

## **1. Financial Statements**

### **1.1 Opinion**

The audit of the financial statements of the Sri Lanka CERT (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 for Small and Medium sized Entities.

### **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 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 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 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 Accounts Receivable and Payable**

### **1.5.1 Receivables**

| <b>Audit Issue</b>                                                                              | <b>Management Comment</b>                                                                          | <b>Recommendation</b>                                                    |
|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| a) The balance of Rs. 40,215,928 due from Information Communication Technology Agency (Private) | It was stated that the committee appointed by the Secretary to the line Ministry, recommended that | Action should be taken to resolve the issue as per the committee report. |

Limited, which has been pending the receivable balance of Rs. since 2017 had not been recovered 40,215,928 to be written off, as it even by the end of the year under review. was deemed to be an erroneous accounting entry and stated that the reports will be submitted to the next Audit and Management Committee.

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| <p>b) Outstanding debtors' balances over one-year valued Rs. 4,599,330 had not been recovered even by the end of the year under review.</p>                                                               | <p>It was stated that the action will be taken to send follow-up letters to the debtors on outstanding debtor balances and conduct debtor review meeting with project in-charges.</p> | <p>Prompt action should be taken to recover outstanding debtor balances.</p> |
| <p>c) Out of 30 debtor balances of Rs. 22,793,238, only seventeen debtor balances of Rs. 12,605,240 were called for balance confirmations but only one debtor balance of Rs. 1,480,000 was confirmed.</p> | <p>It was stated that the invoices are available to verify.</p>                                                                                                                       | <p>All the Confirmations should be received to audit.</p>                    |

## 1.5.2 Payables

| Audit Issue                                                                                                                                                                                                                          | Management Comment                                                  | Recommendation                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------|
| At the end of the year under review, out of 21 total creditor balances of Rs. 86,221,166, five total creditors of Rs. 81,515,324 were called for balance confirmations but only one creditor balance of Rs. 1,650,240 was confirmed. | It was stated that the invoices, bid documents available to verify. | All the confirmations should be received to audit. |

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

| Reference to Laws, Rules Regulations etc. | Non-compliance                                                                                                                                                                                                                              | Management Comment                                                                                                                                                                                                                                                                                                                                                                                                                                   | Recommendation                                         |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| <b>a) Companies Act, No. 7 of 2007</b>    |                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                        |
| (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 the Company Secretary has been formally informed in writing to hand over, in a proper manner, all meeting minutes and other records that must be maintained at the office under the Companies Act.                                                                                                                                                                                                                                | 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 2014. | It was stated that a discussion was held with the Registrar General of Companies, during which approval was granted to submit annual returns for the period from 2013 to 2020 through the manual method. Accordingly, from the year 2021 onwards, all document submissions must be done through the online system. The preparation of the required documents for this process has already commenced and is currently in progress to ensure accuracy. | Should be comply in accordance with the Companies Act. |

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| (iii) Section 223(1)                                                                                                                  | <p>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 directors after 28 February 2020 had not been registered with the Registrar of Companies.</p> | <p>It was stated that the Company Secretary has been unable to file documents via online since 2020.</p> | <p>Should be comply in accordance with the Companies Act.</p>                                               |
| <p>(b) Employees Provident Fund (EPF) Act No 15 of 1958, Section 47 and Employees Trust Fund (ETF) Act No 46 of 1980, Section 44</p>  | <p>The company has included non-entitled medical allowance and travel allowance in the calculation of contributions to EPF and ETF. As a result, EPF amounting to Rs.2,024,797 and ETF amounting to Rs.506,199 had been over paid by the company during the period of 2022-2024.</p>                            | <p>It was stated that EPF &amp; ETF computation was done as per parent Company.</p>                      | <p>Should be comply in accordance with the Employee Provident Fund act and the Employee Trust Fund act.</p> |
| <p>(c) Public Enterprises Circular No. 01/2021 dated 16th November 2021 &amp; amendment No. 01/2021(iii) dated 27 September 2023.</p> |                                                                                                                                                                                                                                                                                                                 |                                                                                                          |                                                                                                             |
| <p>(i) Operation Manual Section 2.3</p>                                                                                               | <p>All SOEs required to adopt their own Administrative</p>                                                                                                                                                                                                                                                      | <p>It was stated that the administrative manual has</p>                                                  | <p>Should comply in accordance with</p>                                                                     |

