

Sri Lanka CERT (Private) Limited - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka CERT (Private) Limited (“Company”) for the year ended 31 December 2020 comprising the statement of financial positions at 31 December 2020 and the 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 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 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for SMEs.

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 for SMEs 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 Audit Scope

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 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) As per the financial statement, the cost of property, plant and equipment, accumulated depreciation and net fixed assets amounts as at 31 December 2020 were Rs.19,519,710, Rs.14,779,590 and Rs.4,740,120 respectively. As the Company had not maintained proper fixed assets register and details schedules audit was unable to ascertain the accuracy of such balances.	The current Fixed Assets Register maintained by Sri Lanka CERT includes the year of purchase & date, item description, amount, and the Supplier.	Company should maintain fixed asset register and ascertain the accuracy of the fixed assets.
(b) The Company had not maintained detail schedule in respect of intangible assets. Therefore audit was unable to ascertain fully depreciated intangible assets as at end of the year under review and composition of intangible assets.	Sri Lanka CERT has started to maintain a detailed schedule of Intangible Assets from the year 2021.	Company should maintain detail schedules regarding the assets.
(c) As per the financial statement of the Company, the amount due from ICTA (Pvt) limited as at 31 December 2020 was Rs.40, 215,928. As the balance confirmation from ICTA (Pvt) limited had not been received to the audit up to April 2022, audit was unable to ascertain the accuracy of such balance.	This issue is now being discussed with the ICTA and will be resolved with the assistance of the line Ministry in the near future as both ICTA and Sri Lanka CERT are under the purview of the same ministry.	Correct amount should be accounted.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Guidelines 9.2 and 9.3.1 of the Public Enterprises Circular No.PED/12 dated 2 June 2003	The Company does not have an approved organization Chart with an approved cadre and Scheme of recruitment and promotion for each post.	Sri Lanka CERT Currently maintain a Board Approved Organization chart. Sri Lanka CERT is due to become a part of Cyber Security Agency (CSA) in the near future. The bill to establish the CSA was submitted to the cabinet of Ministers and Once it will provide approval for the Organization Chart for CSA including Sri Lanka CERT.	Circular instructions should be followed.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 436,581 and the corresponding surplus in the preceding year amounted to Rs. 15,905,753. Therefore a deterioration amounting to Rs15,469,172 of the financial result was observed. The reasons for the deterioration are decrease of grant receipt and other revenue by Rs.8,403,612.00 and Rs.10,424,251.00 respectively.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
A sum of Rs. 8,520,000 had been paid as allowances to the Chief Executive Officer of the company during the year under review. However, approval for payment had not been submitted to the audit.	Sri Lanka CERT submitted documents.	Approval for the payments. Should be submitted to the audit

3.2 Delays in Projects or Capital Work

Audit Issue	Management Comment	Recommendation
(a) The period of National Cyber Security Operations Centre (NSSOC) project was 2016 - 2018 and it had been extended up to 2021. However, even after 5 years period, the physical progress of the project as at 31	This project was initiated by ICT Agency of Sri Lanka and subsequently transferred to Sri Lanka CERT on 17 th October 2018. Sri Lanka CERT commenced the procurement in end of 2019. However due to the ministerial changes in 2020, the procurement	Project should be completed as expected time period.

December 2020 was only 47 percent. committees appointed for this purpose were cancelled, and some procurements could not be awarded.

- (b) The National survey on information and Cyber Security project was scheduled to be completed within the period of 2019 to 2020. However the physical progress of the project as at 31 December 2020 was only 80 percent and it had not been completed as scheduled. Under the label of National Surveys and Cyber Security, four surveys were planned to be completed during the period of 2019 to 2020. However, among them one survey could not be completed due to lack of resources and Covid 19 pandemic. The other three projects were successfully completed in 2021. Project should be completed as expected time period.