QuillAudits

Audit Report
January, 2024

For

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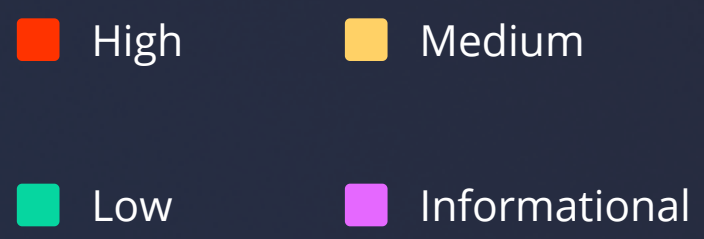
Executive Summary

Project Name	Naka Token
Overview	Naka Token is a Standard ERC20 Token Contract. Naka Tokens aims to provide a platform where individuals have an opportunity to invest and earn income in a transparent way. This transparency will strengthen the trust and confidence of investors, resulting in the expansion of decentralized financial systems.
Timeline	24th January 2024
Updated Code Received	29th January 2024
Second Review	30th January 2024
Method	Manual Review, Functional Testing, Automated Testing, etc. All the raised flags were manually reviewed and re-tested to identify any false positives.
Audit Scope	The scope of this audit was to analyze the Naka Token code for quality, security, and correctness.
Source Code	*https://bitbucket.org/wonkru/naka-token/src/master/contracts/NakaToken.sol*
Branch	Master
Commit	ea34c151fce59c0c6dc5461bdfb7c10a18d53d0c
Fixed In	*https://bitbucket.org/nakatoken/naka-token/src/main/contracts/NakaToken.sol* *Commit: e9d24e8*

Number of Security Issues per Severity



	High	Medium	Low	Informational
Open Issues	0	0	0	0
Acknowledged Issues	0	0	0	0
Partially Resolved Issues	0	0	0	0
Resolved Issues	0	0	0	4

Checked Vulnerabilities

- Re-entrancy
- Timestamp Dependence
- Gas Limit and Loops
- DoS with Block Gas Limit
- Transaction-Ordering Dependence
- Use of tx.origin
- Exception disorder
- Gasless send
- Balance equality
- Byte array
- Transfer forwards all gas
- ERC20 API violation
- Malicious libraries
- Compiler version not fixed
- Redundant fallback function
- Send instead of transfer
- Style guide violation
- Unchecked external call
- Unchecked math
- Unsafe type inference
- Implicit visibility level

Techniques and Methods

Throughout the audit of smart contracts, care was taken to ensure:

- The overall quality of code.
- Use of best practices.
- Code documentation and comments match logic and expected behavior.
- Token distribution and calculations are as per the intended behavior mentioned in the whitepaper.
- Implementation of ERC-20 token standards.
- Efficient use of gas.
- Code is safe from re-entrancy and other vulnerabilities.

The following techniques, methods, and tools were used to review all the smart contracts.

Structural Analysis

In this step, we have analyzed the design patterns and structure of smart contracts. A thorough check was done to ensure the smart contract is structured in a way that will not result in future problems.

Static Analysis

A static Analysis of Smart Contracts was done to identify contract vulnerabilities. In this step, a series of automated tools are used to test the security of smart contracts.

Code Review / Manual Analysis

Manual Analysis or review of code was done to identify new vulnerabilities or verify the vulnerabilities found during the static analysis. Contracts were completely manually analyzed, their logic was checked and compared with the one described in the whitepaper. Besides, the results of the automated analysis were manually verified.

Gas Consumption

In this step, we have checked the behavior of smart contracts in production. Checks were done to know how much gas gets consumed and the possibilities of optimization of code to reduce gas consumption.

Tools and Platforms used for Audit

Hardhat, Foundry.

Types of Severity

Every issue in this report has been assigned to a severity level. There are four levels of severity, and each of them has been explained below.

High Severity Issues

A high severity issue or vulnerability means that your smart contract can be exploited. Issues on this level are critical to the smart contract's performance or functionality, and we recommend these issues be fixed before moving to a live environment.

Medium Severity Issues

The issues marked as medium severity usually arise because of errors and deficiencies in the smart contract code. Issues on this level could potentially bring problems, and they should still be fixed.

