

Sri Lanka CERT (Private) Limited - 2016

The audit of financial statement of the Sri Lanka CERT (Private) Limited (“the Company”) for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity 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. My comments and observations which I consider should be published with the annual report of the Company. The transaction report of the Company for the year 2016 and 2017 was issued on 13 November 2018 to the Chairman of the Company. Detail report of the company for the year 2016 was issued on 18 December 2019 to the chairman of the company. The transaction report of the Company for the year 2016 was tabled in parliament on 03 January 2019.

This report is issued in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Board’s Responsibility for the Financial Statement

The Board of Directors “(Board)” is responsible for the preparation and fair preparation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board 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. 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.

As 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 judgment, 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 Company’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 Company’s internal control. And audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of financial statements.

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

1.4 Basis for Disclaimer Opinion

- (a) Without keeping proper accounting records, the Company had been made adjustments directly to the trial balance and further, there were no ledger accounts in respect of property, plant and equipment, provision for depreciation, deferred revenue for grant assets, accrued expenses.
- (b) As per the financial statements of the Company, the cost of the property, plant and equipment and intangible assets as at 01 January 2016 were Rs. 13,364,281 and Rs.2,826,317 respectively. However, the Company had not maintained fixed assets register and detail schedules to ascertain the accuracy of such balances.
- (c) Physical verification had not been carried out in respect of Property, Plant and Equipment for the year under review.
- (d) According to the company accounting policy, provision for depreciation should be calculated on reducing balance method. However, the depreciation had been made based on straight line method.
- (e) According to Paragraph 63 of LKAS 16, impairment loss should be recognized. However, the company had not done impairment test for the Property, Plant and Equipment.
- (f) Contrary to Paragraph 55 of LKAS 19, the Company had been calculated the retirement benefit obligation based on half month's salary of the last month of the financial year of all employees for completed year of service.
- (g) The accuracy of the four fundamental adjustments/ prior year adjustments including write offs and write back balances, deferred liability for grant assets, accumulated depreciation of intangible assets and accumulated depreciation of property, plant & equipment aggregating to Rs.19,406,114 shown in the financial statements of the Company could not be ascertained in the audit due to unavailability of details such as adjusted balances, reasons for adjustments and approvals for the adjustments.
- (h) Without any approval, the Company had been paid travelling allowances aggregating to Rs.2,085,000 and Medical allowances aggregating to Rs. 347,500 for the employees of the Company during the year under review.
- (i) Details in respect of grants received had not been made available for audit. Therefore, audit was unable to verify the accuracy of deferred liability for grant assets amounting Rs. 8,304,581 as at 01 January 2016 and basis of transferring a sum of Rs. 1,697,414 to income statement.
- (j) Accuracy of the payment of Rs. 396,534 to the suppliers could not be ascertained in audit since payment vouchers and supplier invoices were not made available for audit.

- (k) According to the financial statements of the Company, the amount receivable from ICT Agency of Sri Lanka (Pvt) Ltd as at 31 December 2016 was Rs. 31,012,295. However, as per the financial statement of the ICT Agency of Sri Lanka (Pvt) Ltd, it was Rs.30,078,398. Hence, a difference of Rs. 933,897 is observed between two balances.
- (l) Since the cash book was not furnished to the audit, the auditors calculated the cash balance as at 31 December 2016 based on the summary of cash receipts, payments and opening cash balance of the year under review. Accordingly, the calculated cash balance as at 31 December 2016 was Rs. 7,117,769. However, as per financial statements it was Rs. 2,665,528. Hence a difference of Rs. 4,452,241 was observed. Further, balance confirmation was not received to the audit in respect of bank balance to verify the accuracy of the cash balance.
- (m) Foreign travelling expenses in relation to cyber Security Projects amounting to Rs.7,816,060 had been recorded under the revenue. As a result, revenue was understated by similar amount.
- (n) As per the monthly summary, the salary expenses of the Company of the year under review was Rs.23,933,916. However, as per the statement of Comprehensive Income it was Rs. 21,765,000. Hence, a difference of Rs.2,168,916 was observed between two balances.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the Company.

2.2 Report on Other Legal and Regulatory Requirements

As required by Section 163(2) of the Companies Act, No.07 of 2007, I state the following:

- (a) The basis of opinion and scope and limitations of the audit are as stated above.
- (b) In my opinion :
- I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and as far as appears from my examination proper accounting records have not been kept by the Company.
 - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act, No. 07 of 2007 except the company had not filled annual return with company registrar since 2013.