

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University College of Jaffna (“College”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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, 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 College as at 31 December 2020, 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 Standard, 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 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
The useful lifetime of fixed assets had not been reviewed annually in terms of Sri Lanka Public Sector Accounting Standard 07. Property Plant and Equipment costing Rs. 31,034,308 had been fully depreciated but still being used by the end of the year under review. No action had been taken to rectify the estimation error in accordance with the Sri Lanka Public Sector Accounting Standard 03.	In view of your opinion, we accept that and seek the policy of our head institution in this regard and take appropriate action accordingly.	Should comply with the relevant accounting standards.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(i) Provisions for gratuity amounting to Rs. 1,679,755 had been made for temporary staff for the year under review and previous four years. As a result, provision for gratuity as at the end of the year under review had overstated by Rs. 1,679,755 and the provision for gratuity for the year under review had overstated by Rs. 262,353.	Action will be taken to calculate for the permanent staff only in the future.	Should comply with the relevant laws.

1.6 Accounts Receivable and Payable

1.6.1 Payables

The following observations are made.

	Audit Issue	Management Comment	Recommendation
(i)	Refundable library deposits amounting to Rs. 68,000 received from the students had been remained unsettled for the period ranging from 1 year to 2 years and shown under non-current liabilities without being taken proper actions to be settled them.	We accept your observation and take immediate necessary actions.	Appropriate actions should be taken.
(ii)	Cheques amounting to Rs. 246,175 had been remained unrealized for the period ranging from 1 year to 5 years and shown under non-current liabilities without being taken proper actions to be realized them.	Steps will be taken to rectify this mistake to the revenue receipt account and necessary steps will be taken to prevent such mistakes in the future.	Appropriate actions should be taken.

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

The following observations are made.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	National Audit Act No. 19 of 2018 - Section 40(1)	The governing body of the College had not appointed an Internal Auditor to perform internal audit activities since the inception of the College in 2014.	We requested the internal auditor cadre from the Department of Management service through my Ministry. But till now we haven't got the approval. So we have taken the action to appoint an internal auditor from our staff till we get the approved cadre for the internal auditor.	Should comply with the requirements of the relevant Act.
(b)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i)	Financial Regulations	07 cheques valued at Rs. 125,296 had not	More attention will be paid to this in the coming	Should comply with Financial

396	been submitted to the bank for more than six months. However, proper actions had not been taken by the management as per the Financial Regulations.	period and steps will be taken to make changes in due course.	Regulations.
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(ii)Financial Regulation 507	Board of Survey had not been conducted in the year 2019 and 2020.	Board of survey has taken. However, due to the COVID 19 situation, it could not be completed. Rapid action has been taken in this regard and work is in progress.	Should comply with Financial Regulations.
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(c) Circulars

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

- Chapter 4.2.6	The Performance Report of the College for the year under review had not been 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.	Action will be taken to analytically review by BOM and presented to the Department of Public Enterprises and the General Treasury before the elapse of 30 days after the end of the quarter.	Should comply with the Circular requirements.
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- Chapter 9.2	The College had recruited 3 employees for the posts of Assistant Register, Assistant Bursar and Assistant Librarian without being obtained the required approval for the cadre from the Department of Management Services.	Applications have already been submitted to the Department of Management Services to convert the cadre of Registrar, Bursar and Librarian into Assistant Registrar, Assist Bursar and Assistant Librarian respectively. We are	Should comply with the requirements of the Circular.
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However, a sum of Rs. 2,113,732 had been paid as salaries and allowances to them during the year under. waiting for their reply.

(ii) Operations Manual for the University Colleges

- Section 2.4.1(h)	Head of the business unit had not prepared a monthly progress report to be submitted to the Board.	We have accepted your recommendation and had already taken action to prepare a monthly report to submit to the board.	Should comply with Operations Manual of the University Colleges.
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1.8 Cash Management

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
In nine instances written cheques amounting to Rs. 142,402 had been retained in hand for the period ranging from 3 to 9 months without being taken proper actions to handover to the particular payees.	The cheques were written and notified to be issued to them but were not received in a timely manner by the concerned. Such a situation will not occur in the future and action will be taken to provide in a timely manner.	An action should be taken.

2. Financial Review

2.1 Financial Result

The operations of the College during the year under review had resulted in a surplus of Rs. 3,577,994 and the corresponding surplus in the preceding year was amounted to Rs. 228,417. Therefore, improvement amounting to Rs. 3,349,577 of the financial result was observed. The main reason for that improvement was decreasing expenses for the year under review.

3. Operational Review

3.1 Operational Inefficiencies

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
Out of the total of 921 students studied in the College during the last 04 years period, 69 students ranging from 7 to 11	Drop out has been a common issue for the vocational training institutes and University colleges country wide. We	An action should be taken manage the drop out.

percent had dropped out without being completed the relevant courses. have already been taken steps to reduce it.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
A physically verified stock of T-shirts valued at Rs. 43,956 had been remained idle in the stores of the College without being taken proper actions to distribute them among the students for over 5 years period, and the value of that stock had been shown under the current assets in the financial statements.	Not Replied	An action should be taken to distribute them.

3.3 Management of Vehicle fleet

The following observations are made.

Audit Issue	Management Comment	Recommendation
(a) Two leased out vehicles of the College had been travelled an approximately 7,037 kilometers during the period from January to June 2020 without being obtained the approval from the officer in charge for the fuel consumption, and without the signatures of drivers for travelling.	Necessary steps have been taken to prevent such mistakes in the future.	Proper actions should be taken for the control of vehicles.
(b) The College had purchased a tractor and a land master in 2014 as teaching equipment, and however, appropriate actions had not been taken to get them to be registered at the Registrar of Motor Vehicles.	We accept your observation and take the necessary action to record them as soon as possible.	Appropriate actions should be taken to register them.

4. Accountability and Good Governance

4.1 Tabling of Annual Report in Parliament

Audit Issue	Management Comment	Recommendation
According to the Public Enterprises Circular No. PED/12 dated 02 June 2003, annual reports of the College for the years from 2016 to 2019 had not been tabled in the Parliament.	Annual reports for the year 2015, 2016, 2017 and 2018 were prepared and submitted at our Board of Management and the translation of those reports into Sinhala is on progress.	Proper actions should be taken to table the annual reports in the Parliament.

4.2 Audit Committee

Audit Issue	Management Comment	Recommendation
An Audit Committee had not been established by the College.	We have accepted your recommendation and asked to nominate a member to our Ministry and UNIVOTEC. We have been granted a member by our head institution. We will take immediate action to establish an Audit Committee.	Actions should be taken to establish an audit committee.

4.3 Budgetary Control

Audit Issue	Management Comment	Recommendation
Significant variations ranging from 14 to 100 percentages were observed between the budgeted and actual expenditure and, thus indicating that the budget had not been made use of as an effective instrument of management control.	We are not wasting Government funds on the amount allowed to us by the Department of Treasury. The savings have been made by us at no expenses beyond the budget.	Budget estimates should be prepared and implemented properly.

4.4 Sustainable Development Goals

Audit Issue	Management Comment	Recommendation
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. However, the College had not recognized the goals and targets relating to its functions and the indicators required for measuring the achievement of those targets.	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 03rd October 2017.	Sustainable Development Goals need to be achieved.