

1.1 Opinion

The audit of the financial statements of the University College of Jaffna (“College”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in net assets 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, the accompanying financial statements give a true and fair view of the financial position of the College as at 31 December 2019, 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 Opinion

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 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 College’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 College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College’s financial reporting process.

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

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 College'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 College'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 College 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 College, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the College has complied with applicable written law, or other general or special directions issued by the governing body of the College;
- Whether the College has performed according to its powers, functions and duties; and
- Whether the resources of the College had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendations
(a) Section 40(1) of the National Audit Act No. 19 of 2018	The governing body of the College had not appointed an Internal Auditor and not established an internal audit unit since 2014.	Management comments had not been submitted.	Should be complied with the Audit Act.
(b) Section 5 of the Inland Revenue Act No. 24 of 2017	In the case of an employee employed under more than one employer, where such regular profits from employment is paid by any employer other than the primary employee, the PAYE tax should be deducted by the second employer at the rate of 10 per cent where the aggregate of such payments or benefits per month does not exceed Rs. 50,000 and, 20 per cent if such payments exceed Rs. 50,000 per month. However, PAYE tax had not been deducted by the College from the salaries of Visiting Lecturers.	PAYE deduction for the visiting lecturers, percentage of fee should be credited to the consolidated fund by the visiting lecturers.	Should be complied with the Act
(c) Stamp Duty Act (Special Provision) No. 12 of 2006	Stamp duty, which should have been deducted from the payments exceeded Rs. 25,000, had not been deducted and remitted to the Department of Inland Revenue as stipulated in the Act.	Management comments had not been furnished.	Should be complied with the Act

(d) Section 2 of the Chapter IX Establishment Code of the Democratic Socialist Republic of Sri Lanka	If a Public Officer is permitted to undertake any work for a private party or Local Body or Public Corporation, the Secretary concerned should determine what percentage of the fee should be credited to the Consolidated Fund. However, the College had not informed or sent copies of the appointment letters of Visiting Lecturers to the relevant institutions in which those officers had been employed. Accordingly, the secretary was unable to determine the amount to be credited to the Consolidate fund.	Management comments had not been furnished.	Should be complied with the requirement in the Establishment Code
(e) Financial Regulations (FR) of the Democratic Socialist Republic of Sri Lanka			
(i) FR 110	A register of losses and damages had not been maintained as required by the Financial Regulations.	Maintaining a register for the loss and damage from March 2020.	Should be complied with Financial Regulations.
(ii) FR 267	Salaries amounting to Rs. 112,897 had been paid to employees two instances without obtaining receipts from them.	Management comments had not been furnished yet.	Should comply with Financial Regulations.
(iii) FR 756	Board of Survey had not been appointed for the verification of stores.	Committee was appointed on 26 February 2020.	Should comply with Financial Regulations.
(iv) FR 757(2)(a)	Proper actions had not been taken on the previous year's Board of Survey report.	Management comments had not been furnished.	Should be complied with Financial Regulations.
(f) Circulars			
(i) Treasury Circular No: IAI/2002/02 of 28 November 2002	A fixed assets register relating to computers and software had not been maintained permanently.	Maintaining fixed asset register	A fixed assets register needs to be maintained for computers and software.

(ii) Public Enterprises
Circular No. PED/12 of 02
June 2003

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| <ul style="list-style-type: none"> • Chapter 4.2.2 | <p>Even though it was imperative that monitoring should have been done at frequent intervals so as to hold senior managers responsible for their assigned functions and also ensure that transparency was achieved, the management was unable to table the following statements at monthly Board meetings for that purpose.</p> <ul style="list-style-type: none"> (i) Monthly performance statement in financial and physical terms (ii) Operating statement for the month (iii) Cash flow statement for the month (iv) Liquidity position and borrowings (v) Procurements of material values, especially non-current assets purchased during the month (vi) Statement on Human Resources including cadre position, new recruitment etc. | <p>Maintaining performance report and etc.</p> | <p>Performance reports need to be submitted to the Board.</p> |
| <ul style="list-style-type: none"> • Chapter 4.2.5 | <p>The Board had not introduced a system for effective management of its working capital. Further, it was observed that a statement of age analysis of stocks had not been prepared and reviewed by the Board of Directors at its monthly meetings.</p> | <p>Statement on Human Resources including cadre position, new recruitment etc.</p> | <p>Should be complied with circular instructions</p> |
| <ul style="list-style-type: none"> • Chapter 4.2.6 | <p>The Performance Report of the year under review should be analytically reviewed by the Board of management and presented to the Department of Public Enterprises and the General Treasury before the elapse of 30 days after the end of the quarter. However, the College had not taken actions accordingly.</p> | <p>Statement on Human Resources including cadre position, new recruitment etc.</p> | <p>Should be complied with the circular instructions</p> |

- Chapter 9.2 The College had recruited 3 Applications have Should be employees for the posts of Assistant Register, Assistant Bursar and Assistant Librarian without obtaining the required approval for the cadre from the Department of Management Services. However, a sum of Rs. 1,715,228 had been paid as salaries and allowances to them during the year under review. Applications have been already submitted to the Department of Management Services to convert the cadre of Registrar, Bursar and Librarian. Should be complied with the circular instructions

2. Financial Review

2.1 Financial Results

The operations of the College had resulted in a surplus of Rs. 228,417 in the year under review and, the corresponding deficit in the preceding year amounted to Rs. 4,090,327. Therefore, an improvement amounting to Rs. 4,318,744 of the financial results was observed and, that increase had mainly attributed the increase of Government grants by Rs. 6,474,600 for the year under review.