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|                   | and Financial manual approved by Director General, Department of Public Enterprises. However, the Company had not acted accordingly.                                                                                                              | been approved by the Board. The financial manual will be submitted the Director General, Department of Public Enterprises, for approval. | Operational Manual.                                      |
| (ii) Section 3.2  | There was no approved recruitment procedure and carder for the company. Further, since the inception of the company, all the staff members had been recruited on a contract basis.                                                                | It was stated that the Scheme of Recruitment has already been completed, and it has been reviewed by the HR sub committee.               | Should comply in accordance with the Operational Manual. |
| (iii) Section 3.4 | Although the company is required to have a succession plan. However, the Company had not prepared a succession plan.                                                                                                                              | It was stated that the Succession plan will be prepared in accordance with the approved Scheme of Recruitment (SOR).                     | Should comply in accordance with the Operational Manual. |
| (iv) Section 3.8  | Although the communication facilities for employees of the company shall be based on government circulars. However, contrary to that the Company had paid monthly mobile telephone bills aggregating to Rs. 773,415 during the year under review. | It was stated that SL CERT will take necessary steps to adhere with the circular.                                                        | Should Comply in accordance with the circular.           |

(v) Establishment  
Code of the  
Democratic  
Socialist Republic  
of Sri Lanka

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|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------|
| a) Section 23.18 of Chapter XII of the Establishments Code | Although a return of leave spent out of the island by the officers should be forwarded by the head of the Company concerned to the Auditor General monthly.                                                               | It was stated that the observation is accepted, and will act accordingly in the future. | Should be comply with the Establishment Code. |
| b) Section 10.3 of Chapter XV                              | Although the application for departure from the country should have been submitted for approval at least 10 days before the officer's departure, it was observed that in two cases, steps had not been taken accordingly. | It was stated that the observation is accepted, and will act accordingly in the future. | Should be comply with the Establishment Code. |

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 33,767,807 and the corresponding surplus in the preceding year amounted to Rs. 21,678,519. Therefore, an improvement amounting to Rs. 12,089,289 of the financial result was observed. Other revenue increased by Rs. 20,402,045 was the main reason for this improvement.



### 3. Operational Review

#### 3.1 Management Inefficiencies.

| Audit Issue                                                                                                                                                                                                                                                                       | Management Comment                                                                                                                                                                                                            | Recommendation                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| The company had incurred a cost of Rs.2,334,035 to provide health and medical insurance and a health and medical allowances and travelling allowances aggregating Rs.6,741,006 for the staff of the Company during the year under review had been paid without required approval. | It was stated that the board approval has already been obtained for medical insurance coverage. However, Treasury approval granted for the medical insurance coverage commencing from 17 <sup>th</sup> November 2024 onwards. | Prior approval should be obtained to pay allowances. |

#### 3.2 Human Resources Management

| Audit Issue                                                                                                                                                                                                                                                                                                                                                                                                                                                | Management Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Recommendation                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Without an approved recruitment and promotion scheme the company had paid salary increment aggregating to Rs.6,256,865 for 19 employees on the approval of the board of directors during the year under review. Further, all the company's staff were recruited on a contract basis, and the Board of Directors had approved and promoted two Associate Information Security Engineers as information Security Engineers with effect from 01 January 2024. | It was stated that the salary structure of the Sri Lanka CERT was formulated in proportion to the salary structure of its parent organization and founding shareholder, ICTA. This salary structure and the related statutory deductions were approved by the Board of Directors of ICTA at that time. As such, in line with the above-mentioned Cabinet and Board approvals, the said salary structure was adopted and used by the Sri Lanka CERT in the same manner. | Recruitment & Promotion Scheme should be approved. |

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

##### **4.1 Budgetary Control**

| <b>Audit Issue</b>                                                                                                                                                                                        | <b>Management Comment</b> | <b>Recommendation</b>                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------------------------------------------------------------------------|
| The prepared development budget of Rs. 410 million had been revised as Rs. 481.92 million during the year. However, the action plan and the corporate plan had not been revised and approved accordingly. | Reply was not received.   | Action Plan should be revised according to the received supplementary allocation. |