

## **Sri Lanka CERT (Private) Limited -2019**

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### **1. Financial Statement**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Sri Lanka CERT (Private) Limited (“Company”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 2019, 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**

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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**

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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.

## **1.1 Audit Scope**

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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 observation 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**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)As per the financial statement, the cost of property, plant and equipment, accumulated depreciation and net fixed assets amounts as at 31 December 2019 were Rs.18,276,002, Rs.13,649,422 and Rs.4,626,580 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 and date, item description, amount and the Supplier.	Company should maintain fixed assets register and ascertain the accuracy of the fixed assets.
(b) As per the financial statements of the company the amount due from ICT Agency (pvt) limited as at 31 December 2019 was	A board paper to correct this discrepancy was approved by the Board of Directors of Sri Lanka CERT and therefore it has been	Correct values should be accounted.

Rs.42,551,302. However as per ICTA records it was Rs.40,215,928 and there was a difference Rs. 2,335,374. corrected in the Financial Statement 2020.

- (c) A renewal and membership fee had been paid for the year 2020 amounting to Rs.1, 652,896 had been accounted as expenses of the year under review. Also in previous years, expenses were recorded as expenses for the year, therefore they were recorded as expenses for the year to obtain a clear interpretation against comparative values in the accounts. Expenditure for the year under review should be properly accounted.
- (d) As per the Section 2.52 of SLFRS for SMEs, the Company shall not offset assets and liabilities, or income and expense. However, the Company had offset project income against the project expense of Rs.47, 079,967. Although the company shows project income as net of grant Income and Expenses in the statement of profit and loss, detailed note and annexure are given to the financial statements which carry the details of project income & expenses. Please refer page (20) of financial statement 2019. Sri Lanka CERT has corrected this matter in the financial statements 2020 as recommended Company should comply with the provisions of the SLFRS for SMEs.
- (e) 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 maintained a detailed schedule of Intangible Assets from the year 2020. Company should maintain detail schedules regarding the assets.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) National Audit Act, No.19 of 2018 Section 41(1)	According to the Section 41(1) of the National Audit Act, No.19 of 2018, the Company had failed to hold audit committee meetings during the year under review.	Audit committee meetings were not held in 2019. However, with the appointment of new board of directors in 2020, a board audit committee was formed, and meetings were held.	Provisions of the Act should be followed.
(b)Public Enterprises Circular No. PED/12 dated 2 June 2003 - Guidelines for Good Governance			
(a) Guidelines 9.2	The Company does not have an organization Chart registered with an approved cadre	Sri Lanka CERT has maintained a board approval organization chart and registered with approved cadre from the year 2020	Company should comply with the requirement of the guidelines for good governance.
(b) Guidelines 9.3.1	The Company does not have Scheme of recruitment and promotion for each post.	Sri Lanka CERT has maintained a scheme of recruitment and promotion for each post from the year 2020	Company should comply with the requirement of the guidelines for good governance.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 15,905,753 and the corresponding surplus in the preceding year amounted to Rs. 12,514,270. Therefore an improvement amounting to Rs. 3,391,483 of the financial result was observed. The reasons for the improvement are increase of grant receipt and increase in other revenue.

**3. Operational Review**

**3.1 Management Inefficiencies**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) A sum of Rs 8,520,000 had been paid to Chief Executive Officer as allowance during the year under review. However, approval for payment had not been submitted to the audit.	Relevant documents attached	Approval for the payments should be submitted to the audit.
(b) Although Rs. 1,382,800 had been paid as a Acnetix Web Valnerably Scanning software renewal charge for the year 2020 an agreement between the two parties had not been presented to the audit.	This software was first purchased by the procurement division of the ICTA and has not entered into such an agreement with the supplier and Sri Lanka CERT agree to update it for the year 2022.	Relevant agreement should be submitted to the audit.