

## Lanka Government Information Infrastructure (Pvt) Limited – 2017

---

The audit of the affairs of the Lanka Government Information Infrastructure (Pvt) Limited (“the Company”) for the period ended 31 December 2017 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. As per the Section 150(1) of the Company Act No.07 of 2007, the financial statements for the year 2016 and 2017 had not been submitted even as at the date of this report. 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

---

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 Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

## 2. Financial Statements

---

### 2.1 Presentation of Financial Statements

---

As per Section 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the draft annual report and accounts should be rendered to the Auditor General within 60 days after the close of the financial year. However, draft annual report and accounts for the year 2016 and 2017 had not been submitted even as at the date of this report.

### 2.2 Assets and Liabilities

---

The details of assets, liabilities, income and expenses indicated in the financial statements as at 31st December 2015 prepared by the company are as follows.

Assets -----	Amount ----- Rs.
Non-Current Assets	41,093,545
Current Assets	<u>255,641,188</u>
<b>Total Assets</b>	<b><u>296,734,733</u></b>
<b><u>Liabilities</u></b>	
Current Liabilities	268,221,354
Non-Current liabilities	<u>1,312,690</u>
<b>Total Liabilities</b>	<b><u>269,534,044</u></b>
Equity	<u>27,200,689</u>
<b>Total Equity and Liabilities</b>	<b><u>296,734,733</u></b>
Total Income	197,244,002
Total Expenses	<u>197,207,314</u>
<b>Surplus for the year</b>	<b><u>36,688</u></b>

### 2.3 Non-compliances with Laws, Rules, Regulations, and Management Decisions

---

Instances of non-compliances observed in audit are given below.

<b>Reference to Laws, Rules, and Regulations</b>	<b>Non-compliance</b>
(a) Section 133 (1) of the Companies Act, No. 07 of 2007 and Section 23 of the Article of Association of the Company	The annual general meeting of the Company had not been held after the establishment of the Company on 18 July 2011.
(b) Chapter 3 and 4 of the Public Enterprises Circular, No. 12 dated 02 June 2003 and Section 26 of the Articles of Association of the Company	No board meetings were held after the 20 February 2014 and board of directors had not been appointed for the Company. It was observed that all decisions were taken by the Board of Directors of the parent Company.
(c) Section 7.4.5 of the Public Enterprise Circular, No. 12 dated 02 June 2003	No annual board of survey had been carried out as at 31 December 2016 and 2017. Hence, the existence of the non-current assets cannot be ascertained in audit.

## 3. Operating Review

---

### 3.1 Performance

---

#### 3.1.1 Planning

---

The following observations are made.

- (a) As per Section 5.1 of the Public Enterprises Circular No. PED/12 dated 2 June 2003, a Corporate Plan had not been prepared by the Company. Hence, strategies regarding the future direction of the Company had not been incorporated by the Company.
- (b) As per Public Finance Circular No. 01/2014 dated 17 February 2014, an action plan had not been prepared by the Company for the year 2016 and 2017.

#### 3.1.2 Performance and Review

---

As per Article of Association of the Company, the main objectives are to be responsible for the management and maintenance of Lanka Government Network and Lanka Gate operations. However, it was observed that the all project management activities relates to the Lanka Government Network and Lanka Gate Operations including planning, procurements and project implementations are handled by the parent Company and Company had limited to the operation & maintenance activities of the projects. Hence it was observed that Company had failed to perform the activities relating to its objectives.

### **3.2 Management Activities**

-----

The following observations are made.

- (a) Information and Communication Technology Agency (ICTA) Sri Lanka had been vested with full autonomy relating to financial and administrative aspects through the Cabinet Decision, No. CMP/ 03/0884/134/027, dated 16 July 2003, since the World Bank was the principal donor of the e-Sri Lanka programme, has noted the essential requirement for such independence to be extended to the ICTA. However, as a subsidiary of ICTA, the Company totally depends on the Consolidated Fund at present, and it was observed that the financial and administrative autonomy existed previously, still continues as per the Cabinet Decision. Further, Company noted that, Full autonomy related to financial and administrative aspects was given not because of World Bank funding but due to the need to hire highly qualified specialized people to deliver the results within a shorter time period.
  
- (b) It was observed that all functions including project planning, preparation of accounts, administration and human resource management of the Company were handled by the parent Company, Information and Communication Technology Agency of Sri Lanka. However the Company has located at the BMICH and annual rental amounting to Rs. 4.7 million had been paid for the Company. There was only operational staff of LGN project within the Company premises and programme and project managers of LGN project were also within the parent Company. Since, the reason for forming a separate Company for LGN project does not revealed during the course of the audit.

### **3.3 Staff Administration**

-----

The following observations are made.

- (a) As per Section 9.2 of Public Enterprise Circular No.PED/12 dated 2 June 2003, Human Resource Plan should be prepared by the Company consolidating Human Resource Budget and it should be registered with the Department of Public Enterprises (PED) in the Treasury. However, such a plan had not been prepared by the Lanka Government Information Infrastructure Ltd.
  
- (b) As per the Section 9.3.1 of Public Enterprises Circular No. PED/12 dated 2 June 2003, Scheme of recruitment and promotion for each post had not been formulated by the Lanka Government Information Infrastructure Ltd.
  
- (c) As per Section 9.6 of Public Enterprises Circular No.PED/12 dated 2 June 2003, performance appraisals were not done by the Company in regular basis.
  
- (d) Without obtaining the treasury approval as stipulated in the Section 9.7 of Public Enterprises Circular No.PED/12 dated 2 June 2003, the Company had paid the salary and allowances of consultants. Further, it was observed that, all the employees and

consultants of the institution had been appointed on contract basis without an approved cadre and a Scheme of Recruitment.

- (e) It was observed that, Company had utilized the capital provisions allocated for the projects for the payment of salaries without allocating recurrent provisions.

#### **4. Accountability and Good Governance**

-----

##### **4.1 Audit Committees**

-----

As per Sections 7.4.1 and 7.4.2 of the Public Enterprises Circular No. PED/12 dated 2 June 2003, the Company had not been established an Audit Committee for the period under review.

#### **5. Systems and Controls**

-----

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the chairman of the Company from time to time. Special attention is needed in respect of the following areas of control.

	Areas of Control	Observation
	-----	-----
(a)	Assets Management	Valuation, documentation, transferring of ownership and protection of Property, Plant and equipment and utilization of resources of the Company efficiently for the purpose of performing its objectives.
(b)	Human Resource Management	Management of Human Resources according to the rules and regulation for the achievement of the objectives of the Company.