

Lanka Government Information Infrastructure (Private) Limited Company - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Lanka Government Information Infrastructure (Private) Limited Company for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of profit and loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy 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 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 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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, 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 intends 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 (Responsibilities of Auditor for 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 skepticism 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 Non –Compliance with Sri Lanka Accounting Standards

Audit Observation	Comments of the Management	Recommendation
Due to recruit of all the Company's staff from 01 June 2023, to the parent Company, Information Communication Technology Agency of Sri Lanka (Pvt) Limited, instead of adjusting the balance of Rs.5,078,752 at the beginning of the reviewed year of the retirement benefit provision account to the accumulated balance, due to adjusting to other comprehensive income statement with non-compliance to the terms of paragraph 07 of Sri Lanka Accountings 01,the comprehensive income in the year under review was over stated by that amount.	A change in gratuity provision to zero due to transfer of employees does not fall under LKAS 08 hence retrospective adjustments are unnecessary.	Only the balances that should be adjusted to the comprehensive income statement should be adjusted according to the standard.

1.5.2 Going Concern of the Company

Audit Observation	Comments of the Management	Recommendation
In the board meeting of the parent company (Information Communication Technology Agency of Sri Lanka (Pvt) Limited) held on 15 November 2022, the merging of the company with Information Communication Technology Agency of Sri Lanka (Pvt) Limited was approved as per Section 242 of the Companies Act, that activity was not completed till 30 April 2024.	Merging process is delayed due to delay in financial accounts.	The decision of the management should be followed.

1.6. Accounts Receivables

Audit Observation	Comments of the Management	Recommendation
The receivable from the parent company (Sri Lanka Information and Communication Technology Agency) as on 31 December 2023 was Rs.44,001,286 and actions had not been taken to recover that since 2015.	ICTA plans to address this intercompany balance through the ongoing process of merge LGII with ICTA.	Actions should be taken to recover the receivable balances.

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

Reference to the Laws, Rules and Regulations	Non-compliance	Comments of the Management	Recommendation
a) Section 133(1) of the Companies Act No. 07 of 2007	Although an Annual General Meeting of shareholders should be held once in each calendar year according to the Act, the company had not held the annual general meeting since 2017.	The delay in preparation of financial statements for the years 2019 to 2022 has led to the delay in convening the Annual General Meeting.	Annual General Meetings should be held once in each calendar year in terms of the Act.
b) Paragraph 2.2.2 of the Guidelines on Corporate Governance introduced by the Public Enterprises Circular No:01/2021 dated 16 November 2021	Although the chairman of the company should ensure that board meetings are held regularly at least once in a month, But only 02 board meetings were held during the year under review.	As LGII functions have been transferred ICTA's digital services section ,no operational activities have been engaged.Simultaneousl y LGII has officially to merge with ICTA and is currently in the process of merging.	should be followed as per guideline
c) Paragraph 2.3 of the Corporate Governance guideline introduced by the Public Enterprises Circular No:01/2021 dated 16 November 2021	The company had not prepared the budget for the year under review.	LGII's workforce consisted of only seven employees, and, bringing LGII operations under to the ICTA's digital services pillar and their associated costs being included in ICTA's budget.	Budget for the year should be prepared as per the guideline.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was zero and the previous year's deficit was Rs.2,133,248 . Accordingly, a improvement of Rs.2,133,248 was observed in the financial result. Decrease in Company's employees cost is the main reason for the improvement.

3. Operational Review

3.1 Management Efficiencies

Audit Observation	Comments of the Management	Recommendation
Without the approval of the company's board of directors the staff of the company consisting of seven people had been merged with the staff of the parent company only on the approval of the board meeting of the parent company (Information Communication Technology Agency of Sri Lanka (Pvt) Limited) held on 31 May 2023.	The decision was taken due to delays in the merger process caused by unresolved financial accounts and a notice from Ministry of Technology to restrict payment of salaries to ICTA employees without paying salaries to LGII employees.	The approval of the board of directors of the company should also be obtained.

3.2 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
he bank balance of Rs.350,742 in bank account No.0072839158 in Bank of Ceylon had not been used for about three years from 31 December 2020.	This balance was transferred to ICTA on 18 March 2024.	Funds should be utilized effectively.

4. Accountability and Good Governance

4.1 Audit Committee

Audit Observation	Comments of the Management	Recommendation
Audit and Management committee meetings should be held at least once in three months In terms of the section 15 of the Public Enterprises Circular No:PED 55 Dated 14 December 2010 ,but actions had not been done accordingly.	LGII has decided to merge officially with ICTA and is currently in the process of merging ,in its non functioning circumstances ,there is no need to convene audit and management committee meetings.	Proceed as per the circular.