

## **Information and Communication Technology Agency (Private) Limited - 2016.**

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The audit of the financial statements of the Information and Communication Technology Agency (Private) Limited (“the Company”) and the consolidated financial statements of the Company and its subsidiary (“ Group”) for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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 Transaction Report of the Company for the year 2016 was issued on 04 December 2018 to the Chairman of the Company. Detail report of the company for the year 2016 was issued on 26 December 2019 to the chairman of the company. The transaction report of the Company for the year 2016 on non – accounting was tabled in parliament on 23 July 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**

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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**

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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**

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- (a) The Company had been made adjustments directly to the trial balance without recording to the respective ledger accounts. Further, there were no ledger accounts in respect of property, plant and equipment, provision for depreciation, deferred revenue for grant assets, accrued expenses.
- (b) As per the financial statements of the Company, the cost of the property, plant and equipment and intangible assets as at 31 December 2016 was Rs.2,140,197,281 and Rs.5,528,113 respectively. However, the Company had not maintained fixed assets register and detail schedules. Therefore, 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 accounting policy of the Company, the depreciation should be calculated on reducing balance method. However, contrary to that the depreciation had been made on straight line method.
- (e) According to Paragraph 63 of LKAS 16, impairment losses 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 obligations of all employees amounting Rs.29,166,250 based on half month's salary of the last month of the financial year.
- (g) Accuracy of the seven fundamental adjustments/ prior year adjustments including write offs and write back balances, adjustments to property plant & equipment, Intangible Assets, accumulated depreciation for property plant & equipment, accumulated depreciaton for intangible assets, deferred liability for grant assets, non-financial assets aggregating to Rs. 2,468,479,575 shown in the financial statements and adjustments made to the general ledger of the Company could not be ascertained in the audit due to unavailability of details such as adjusted balances, reasons for adjustments and approvals for the adjustments.
- (h) Details in respect of grants received had not been made available for audit. Therefore, audit was unable to verify the accuracy of deferred liability for grant assets amounting Rs. 118,811,175 as at 31 December 2016 and the basis of transferring a sum of Rs.68,946,186 to income statement.
- (i) According to the financial statements of the Company, amounts payable to Sri Lanka CERT (Pvt) Ltd as at 31 December 2016 was Rs. 30,078,398. However, as per the

financial statement of the Sri Lanka CERT (Pvt) Ltd, it was Rs.31,012,295. Hence, a difference of Rs. 933,897 is observed between two balances.

- (j) As per the monthly summary, the salary expenses of the Company for the year under review was Rs.210,519,499. However, as per the statement of Comprehensive Income it was Rs. 200,922,463. Hence, a deference of Rs.9,597,036 was observed between two balances.

### **Disclaimer of Opinion**

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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 and the Group.

### **Report on Other Legal and Regulatory Requirements**

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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 and the Group comply with the requirements of Section 151 and 153 of the Companies Act, No. 07 of 2007.
- (c) As per Section 220 of the Companies Act, No.07 of 2007, if at any time it appears to a director of a Company that the net assets of the Company are less than half of its stated capital, the Board shall within twenty working days of that fact becoming unknown to the director, call an extraordinary general meeting of shareholders of the company to by stating the nature and extent of the losses incurred by the Company, and the steps, if any, which are being taken by the Board to prevent further such losses or to recoup the losses incurred. However, Board of Directors of the Company fails to comply with this requirement even though the net assets of the Company are less than half of its stated capital.