

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Lanka Government Information Infrastructure (Private) Limited “Company” for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 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, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, 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 Opinion

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 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 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 Audit Scope

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 Going Concern of the Organization

Audit Issue	Management Comment	Recommendation
Although the approval had been granted to merge the company in accordance with Section 242 of the Companies Act at the Board of Directors meeting of the parent company (Information Communication Technology Agency of Sri Lanka (Private) Limited) held on 15th November 2022 with the Information Communication Technology Agency of Sri Lanka (Private) Limited, it had not been completed.	It was stated that the Company acknowledge observations and will be able to initiate the strike off up after finalizing the audited financial accounts, necessary statutory requirements.	Management decisions should be followed.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
a) Companies Act, No. 7 of 2007			
(i) Section 116(1)	The Company shall keep the minutes of all shareholders' meetings and all directors' meetings held within the previous 10 years at its registered office. However, the Company had not acted accordingly.	It was stated that this non-compliance occurred primarily due to the failure of the Company Secretary to fulfill their statutory responsibilities	Should be comply in accordance with the Companies Act.
(ii) Section 131(1) and (2)	Annual return must be submitted to the Registrar of Companies within 30 working days of the holding of the annual general meeting of shareholders. However, annual returns had not been submitted to the Registrar of Companies since 2012.	Currently in the process of implementing corrective measures to address these issues. All overdue statutory obligations are being systematically reviewed and will be brought up to date in the near future.	Should be comply in accordance with the Companies Act.
(iii) Section 223(3) (C)	The changes in the board of directors or secretaries of the company should be delivered to the Registrar of Companies within 20 working days from the date of the change, However, the changes in the board of	It was stated that they acknowledge the oversight in not updating the Registrar of Companies on changes to the Board of Directors within the stipulated timeframe.	Should be comply in accordance with the Companies Act.

	directors after 19 June 2019 had not been registered with the Registrar of Companies.		
(b) Article 26 (a) of the Articles of Association of the Company	As per article, the number of directors shall not be less than three (3). However, the Company had appointed only two directors.	The Company acknowledges the non-compliance with its Articles of Association	Should be comply in accordance with the Companies' Article of Association
(c) Public Enterprises Circular No. 01/2021 dated 16th November 2021.			
(i) Section 2.2.2 of the Guideline	The Chairman of the Company is required to ensure that board meetings are held regularly, at least once a month. However, the Company had held only one board meeting during the year under review.	Accepted the observation and committed to maintaining good governance practices and avoiding such lapses in the future.	Should be comply in accordance with the Circular.
(ii) Section 2.3 of the Guideline	The company had not prepared the budget for the year under review in accordance with the circular.	LGII is no longer intended to function as an active entity and no such operations were planned for LGII in 2024.	Management decisions should be followed.
d) Public Enterprises Circular No. PED 55 dated 14 December 2010. Paragraph 15	Audit and Management Committee meetings should be held at least once every three months as per the circular. However, action had not been taken accordingly.	Since the functions of LGII have been transferred to the digital services division of ICTA, and the decision has been made to strike-off as a result, no such meetings have been held.	Should be comply in accordance with the Circular.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 44,203,776 and the corresponding surplus in the preceding year amounted to Rs. 5,078,752. Therefore a deterioration amounting to Rs. 49,282,528 of the financial result was observed. The reasons for the deterioration are written off receivable from ICTA (Parent Company)

3. Accountability and Good Governance

3.1 Submission of Financial Statements

Audit Issue	Management Comment	Recommendation
As per chapter 6.6 of the Operational Manual of Public Enterprises Circular No. 01/2021 dated 16th November 2021, draft annual report and accounts should be handed over to the Auditor General within sixty (60) days after the close of the financial year. However, the Company had submitted financial statements of the year under review on 19 June 2025	That the observation is accepted.	Should be comply in accordance with the Circular.