

Information Communication Technology Agency of Sri Lanka (Private) Limited company and its subsidiaries “Group” - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Information Communication Technology Agency of Sri Lanka (Private) Limited “Company” and its subsidiaries “Group” for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the consolidated statement of comprehensive income, statement of changes in equity, and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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 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 and the Group as at 31 December 2024, 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 intend 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 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, 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 skepticism 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 Internal Control over the preparation of financial statements.

Audit Issue	Management Comment	Recommendation
a) All payments should be made only on certified vouchers and all vouchers should be certified before being presented to a Paying Officer for payment. During the year Rs. 33.8 million worth cheques had been printed for 11 uncertified vouchers and the cheques and vouchers had been subsequently cancelled.	That procedure was already implemented.	Payment should be made only for the certified vouchers.
b) The validity of all cheques issued should be restricted to thirty (30) days from the date of issue. However, the Company had not acted accordingly.	Acknowledged the issue.	All cheques validity period should be restricted to thirty (30) days from the date of issue.

1.5.2 Non-Compliance with Sri Lanka Accounting Standard

Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
a) A sum of Rs. 32,363,150 received from the National Intellectual Property Office of Sri Lanka for the implementation of specific projects was transferred to the company's other income account in the year 2019 due to non-implementation of those projects, thereby reducing the accumulated deficit by that amount. Although a refund was requested by the National Intellectual Property Office of Sri Lanka in 2022, no provision had been made in the financial statements for the year under review in accordance with Sri Lanka Accounting Standard 01.	Corrective accounting treatment adopted and the Cabinet approval obtained to settle the obligation.	The amount payable must be accounted for in accordance with the Accounting standard.
b) Contrary to paragraph 32 of Sri Lanka Accounting Standard 01, in preparing the statement of Comprehensive income, a tender fee refund of Rs.150,000 was offset against tender fee income of Rs.32,000. As a result, tender fee income in the Statement of Comprehensive income reflected a negative balance.	Management ensure the presentation of similar transactions in future financial statements strictly complies with the relevant accounting standards and reporting requirements.	Income and expenses should not be offset.
c) Fixed assets which was transferred from the subsidiary, Lanka Government Information Infrastructure Company Limited, valued at Rs.5,219,499, were recorded at zero value without proper valuation in the Company's books contrary to the Sri Lanka Accounting Standards 16.	That assets were physically taken into custody and recorded in the asset register for control and monitoring purposes.	Fixed assets should be valued in accordance with the accounting standard and record accordingly.

1.5.3 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
a) Provisions had not been made in the financial statements for gratuity payable amounting to Rs.995,337 in respect of 03 officers who resigned during the year. As a result, the net surplus for the year was overstated and liabilities were understated by the same amount. In addition, gratuity provision of Rs.1,598,700 relating to two officers for the year under review had not been recognized.	That the gratuity liability and payments have been computed based on the actual salary paid to employees during the relevant period.	The gratuity liability should be recognized correctly in the financial statements.
b) Although Sri Lanka Telecom limited transferred ownership of assets relating to Lanka Government Network (LGN) to the Company on 31 December 2022, assets valued of Rs.238,819,392 owned by the company as at 31 December 2024 had not been recognized as fixed assets in the financial statements.	That the assets remain identified within the LGN asset records and are physically in use within the respective government institutions.	All assets belong to the Company should be accounted for.
c) The Ministry of Digital Economy had paid an amount of Rs.9,992,787 directly to Sri Lanka Telecom Limited for power supply services from 20 April 2022 to 31 December 2023 and Rs.15,219,904 for co-location services from 01 January 2023 to 30 April 2024 on behalf of the company, which were not recognized as liabilities by the Company, and that amount had been accounted for as an expense of the Company in the year under review.	That the audit observation is acknowledge.	Expenses which was not recognized as liabilities should not be accounted for.
d) Gratuity provisions amounting to Rs.2,193,600 were made in respect of four employees recruited on a contract basis for the health project,	That the gratuity provision has been recognized in accordance with LKAS 19.	Gratuity provision should be recognized correctly.

although their salaries were borne by the Ministry of Health. As a result, gratuity liabilities as at 31 December 2024 were overstated by that amount and current year expenditure was overstated by Rs.2,913,600.

1.5.4 Inappropriate Valuation or Estimation

Audit Issue	Management Comment	Recommendation
Depreciation on electrical installations and fixtures amounting to Rs.66,725,736 installed in a leased building had been calculated without considering the remaining lease period, the nature of the installations and the going concern status of the Company contrary to Sri Lanka Accounting Standard 16. Therefore, the net book value of electrical installations and fixtures was overstated by Rs.11,120,956 at the end of the year under review.	That the Management will review the useful lives of these assets and make any necessary adjustments prospectively, if circumstances change or if the winding-up process is formally initiated	Depreciation should be calculated considering the lease period as per slandered.