3. Operational Review

3.1 Other Audit Observations

Audit Issue	Management Comment	Recommendation
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Combined allowances should be paid in pursuance of combined allowances indicated in Management Services Circular No. 34(ii). However, in contrary to that Circular instructions, travelling expenses including combined allowances amounting to Rs. 532,051 had been paid to the staffs of the College in the year under review.	Due consideration is being paid presently in travelling expenses including combined allowances.	Allowances should be complied with the Management Services Circular.

3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
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Out of 946 students studied in the College during last 04 years period, 122 students or 12.8 per cent had dropped out from the Collage without being completed the courses.	Drop out has been a common issue for the vocational training institutes and University Colleges country wide. We have already been taken steps to reduce it.	Action should be taken to minimize the dropout rate.

3.3 Management of Vehicle fleet

Audit Issue	Management Comment	Recommendation
(a) An assigned vehicle of the college had been met with an accident on 03 November 2018. Final report regarding this accident had not been submitted to audit in terms of Financial Regulations 104.	Since the level of damage was high, the ministry had taken the responsibility for the repair. Everything was done by the ministry. But we didn't get the details of the repair work and final report from the ministry. We have been closely following up the progress with the ministry.	Complying with Financial Regulation 104, the losses should be reported to the Auditor General.
(b) The following observations are made with regard to the maintenance of the vehicle running charts	Due consideration is being paid presently in making fuel orders and running charts. Though the purpose of trips and some fuel details were recorded and other details were not recorded by the driver.	Action should be taken to adhere with the prescribed proceeding.
- Fuel order numbers, dates and fuel bill numbers had not been indicated in the running charts of vehicles relating to running of 45,253 Kms.		
- Purposes of the use of vehicles relating to the running of 436 Kms. had not been indicated in the running charts.		
- Signatures of the officers who had used the vehicle for travelling of 96 Kms. had not been put in the running charts.		
- A vehicle movement register had not been maintained.		
- Vehicle performance monthly summaries had not been prepared and rendered to the Auditor General.		
(c) Even though the College had been used 02 motor vehicles belonging to the since the year 2015, appropriate actions had not been taken by the College to get the ownership of those Motor vehicles through the ministry.	Steps taken to transfer the ownership for WPPF – 6011 as other vehicle.	Proper actions should be taken to get the possess of motor vehicles to the College.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue	Management Comment	Recommendation
An Annual Action Plan by including set out targets expecting to be achieved quarterly basis and the officers responsible for those targets had not been prepared by the College in terms of Public Finance Circular No. 01/2014 dated 17 February 2014.	Will be considered as higher priority area for the improvement and implemented.	An action plan Should be prepared stating to the targets and activities of the College.

4.2 Audit Committee

Audit Issue	Management Comment	Recommendation
An Audit and Management Committee had not been established in terms of Section 7.4.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.	Will be considered establishment of internal audit unit.	An Audit and Management Committee needs be established according to the circular instructions.

4.3 Tabling of Annual Report

Audit Issue	Management Comment	Recommendation
Annual Reports of the College for the years of 2016 to 2018 had not been tabled in Parliament.	Will be considered table the annual report in the parliament	Action should be taken to table the Annual Reports in Parliament.

4.4 Budgetary Control

Audit Issue	Management Comment	Recommendation
Significant variances ranging 12 percent to 72 percent were observed between the budget and the actual income and expenditure relating to 4 objects for the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.	We consider this and make sure we prepare the more accurate and realistic budget in future.	Budget estimates should be prepared considering the needs of the College on reliable information.
A sum of Rs. 541,786 had been spent during the year under review for the procurement of computers and construction of a vehicle park without having the provisions in the annual budget.		

4.5 Sustainable Development Goal

Audit Issue	Management Comment	Recommendation
<p>Every Public institution should act in compliance with the 2030 Agenda for United Nations Sustainable Development Goals and having adopted the Sustainable Development Act No. 19 of 2017 on 03 October 2017, all the Public institutions had been made aware on the above matter by circulars. Accordingly, all the Public institutions should be aware as to how it should take action in connection with the functions coming under the purview of the respective institution. Nevertheless, since the College was unaware of the above matter, the goals and targets relating to its functions and the indicators required for measuring the achievement of those targets had not been recognized</p>	<p>Action was taken to create awareness among the staff on United Nations Sustainable Development Goals using the circular of Sustainable Development Act No. 19 of 2017 on 03 October 2017.</p>	<p>Sustainable development goals need to be achieved.</p>