

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Lanka Government Information Infrastructure (Private) Limited Company “Company” for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of profit and loss, statement of changes in equity and statement of cash flows 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. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

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 qualified 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 Accounting Standards, and for such internal control as 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 financial statements, management is responsible for assessing the Company’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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

As per Section 16(1) of the National Audit Act No.19 of 2018, the Company 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 Company.

1.4 Audit Scope (Responsibilities of Auditor for 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, 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 Company'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 the 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 Company'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. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company 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 Company and whether such systems, procedures, books, records and other documents are in effective operation;

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

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation	Comments of the Management	Reccommendation
Payables of Employees' Provident Funds of Rs.351,040 and Employees' Trust Funds of Rs.52,656 as at 31 December 2022 had not been accounted. Also, the Rs.304,382 balance due from the payroll processing company had not been accounted as a debtor. As a result, the current assets and liabilities of the company had been understated by that amount.	EPF and ETF are due for the month of December and the amount transferred to SSP is considered to be received at the end of December. However, this issue is no longer relevant as we have underway to processing payroll internally with effect from June 2023.	All receivables and payables should be accounted.

1.5.2 Going Concern of the Company

Audit Observation	Comments of the Management	Recommendation
In the board meeting of the parent company (Information Communication Technology Agency of Sri Lanka (Pvt) Limited) held on 15 November 2022, the merger of the company with Information Communication Technology Agency of Sri Lanka (Pvt) Limited was approved as per Section 242 of the Companies Act.	Consolidation process is delayed due to delay in financial accounts.	The decision of the board of directors should be followed.

1.6. Accounts Receivables and Payables

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
The receivable from the parent company (Sri Lanka Information and Communication Technology Agency) as on 31 December 2022 was Rs.44,001,286 and it had not been recovered since 2015.	ICTA plans to address this intercompany balance through the ongoing process of merge LGII with ICTA.	Actions should be taken to recover the receivable balances.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

	Reference to the Laws, Rules and Regulations	Non-compliance	Comments of the Management	Recommendation
a)	Section 133(1) of the Companies Act No. 07 of 2007	Although an Annual General Meeting of shareholders should be held once in each calendar year according to the Act, the company had not held the annual general meeting since 2017.	The delay in preparation of financial statements for the years 2019 to 2022 has led to the delay in convening the Annual General Meeting.	Act should be followed.
b)	Public Enterprises Circular No:01/2021 dated 16 November 2021			
i)	Guidelines on Corporate Governance 2.2.2	Although the chairman of the company should ensure that board meetings are held regularly at least once in a month, the company had not held board meetings during the year under review.	LGII has officially decided to merge with ICTA and is currently in the process of merging. There is no need to convene monthly board meetings as its non-functional status.	Circular should be followed.
ii)	Guidelines on Corporate Governance 2.3	The company had not prepared the budget as per the circular for the year under review.	LGII's workforce consisted of only seven employees, and, bringing LGII operations under to the ICTA's digital services pillar and their associated costs being included in ICTA's budget as LGII operates as a fully-owned subsidiary of ICTA. It is imperative to note that this concern no longer exists as all these seven employees have been transferred to the ICTA payroll with effect from 01 June 2023.	Circular should be followed.

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| iii) | Operational Manual
Paragraph 3.2 | Although the board of directors should approve the decision of the necessary matters for human resource management including the number of employees, recruitment procedure, salary structure, following a due process and taking into account the sustainability and industry norms, the company did not have an approved recruitment procedure and an approved number of cadre. | LGII is currently not engaged in any operational activities and is being merged with ICTA. The requirement for SOR (Scheme of Recruitment) is not applicable at the moment. | There should be an approved recruitment procedure and an approved number of cadre. |
| iv) | Operations Manual
Paragraph 6.6. | Although the accounts with draft annual report should be submitted to the Auditor General within 60 days of the end of the financial year, the company had submitted the financial statements of the year under review after 304 days. | Submission of the financial statements for the year 2022 was delayed due to clearance of previous years' financial statements. | Financial statements should be submitted as per Circular. |

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a deficit of Rs.2,133,248 and the corresponding previous year's deficit was Rs.2,041,493. Accordingly, a decline of Rs.91,755 was observed in the financial result.

3. Operational Review

3.1. Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
The bank balance of Rs.350,742 in bank account No.0072839158 in Bank of Ceylon had not been used for about two years from 31 December 2020.	This balance has not been transferred due to inactivity of LGII operation. However, we will ensure that these funds are utilized without keeping them in the current account with the appointment of the Board of Directors.	Funds should be used effectively.