

**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 2021 comprising the statement of financial position as at 31 December 2021 and the statement of profit and 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 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 2021 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium sized Entities.

**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 Small and Medium sized Entities, 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. 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.

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 Accounting Deficiencies

Audit Issue -----	Management Comment -----	Recommendation -----
According to the financial statement, the value of the property, plant and equipment was Rs. 21,723,710 as at 31 December 2021, according to the fixed assets register, the value was Rs. 26,161,862. A difference of Rs. 4,438,152 was observed.	To rectify the issue, Sri Lanka CERT carried out a Fixed Assets Valuation through the Valuation Department. Their report was received in April 2022. Therefore, these values have been incorporated into the 2022 Financial Statements.	All fixed assets should be accounted.

## 1.6 Accounts Receivable

Audit Issue -----	Management Comment -----	Recommendation -----
As per the financial statement of the Company, the amount due from ICTA as at 31 December 2021 was Rs.40,215,928. As the balance confirmation from ICTA it	This issue is related to an amount of Rs.40,215,928 shown as receivable from ICTA to Sri Lanka CERT. This matter was discussed with ICTA in order to	All receivables must be recovered.

was Rs.1,829,901 and there was a difference Rs.38,386,027. The management fails to recognize this difference.

ICTA has submitted the following responses.

In order to resolve this issue the Board Audit Committee and the Department of Public Enterprises instructed Sri Lanka CERT to raise this matter at the Audit and Management Committee Meeting of Ministry of Technology.

After the AMC meeting the Ministry will appoint a committee to obtain recommendations for appropriate action, after examining the accounts of both ICTA and Sri Lanka CERT. Therefore, it is recommended to await the recommendation of the Committee appointed by Ministry of Technology.

## **2. Financial Review**

### **2.1 Financial Result**

The operating result of the year under review amounted to surplus of Rs.5,512,737 and the corresponding surplus in the preceding year amount to Rs.436,581. Therefore an improvement amounting to Rs.5, 076,176 of the financial result was observed. The reason for the improvement was increase of grant income by 86 percent amounting to Rs.42, 597,782 and other revenue by 39 percent amounting to Rs.2,145,379.