1.5.5 Going Concern of the Company

Audit Issue	Management Comment	Recommendation
a) According to the financial statements, the surplus for the year under review was Rs. 73,005,158 and the accumulated loss was Rs.64,897,846. Furthermore, the company's negative net worth as of 31 December 2024 was Rs.64,897,826.	That the audit observation is acknowledge.	Action should be taken to reduce the risk.

1.6 Accounts Receivable and Payable

1.6.1 Payables

Audit Issue	Management Comment	Recommendation
The payable balance of Rs. 40,215,928 since 2017 to Sri Lanka CERT (Private)	That the ministry Instructed to write off the balances from	Action should be taken to resolve the issue

Limited, had not been settled even by the both company's books. promptly.
end of the year under review.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
a)	Employees Provident Fund (EPF) Act No 15 of 1958, Section 47 and Employees Trust Fund (ETF) Act No :46 of 1980, Section 44	The company has included non-entitled mobile allowance, travelling allowance in the calculation of contributions to EPF and ETF. As a result, EPF amounting to Rs. 3,818,645 and ETF amounting to Rs. 572,797 had been over paid by the company during the period of 2021 – 2024.	Stated that the allowance constitutes part of the employee's regular earnings.	The allowances mentioned in the Act should be taken into account when calculating the EPF.
b)	Asset Management Circular No: 01/2017 dated 28 June 2017 of the Ministry of the Finance and Mass Media Para 10	Information pertaining to non – financial assets had not been submitted by the Company to the Comptroller General's Office.	That ICTA has submitted board of survey report to non - financial assets to the Comptroller General's Office up to the year.	All asset details should be reported to the Comptroller General's Office as per circular instructions.
c)	Public Enterprises Circular No. 01/2021 dated 16th November 2021. Operational Manual Section 2.3	Although all SOEs required to adopt their own Administrative and Financial manual approved by Director	That the Administration and Finance manual approved by the BODs are available.	Approval for the Company own administrative and financial manual should be obtained from the

	General, Department of Public Enterprises. The Company had not acted accordingly.	Director General Department of Public Enterprises as per the operational manual.
Section 3.8	Although the provision of communication facilities to employees of state-owned enterprises should be based on previously issued government circulars, the company had paid Rs. 1,664,466 as telephone allowances to the Project Officer/Project Assistant and Driver staff for whom there was no provision in the circulars.	That Acknowledge, ICTA -Board of Directors has the authority as per the Annex A of the SOE guidelines. Communication facilities should be granted as per PED circulars even the Companies included to Annexure A.
Section 6.7	Assets worth Rs. 238,819,392 under Lanka Government Network (LGN) 2.0 project was not verified by annual board of survey.	That acknowledge and assets have been transferred to respective institutions. All assets should be verified annually by a board of survey.

2. Financial Review

2.1 Financial Result

The operating result of the year under review of the Company and the group amounted to a surplus of Rs. 73,005,158 and Rs 28,801,381 respectively and the corresponding deficit in the preceding year of the Company amounted to Rs. 4,120,754 and the surplus of the group Rs. 957,999. Therefore, an improvement amounting to Rs. 77,125,912 of the financial result was observed. The reason for the improvement was mainly due to the write back payable amount of Rs. 44,001,286 to Lanka Government Information Infrastructure (Pvt).

3. Operational Review

3.1 Identified Losses

Audit Issue	Management Comment	Recommendation
Equipment/components at three sites under the LGN 2.0 project were missing and the total cost of the missing items was approximately Rs.5,847,912. Actions had not been taken to identify the responsible person for the loss.	Stated that the equipment was missing at the first site and the respective departments made complaints at the police for the other two sites, and that the investigations are ongoing.	Actions should be taken to identify the responsible persons for the loss and recover the loss.

3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
a) An amount of Rs.451,500 was paid as gratuity for 07 years to the officer recruited as a Procurement Specialist on part-time contract basis who had not complete 05-year continuous service.	Corrective action is underway	Gratuity must be paid only to the officers who completed continues service over five years.
b) The amount of Rs.121,582,863 received from the Bill and Melinda Gates Foundation for the implementation of the “e-Library” project was included as other income in the company's income when preparing the financial statements for the year 2019 without implementing the project.	That the fact is accepted.	Funds received for projects should be utilized to implement the such projects.
c) The Company had been informed by the Attorney General's letter No. E/112/2023/ICTA dated 14 September 2023 that the salary revisions were invalid due to the salary increments granted to 30 employees contrary to the main decision taken by the Board of Directors. Accordingly, the Company had paid Rs.8,123,167 as salary overpayment up to	Necessary actions have been taken to rectify the overpayment of salary in 2022 to 2024.	Prompt actions should be taken on over paid salaries.

February 2024.