Low Severity Issues

Low-level severity issues can cause minor impact and are just warnings that can remain unfixed for now. It would be better to fix these issues at some point in the future.

Informational

These are four severity issues that indicate an improvement request, a general question, a cosmetic or documentation error, or a request for information. There is low-to-no impact.

Types of Issues

Open

Security vulnerabilities identified that must be resolved and are currently unresolved.

Resolved

These are the issues identified in the initial audit and have been successfully fixed.

Acknowledged

Vulnerabilities which have been acknowledged but are yet to be resolved.

Partially Resolved

Considerable efforts have been invested to reduce the risk/impact of the security issue, but are not completely resolved.

Informational Issues

1. SafeMath is not needed

Path

NakaToken.sol

Description

SafeMath is a library commonly employed to mitigate the risks of underflow and overflow in mathematical operations, particularly in compiler versions preceding 0.8.0. It is important to note that the current contract utilizes compiler version 0.8.23 for compilation. Given this updated compiler version, SafeMath precautions are no longer necessary, as the compiler itself incorporates enhanced safety features.

Recommendation

The use of the SafeMath library can be avoided.

Status

Resolved

2. ReentrancyGuard is not needed

Path

NakaToken.sol

Description

The Reentrancy Guard is presently unused within the contract, and its necessity is not evident. Consequently, it is recommended to remove the Reentrancy Guard from the codebase to streamline and simplify the contract. This action aligns with best practices and enhances the overall clarity of the code without compromising security.

Recommendation

ReentrancyGuard can be removed.

Status

Resolved

3. An older release of Openzeppelin is being used

Path

NakaToken.sol

Description

The latest release of Openzeppelin v5.0.0 or later is recommended. It includes crucial changes such as Ownable2Step.

Recommendation

Update the Openzeppelin release.

Status

Resolved

4. Use SafeERC20 to transfer tokens

Path

NakaToken.sol

Function

recoverERC20

Description

The 'recoverERC20' function in the smart contract code transfers ERC20 tokens to the owner without checking the return value of the 'transfer' function. According to the ERC20 standard, the 'transfer' function should return a boolean value indicating success or failure. Ignoring this return value can lead to a false assumption that the transfer was successful when it may have failed, which is particularly dangerous in a function designed to recover tokens.

Recommendation

Either use require statement or use SafeERC20 to transfer tokens.

Status

Resolved

Automated Tests

No major issues were found. Some false positive errors were reported by the tools. All the other issues have been categorized above according to their level of severity.

Closing Summary

In this report, we have considered the security of the Naka Token Smart contract. We performed our audit according to the procedure described above.

Some issues of informational severity were found, Some suggestions and best practices are also provided in order to improve the code quality and security posture.

Disclaimer

QuillAudits Smart contract security audit provides services to help identify and mitigate potential security risks in Naka Token smart contract. However, it is important to understand that no security audit can guarantee complete protection against all possible security threats. QuillAudits audit reports are based on the information provided to us at the time of the audit, and we cannot guarantee the accuracy or completeness of this information. Additionally, the security landscape is constantly evolving, and new security threats may emerge after the audit has been completed.

Therefore, it is recommended that multiple audits and bug bounty programs be conducted to ensure the ongoing security of the Naka Token smart contract. One audit is not enough to guarantee complete protection against all possible security threats. It is important to implement proper risk management strategies and stay vigilant in monitoring your smart contracts for potential security risks.

QuillAudits cannot be held liable for any security breaches or losses that may occur subsequent to and despite using our audit services. It is the responsibility of the Naka Token Team to implement the recommendations provided in our audit reports and to take appropriate steps to mitigate potential security risks.

About QuillAudits

QuillAudits is a secure smart contracts audit platform designed by QuillHash Technologies. We are a team of dedicated blockchain security experts and smart contract auditors determined to ensure that Smart Contract-based Web3 projects can avail the latest and best security solutions to operate in a trustworthy and risk-free ecosystem.

850+
Audits Completed

$30B
Secured

$30B
Lines of Code Audited

Follow Our Journey

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QuillAudits

Canada, India, Singapore, UAE, UK

www.quillaudits.com

audits@quillhash.com