

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Swami Vipulananda Institute of Aesthetic Studies (“Institute”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in net asset 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 and Finance Act, No. 38 of 1971. 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 Institute as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector 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 Public Sector 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 Institute 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 Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute financial reporting process.

As per Section 16(1) of the National Audit Act, No. 19 of 2018, the Institute 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 Institute.

1.4 Auditor's Responsibilities for the 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 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 Institute'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 Institute'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 Institute 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 Institute, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute 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 Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) According to paragraph 99 of the SLPSAS 01, all revenue and expense recognized in a period should be included in the surplus or deficit in the statement of financial performance. However, the interest income of Rs.1,136,826 earned from fixed deposit in the year 2023 was credited to the restricted fund without being recognized as revenue. As a result, the surplus for the year under review had been understated by the same amount in the financial statements	The interest earned is directly allocated to that restricted fund rather than being recognized as general revenue.	Should be comply with the Sri Lanka Public Sector Accounting Standards.
(b) According to Section 14 of SLPSAS 07, property, plant, and equipment that qualify for recognition as assets should be measured at their cost. However, even though three construction projects, totaling to Rs.20,079,896, were completed and handed over by the contractors in years 2022 and 2023, the building costs had been shown as capital work in progress instead of being capitalized. As a result, the depreciation value amounting to Rs.833,388 for two buildings had not been charged during the year 2023.	Since the above two construction works considered as work in progress in the years 2022 and 2023.	Should be comply with the Sri Lanka Public Sector Accounting Standards

1.5.2 Unreconciled Control Accounts or Records

Item	As per Financial Statements Rs.	As per corresponding Record Rs.	Difference Rs.	Management Comment	Recommendation
Library books and periodicals	7,182,394	10,356,657	3,174,263	It will be rectified.	Action should be taken to reconcile the differences.

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

Reference to Laws, Rules Regulations etc.	Non- Compliance	Management Comment	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i. Financial Regulations 571	Action had not been taken to settle or credit to the government revenue in respect of retention money of Rs.869,708 from a contractor, which has remained for over 04 years.	Action had been taken to reflected in the books of accounts in the year 2024.	Action should be taken to comply with the Financial Regulations.
ii. Treasury Circular No.842 of 19 December 1978	The Fixed Assets Register, had not been systematically updated till the end of the year under review.	Action is being taken to update the Fixed Assets Register.	Action should be taken to comply with the circular to update the Fixed Assets register systematically.
(b) Establishments code of the University Grant commission and the Higher Educational Institutions			
Sub-section 3.1 of Chapter XX of Establishments Code of the University Grant Commission and the Higher Educational Institutions and Circular Letters of the University Grants Commission No.10/2017 dated 10 July 2017.	Salaries and allowances amounting to Rs.7,637,405 had been paid during the year under review without confirming the arrival and departure of the newly appointed thirty-two temporary assistant lecturers and temporary instructors.	Clear instructions have been given to the Temporary Assistant Lecturers/ Temporary Instructors to use the finger scanner to confirm, their arrivals and departures	Action should be taken to comply with the Establishments Code and the Circular.
(c) University Grant Commission circular			
Finance Circular Letter No. 05/2015 dated 9 September 2015	Advances totaling to Rs.3,097,960 paid in 59 instances had been settled after delays ranging from 31	The Staff members are instructed to settle the advances once the intended	Action should be taken to comply with the UGC Circular

days to 210 days.

purpose is over or within fourteen days.

Advances totaling Rs.3,182,590 had been granted in 13 instances exceeding the maximum limit of Rs.100,000 without obtaining prior approval from the General Treasury.

Further, relevant provisions in FR and Finance Circular Letter will comply in future transactions

- (d) Section 11(a) Finance Circular Letter No. 10/2022 dated 09 December 2022
- The capital expenses of Rs.28,680,184 was incurred during the year under review without obtaining approval of the Hon. Minister of finance and the concurrence of the Line Minister.
- The concurrence of the line minister was obtained for Rs.25 million as per our Annual Procurement Plan.
- Action should be taken to comply with the Circular.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.41,903,265 and the corresponding deficit in the preceding year amounted to Rs.7,762,169. Therefore, an improvement amounting to Rs.49,665,434 of the financial result was observed. The reasons for the improvement are increase in Capital grant and donations mainly attributed to the above-mentioned improvement.

3. Operational Review

3.1 Sustainable Development Goals

Audit Issue	Management Comment	Recommendation
Although the Institute was aware of the United Nations' Agenda for Sustainable Development 2030, actions had not been taken to identify the milestones to achieve the Sustainable Development Goals and objectives that could be applied to the organization and the indicators for measuring achievements on those goals.	Action will be taken to identify the sustainable development goals in the Action Plan and Strategic Plan of the Institute.	Action should be taken to identify the milestones to achieve Sustainable Development Goals.