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| <p>d) The company's Board of Directors meeting held on 15 November 2022, had approved to merge with the subsidiary company, Lanka Government Information Infrastructure (Pvt) Limited, in accordance with Section 242 of the Companies Act, the said task had not been completed even by 31 December 2025.</p> | <p>That the Board of Directors decided to go for strike off instead of consolidation.</p> | <p>The closure of the subsidiary company should be expedited as per the decision of the Board of Directors.</p> |
| <p>e) According to paragraph 3.5 of the Cabinet Paper No. 23/2443/630/009 dated 18th December 2023, the authority to wind up the company had been delegated to the Secretary to the Treasury and in accordance with paragraph 3.6, the ongoing projects undertaken by the company should transferred to the Project Management Unit of the Ministry, and in accordance with the provisions of the Company's Articles of Association and the Information and Communication Technology Act No. 27 of 2003, the Cabinet approval had been received on 18 December 2023. Without taking such action, the company continued to operate.</p> | <p>Stated that the Company continued to operate and implement ongoing government programs and the establishment of an alternative institutional mechanism to assume these responsibilities.</p> | <p>Authority delegated to the secretary to windup the Company and the ongoing projects undertaken by the Company should transferred to the Project Management Unit of the Ministry.</p> |

3.3 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
Lanka Government Network (LGN), was launched in 2017 by connecting 860 state institutions. However, according to the monthly average bandwidth utilization schedule of LGN 2.0, there was only 817 active sites for the period from January to	Contacted the respective institutions to encourage bandwidth utilization. The service provider have corrected the technical issues.	Actions should be taken to optimizes the utilization.

December 2024. Details relating to 29 institutions had not been submitted to the audit. Further, 31 sites had not been captured due to technical issues while 25 sites had been recorded zero monthly average bandwidth usage.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
A building acquired on a rental basis, sufficient for 235 staff has been utilized for 42 staff for the year under review. So, the official rent of Rs. 32,397,546 was paid in vain for 14,436 square feet, and office furniture worth Rs. 20,248,135 were kept also idle.	That the cabinet directive issued on 18 th December 2023 instructed a gradual shutdown of operations, which led to increase employee turnover. As a result, the actual staff count declined annually.	Assets should be utilized in maximum potential.

3.5 Resources Released to Other Organizations

Audit Issue	Management Comment	Recommendation
According to the provision Section 3.5 Public Enterprises Circular No. 01/2021 dated 16th November 2021, an employee of a state-owned enterprise should not be released to a ministry or other institution without the approval of the Cabinet and no allowance should be paid during the periods of release. However, one officer had been released to the Ministry of Technology without obtaining such approval. During the years 2022, 2023 and 2024, salaries, telephone allowances and contributions to the Employees' Provident Fund and Employees' Trust Fund amounting to Rs.2,240,200, Rs.2,376,360 and Rs.2,376,360 respectively were paid.	Acknowledge that the Secretary of the line ministry has requested.	Relevant approval should be obtained before release officers to ministry.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Issue	Management Comment	Recommendation
As per Section 6.6 of Operational Manual of the Public Enterprises Circular No. 01/2021 dated 16th November 2021 draft Annual report and Accounts should be handed over to the Auditor General within sixty (60) days after close financial year, financial Statements had been submitted to audit after 375 days.	Annual Draft Accounts had been submitted and withdrawn several times by ICTA till the last date of submission.	Accounts should be submitted to the Auditor General within sixty days after close of the financial year.

4.2 Objectives and Corporate Plan

Audit Issue	Management Comment	Recommendation
a) The powers and functions of the Information and Communication Technology Act No. 27 of 2003, as amended by the Amendment Act No. 33 of 2008, are to assist in the formulation of a national policy, formulate strategies and programs, and identify ways to popularize information and communication technology in Sri Lanka. However, those function was not implemented by the company.	Stated that due to the absence of an Inter-Ministerial Committee, the COVID-19 pandemic, the subsequent economic crisis, expenditure curtailments, recruitment restrictions, and high staff attrition, these functions were not implemented.	The Company should take necessary actions to achieve its goals.
b) The board of directors of the company had decided to discontinued strategic plan 2020-2024 at the board meeting held on 19 December 2023. Further, as per the progress of the action plan the physical progress of 06 projects implemented by the company during the year under review, costing Rs.357.88 million, remained at a low level ranging from 23 percent to 55 percent	Accepted as a fact.	Necessary actions should be taken to achieve planed actions.

4.3 Internal Audit

	Audit Issue	Management Comment	Recommendation
a)	The position of internal auditor has been vacant since February 2023 up to 31 December 2025 without recruitment.	That the Internal Auditor appointed from 12 th January 2026.	An internal auditor should be in the service on a continuously.
b)	As per section 4.2 of the Guidelines on Corporative Governance introduced by Public Enterprises Circular No. 01/2021 dated 16th November 2021 audit and management committees are supposed to meet once every 3 months, only 2 audit and management committee meetings were held in the year 2024.	That Acknowledge, due to the several changes took placed in the board composition.	Audit and management committees are supposed to meet once every 3 months.