

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Institute of Nano Technology Academy (“Company”) for the year ended 31 March 2022 comprising the statement of financial position as at 31 March 2022 and the statement of profit or loss and other comprehensive income, statement of changes in fund 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 2022, and of its financial performance and its cash flows for the year then ended in accordance Sri Lanka Financial Reporting Standards for Small and Medium Sized Entities (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 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 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 Non-Compliance with Sri Lanka Accounting Standards

Audit Issue	Management Comment	Recommendation
<p>As per the Section 17.19 of the Property, Plant and Equipment on SLFRS for SMEs, if the expected value of effective lifetime of the assets differs from the previous estimate, the difference shall be calculated in accordance with paragraphs 10.15 - 10.18. However, the Company had not re-estimated the effective life time of the fully depreciated fixed assets which currently utilized, the cost of the assets was Rs 1,333,500.</p>	<p>The cost to be incurred for the re-estimating of the useful life time of the assets just for the reporting purpose, is a waste of funds. Further, if the re-estimation of the useful life time of the assets are done, it should be done within the useful life time of the asset and not after it. All the assets are fully depreciated and re-estimation of the useful lifetime and recognizing them as additions of assets would lead for improper financial statement presentation.</p>	<p>Should comply with SLFRS for SMEs.</p>

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
A Lecture Fee of Rs. 650,000, payable relevant to the previous year was reversed and figure being adjusted to the administrative expenses of the year under review without adjusting the accumulated profits of the previous year. As a result of that, the loss of the current year had been decreased by Rs. 650,000.	As per the accounting standards (SLFRS for SME) this cannot be adjusted for accumulated profit of the previous year.	Previous year reversed expenses should not be adjusted to the expenses year under review.

1.5.3 Going Concern of the Organization

Audit Issue	Management Comment	Recommendation
The Company's total Assets and total Liabilities at the end of the year under review were Rs. 4,639,251 and Rs.13,281,632 respectively. As a result of that, the total liabilities exceeded the total assets by Rs. 8,642,381. Hence, the audit observed that, the Company has a risk of going concern of the business activities.	Agreed	Should be highly considered about going concern of the company.

1.6 Accounts Receivable

Audit Issue	Management Comment	Recommendation
The total course fee receivable from two students was Rs. 850,000 and the Company had failed to recover them even at the end of the year under review.	Management has made continuous follow up to recover the outstanding course fee receivable from these two students. However they have not responded for the emails. This issue has been already informed to the Board of Directors.	Receivable course fee should be collected.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Law, Rule and Regulation	Non-compliance	Management Comment	Recommendation
Paragraph 6.6 of the Operational Manual for the State Owned Enterprises dated 16 November 2021.	Accounts should be handed over to the Auditor General within sixty (60) days after the close of the financial year, but the accounts of the year ended 31 March 2022 were submitted on 13 December 2022, after 06 months and 12 days later.	This was delayed due to more time taken for the Board approval.	Annual Financial Statements must be handed over to the Auditor General according to the time frame mentioned in Operational Manual for the State Owned Enterprises.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs.316,483 and the corresponding profit in the preceding year amounted to Rs. 627,819. Therefore, a deterioration amounting to Rs. 944,302 of the financial result was observed. The reason for the deterioration is decreasing course fee income.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
a. SLINTEC Academy had obtained a loan from Endowment Trust Fund in 2020 of Rs. 10,500,000 and audit was observed that the company has failed to generate sufficient income to repay the loan even at the end of the year under review.	Agreed. SLINTEC Endowment Trust Fund is an affiliate company of SLINTEC Academy. Board will decide action need to be taken for this loan.	Should be planned to generate sufficient income.
b. All PhD and Mphil degree programs at SLINTEC Academy were completed and the convocation was held on February 2022. But, the Company had not been recruited new students for PhD and Mphil degree programs and courses did not continue to generate the revenue needed to run the SLINTEC Academy.	The Board has decided to temporary halt operation with the completion of convocation.	As per the gazette No. 2032/23, dated 16 August 2017, Sri Lanka Institute of Nanotechnology (Private) Limited has the ability and authority to Awarding of Degree.