made to conduct 50 Intellectual Property Office awareness programs during the year under 3.1.1.1 as the action plan, only 2 programs were conducted, and only resource contributions were provided.	This series of awareness programs was planned to be conducted online, in coordination with the Divisional Secretariats, targeting individuals interested in the field of intellectual property. A notice was issued to all District Secretaries and Divisional Secretaries by the Secretary to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government, under letter No. HA/02/26/03/18 dated June 23, 2023, requesting their support for the series of programs.	Action plans should be prepared with due consideration to practical circumstances, and appropriate steps should be taken to effective implementation.

- (b) Although Rs.15 million had been allocated in the Fund's action plan during the year under review to move the Intellectual Property Office to permanent new office premises, the necessary arrangements had not been made for that purpose.
- The Ministry has instructed that it is not economically worth to purchase a building for this office using funds from the Intellectual Property Fund, it has not yet approved either the purchase or the lease of a private building.
- When preparing plans approved tasks should be included in the plans. Also, planned tasks should be performed.
- (c) A Memorandum of Understanding was signed on 30 December 2016 for purchase a server from the Information and Communication Technology Agency of Sri Lanka (ICTA), and a payment of Rs. 32.5 million was made to the agency on the same day. However, since the agreement had been breached by the client, steps were not taken to re-enter into the agreement in accordance with Cabinet Decision No. CP/20/0139/215/009 dated 20 February 2020. However, neither the money nor the server had been received by the date of the report. As a result, it was not possible to utilize the server facilities during the year under review.
- Although the Public Accounts Committee meeting held on 08 August 2024, recommended that all measures be taken to recover the said amount from the Sri Lanka Information and Communication Technology Agency within three months, the amount has not yet been received.
- The actions should be taken to recover the amount paid for the server.

4. Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
No permanent Auditor has been appointed for internal audit activities since 4 years.	A request had been submitted on 28 May 2025 to attach an officer to the post of Internal Auditor and an officer to the vacant post of Accountant, since the new appointments were made to the Sri Lanka Accounting Service.	In accordance with Section 40 of the National Audit Act, No. 19 of 2018, actions should be taken to appoint an Internal Auditor.

5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Through the letter No. DMS/1120 dated 20 December 2016, of the Department of Management Services had approved 10 posts of Intellectual Property Officers, and these vacancies remained unfilled for eight years, from the date of creation until 31 December 2024. Approval was received from the Department of Management Services on 14 March 2024 to fill the above 10 approved vacancies, and 9 months later, on 19 December 2024, 50 percent of the fee, Rs.206,508, was paid to the Department of Examinations to conduct the examination. However, recruitment had not been made until 20 May 2025, the date of the audit.	On 23 February 2025, the Department of Examinations of Sri Lanka conducted an examination for the open recruitment of the 10 vacant Patent Examiner posts. Based on the results, the list of candidates qualified for the structured interview has provided to this office on 08 May 2025. Accordingly, arrangements are being made to conduct the structured interview in the future.	Actions should be taken promptly to fill vacancies in approved and essential posts.

According to the 2024 Performance Report, the existence of the above vacancies had a direct impact on achieving optimal performance in the Trademarks and Patents Divisions.