

**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 2024 comprising the statement of financial position as at 31 December 2024 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 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 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 2024, 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**

| <b>Non-Compliance with the reference to particular Standard</b>  | <b>Management Comment</b>  | <b>Recommendation</b>                                   |
|--|--|---|
| (a) The closing balance as at 31 December 2023 amounting to Rs.4,120,190 in the bursary account had been erroneously credited to the Consolidated Fund without being brought forward as the opening balance in the bursary account of the year under review.               | We acknowledge the importance of enhanced disclosure and reconciliation for transparency and will include explanatory notes in future financial statements to clarify such treatments in line with SLPSAS requirements.  | Adhere the Sri Lanka Public Sector Accounting Standards |
| (b) The interest income of Rs.1,304,229 earned from fixed deposit during the year under review had been credited to the restricted fund instead of being recognized as revenue. As a result, the surplus for the year under review had been understated by similar amount. | The Institute acknowledges the audit observation. This practice appears to deviate from paragraph 99 of the Sri Lanka Public Sector Accounting Standard (SLPSAS) 01, which requires all revenues and expenses to be included in the surplus or deficit in the statement of financial performance.        | -Do-  |
| (c) The fixed assets purchase on credit and shown as payable as at 31st December in the financial statements was Rs.23.6 million, had been shown under investing activities of cash flow statement.  | We acknowledge that for cash flow reporting purposes, only actual cash transactions should be reported, and credit-based acquisitions should be disclosed in the notes. We will ensure that future financial statements clearly distinguish non-cash investing transactions in accordance with SLPSAS-2, | -Do-  |

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|-----|--|---|------|
| (d) | As per paragraph 80 of Sri Lanka Public Sector Accounting Standard 7, an asset must be derecognized when no future economic benefits or service potential is expected from its continued use or disposal. However, the Institute had not taken actions for any structured process or accounting treatment for expired, damaged, or unusable assets valued at Rs.2,243,350. | The Institute is committed to implement appropriate accounting treatments for such assets in line with SLPSAS requirements once the Fixed Assets Register has been fully validated. | -Do- |
|-----|--|---|------|

## 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) National Audit Act No 19 of 2018 and University Grant Commission Circular</b>  |  |  |  |
| Section 40(1) of the National Audit Act No 19 of 2018 and. University Grant Commission Circular No. UGC/CIA/F/IA dated 04 October 2021 and No.10/2017 dated 10 July 2017. | The Institute had not been taken actions to appoint an Internal Auditor  | We have made several requests to the UGC on the appointment of an Internal Auditor to the Institute.                                   | Action should be taken according to the provision in the National Audit Act and UGC Circulars. |
| <b>(b) University Grant Commission Circular</b>   |  |  |  |
| Section 1.1 of Annexure 01 of University Grant Commission Circular No. 04/2019 dated 12 February 2019.  | The Institute had appointed 12 excess temporary staff, against the ratio of teaching staff to temporary staff 2:1. | Even though, the ratio of teaching staff to temporary staff is 2:1, the Institute had appointed 12 temporary staff based on the needs. | Action should be taken according to the UGC Circular   |

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 1,343,004 and the corresponding surplus in the preceding year amounted to Rs. 41,903,265. Therefore, a decrease amounting to Rs. 43,246,269 of the financial result was observed. The reasons for the decrease are increase of operating expenses by amounting to Rs.58,411,771 mainly attributed to the above-mentioned deficit in statement of financial performance for the year 2024.

**3. Operational Review**  
**3.1 Management Inefficiency**

| <b>Audit Issue</b>  | <b>Management Comment</b>  | <b>Recommendation</b>                                   |
|---|--|---|
| A sum of Rs.2,128,637 receivable from a lecturer who breached the bond agreements had not been recovered for over 11 years. Further, the loan outstanding from 03 officers amounting Rs.344,156 had remained over 13 years without being recovered. | University Grand Commission has already recommended to write – off the bond receivable of Rs. 2,128,637. | Action should be taken to recover the bond receivables. |