

SLINTEC Academy - 2017/2018

The audit of financial statements of the SLINTEC Academy (“the Company”) for the six month ended 31 March 2018 comprising the statement of financial position as at 31 March 2018 and the statement of profit or loss and other comprehensive income, statement of changes in fund and cash flow statement for the six month then ended and a summary of significant accounting policies and other explanatory 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. My comments and observations on the performance of the company which I consider should be furnished to the parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

1.1 Board’s Responsibility for the Financial Statements

The Board of Directors (“Board”) is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.2 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Basis for Qualified Opinion

- (a) As per the provisions of the SLFRS for SMEs, cash basis accounting is not allowed. However, contrary to that the company had been recognized only Rs.1,900,000 as revenue on cash basis instead of being recognized Rs.3,200,000 as revenue. As a result, revenue and receivable had been understated by Rs.1,300,000.

- (b) A sum of Rs. 3,200,000 should be recognized as deferred revenue of the year under review. However, only a sum of Rs.1,000,000 had been recognized, hence, deferred revenue had been understated by Rs.2,200,000.
- (c) The company had been purchased Rs.639,687 worth of books in preceding year had not been recorded as fixed assets and depreciate in the previous year and the year under review.

2.2 Opinion

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards

2.3 Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, I state the following:

- (a) The basis of opinion and scope and limitations of the audit are as stated above.
- (b) In my opinion:
 - I have obtained all the information and explanations that were required for the audit and, as far as appears from my examinations, proper accounting records have been kept by the Company.
 - The financial statements of the Company, comply with the requirement of Sections 151 of the Companies Act No.07 of 2007.

However, it should be noted that the company's net assets are less than half of the stated capital and face a serious loss of capital situation in terms of section 220 of the Companies Act No. 07 of 2007. Note 29 of the financial statements explain the action the company has taken to mitigate this situation.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the operations of the Company for the six month ended 31 March 2018 had resulted in a loss of Rs. 29,123.

4. Operating Review

4.1 Management Activities

The following observations are made.

- i) Out of fifteen students enrolled for the inaugural academic year, discounts ranging from Rs.100,000 and Rs.500,000 had been offered for 13 students and loans ranging from Rs.150,000 and Rs.300,000 had also been given for six students, Further, scholarships each worth of Rs. 400,000 had been given for four students those who have received discount. However, the above facilities had been given without a proper approval or approved scheme.

- (ii) As per the Gazette No. 2032/23, dated 16th August 2017, the Sri Lanka Institute of Nano Technology (Pvt) Ltd has recognized as a Degree Awarding Institution for the purpose of developing higher education. Further, the Chief Executive Officer has informed by his letter dated 20 September 2018, that SLINTEC Academy currently provides Mphil program and PhD degree. However, documentary evidence were not made available for audit to ensure the acceptability of the purposes mentioned.
- (iii) SINTEC Academy had been reimbursed a sum of Rs. 5,708,045 to Sri Lanka Institute of Nano Technology (Pvt) Limited as staff cost for the work carried out by them from the year 2016 to the end of the year under review. However, SINTEC Academy had been failed to submit the details of work carried out by them for the audit. Hence, audit was unable to satisfy the accuracy of the payment.
- (iv) It is observed that no approved methodology had been established for the admission of students for SLINTEC Academy. Hence, out of the 14 students registered only five students had been paid the due application fee of Rs.2500 and only five students Including 4 Students who are working at SLNTEC (PVT) Ltd had been paid registration fee of Rs.100,000 and 1st installment of course fee had not paid by them.
- (v) SLINTEC Academy has been commenced with the aim to be a research capacity building arm of SLINTEC through the offer of post graduate degree programmes in Nano and or Advanced Technologies. The Academy utilize the physical resources of Sri Lanka Institute of Nano Technology (Pvt) Ltd such as laboratories, lecture halls, and human resources such as consultants, lecturers and administration staff. Therefore, audit observed that the requirement of having SLINTEC Academy as a separate entity no longer viable since the role carried out by the Academy could be accommodate under the Sri Lanka Nano Technology (Pvt) Ltd.