

Sri Lanka CERT (Private) Limited - 2017

The audit of financial statement of the Sri Lanka CERT (Private) Limited (“the Company”) for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 combined 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 2017 was issued on 26 December 2019 to the chairman of the company. The transaction report of the Company for the year 2017 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 Statements

The Board of Directors (“Board”) is responsible for the preparation and fair presentation 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.

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 judgment, including the assessment of the risks of material misstatement 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the 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) Eventhough, there were ledger accounts,a sum of Rs.59,370,157 in respect of treasury grant, transactions with related parties, provision for gratuity and provision for depreciation had been directly adjusted to the trial balance and financial statement without recording to the ledger accounts.
- (b) As per the financial statements of the Company, the cost of the property, plant and equipment and intangible assets as at 01 January 2017was Rs. 13,414,281 and Rs.2,826,317 respectively. However, the Company had not properly maintained fixed assets register and detail schedules. Therefore, the audit was unable 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 of all employees amounting Rs. 10,839,022 based on half month's salary of the last month of the financial year.
- (g) A sum of Rs.805,450 transferred to the salary control account for the re-imbusement of expenses incurred by the project employees had been remained in the control account without transferring to the relevant expenditure accounts. The respective control account balance was included in the cash & cash equivalents. As a result the cash & cash equivalent as at 31 December 2017 had been overstated and staff expenditure had been understated by similar amount.

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 as at 31 December 2017.

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.