

Sri Lanka Information and Communication Technology Agency (Private) Limited -2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Information and Communication Technology Agency (Private) Limited Company for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of Profit & Loss, statement of changes in equity and cash flow statement 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 report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basic for opinion

- a) The total liabilities of the Company as at 31 December 2020 had exceeded its total assets by Rs.64,269,922 and the current liabilities as at 31 December 2020 had exceeded its current assets by Rs.59,046,799. Under this situation, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.
- b) The balance payable to Sri Lanka Computer Emergency Response Team (Pvt) Ltd as at 31 December 2020 was Rs.40,215,928 and outstanding balance of Rs.44,001,285 to its subsidiary of LGII which existed for a long period of time without being settled.
- c) A sum of Rs.3,013,200 had been paid for the warranty extension of existing Hitachi storage Area Network for the period of two years from 01 July 2019 to 30 June 2021. However, the prepayment of Rs.753,300 for the year 2021 had not been disclosed in the financial statements. Further, prepayments of Rs.351,572 relevant to the annual Membership fee paid for the period from 01 December 2020 to 30 November 2021 had not been recognized in the financial statement for the year 2020.
- d) A sum of Rs.75,868,605 had been paid to Red Hat open stack software as subscription renewal for the period of 2021 – 2022. As the total payment had been recorded as expenditure in the financial statement in the year 2020 without recognizing the prepayment for 2 years period, and as a result the profit for the year under review had been understated by that amount.
- e) The Payment made to a private Company in the year 2020 amounting to Rs.3,447,700 in respect for the year 2019 had been charged as expense for the year under review and as a result the profit for the year under review had been under-stated by that amount.

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 Other information included in the Company's 2020 Annual Report.

The other information comprises the information included in the Company's 2020 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2020 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154(6) of the Constitution that will be tabled due course.

1.4 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.

1.5 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, 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.

I communicate with those charged with governance 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 and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 Except for the effects of the matters appear in the basis of qualified audit opinion in this report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163(2)(d) of the Companies Act, No.7 of 2007 and section 12(a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

2.1.3 The financial statements presented is consistent with the preceding year as per the requirement of section 6(1)(d)(iii) of the National Audit Act, No. 19 of 2018.

2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention.

2.2.1 To state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12(d) of the National Audit Act, No. 19 of 2018.

2.2.2 To state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12(f) of the National Audit Act, No. 19 of 2018 except for;

Reference to law/ direction

Description

Company Act No 01 of 2007, paragraph 133(1)	The Company had not held Annual General Meeting (AGM) since 2011.
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2.2.3 To state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12(g) of the National Audit Act, No. 19 of 2018.

2.2.4 To state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12(h) of the National Audit Act, No. 19 of 2018, except for

(a) Purchasing of Hitachi SAN Storage Upgrade

(i) The Company had not complied with the provisions of the procurement guideline no. 5.3.11 and 5.4.8.

(ii) The hardware purchased at the value of Rs.7, 145,673.47 had not been included in the assets register.

(iii) The contract agreement entered into between the Company and Millennium ITESP as per guidelines 8.9.1 of the procurement guidelines was not made available to audit.

(b) Project of Co –Location Services for Implementing LGC 2.0

(i) In terms of the special clauses 3.1 (SCG – 3.1) of the contract agreement of the Co-Location Services for Implementing LGC 2.0 project entered into between ICTA and Dialog, it was stated that there should be a contract for a non-disclosure agreement (NDA) at the time of signing the agreement by the service provider. However, the contract had been signed on 8 March 2017 and the non-disclosure agreement had been entered into on 26 February 2021. Further, according to special clause 3.1 of the Contract agreement signed between ICTA and Softlogic Information Technologies for bare-metal server facilities for General Cluster of LGC project, any appropriate evidences were not made available to audit to ensure that the non-disclosure agreement (NDA) was signed between the two parties.

(ii) No sufficient evidences were made available to audit to ensure that the provisions stipulated in guidelines no. 4.3.1, 6.3.3 and 6.3.6 of the procurement guidelines had been followed in procurement activities.

2.3 Other Matters

(a) A private company had provided cleaning services to the Company from 25 July 2003 continuously without following the procurement procedure, the Company had selected the said service provider since 2003 to 2022 by issuing only renewing letters. Further, the cleaning service agreement had not been furnished to the audit.

(b) A contract worth Rs.79,600,000 had been signed with a private company on 22 October 2018 for establishing a software system (CORE SYSTEM) related to the Employment Trust Fund and payment of Rs.12,160,000 had been made on 29 May 2020 for providing consultancy services. According to the agreement, the said work should be completed by 22 October 2021. However, the respective work had not been completed by the date of the audit on 29 September 2022, and no arrangements had been made even to renew the agreement.