

SLINTEC Academy - 2019 2020

1.1 Qualified Opinion

The audit of the financial statements of the SLINTEC Academy (“Company”) for the year ended 31 March 2020 comprising the statement of financial position as at 31 March 2020 and the statement of profit or loss statement and other comprehensive income, 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 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Financial Reporting Standards for Small and Medium Entity (SLFRS for SMEs).

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 Financial Reporting Standards for Small and Medium Entity (SLFRS for SMEs) 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 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
<p>The Board of Directors of the SLINTEC (Private) Limited, had taken a decision to write off the share cost receivable amounting to Rs. 8,540,987 from SLINTEC Academy and accordingly SLINTEC Academy had recognized it as an income of the year under review. However, out of that a sum of Rs. 1,214,206 which relating to previous year. As a result, the profit of the year under review had increased by similar amount.</p>	<p>The write off of payable balance has been effected based on the approval of the Board of Directors once the non-recoverability is confirmed.</p>	<p>Only share cost write – off value related to the year under review should be recognized as the income of the year.</p>

1.5.2 Going Concern of the Organization

Audit Issue	Management Comment	Recommendation
<p>The Company's total assets and total liabilities were Rs. 9,496,137 and Rs. 18,441,107 respectively. Accordingly, the liabilities exceeded the assets by Rs.8,944,970. Hence, audit observed that, the Company has a risk for the going concern of the business entity.</p>		<p>Should be considered about the going concern of the company.</p>

2. Operational Review

2.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) The Academy had started One PhD and Three MPhil Degree Courses in the year 2017 and 2018 and the courses were scheduled to be completed by September 2020. However, the completion of the courses and the awarding of degrees had not been completed even as at 30 November 2021.	The number of students registered for MPhil and PhD programs were 17. Three students dropped out. The rest will graduate in Feb 2022. As these are research degrees it is not possible to give time lines for completion of programs.	Action need to be taken to increase number of student registered.
(b) In comparison with income and expenses of year 2017/2018, 2018/2019, and 2019/2020, the cumulative income and expenses of three years were Rs. 16,891,665 and Rs. 28,115,764 respectively. Hence, the Academy had been failed to generate sufficient income to meet the expenses and management had not taken necessary actions in this regard.	Since SLINTEC had financial difficulties to allocate funding for research and stipend, student recruitment was halted in 2018. After the graduation of students in Feb 2022, a way forward for SLINTEC Academy will be formulated.	At least sufficient income to meet expenses should be Generated.