

University of Jaffna - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University of Jaffna (“University”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 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 University as at 31 December 2023, 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 University’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 University or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Whether the University has complied with applicable written law, or other general or special directions issued by the governing body of the University;
- Whether the University has performed according to its powers, functions and duties; and
- Whether the resources of the University 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
(a) Donations amounting to Rs.23,415,770 received during the year under review had been credited to restricted fund account instead of recognized as revenue in accordance with Sri Lanka Public Sector Accounting Standard 11. As such, the restricted fund and the surplus for the year under review had been overstated and understated respectively by that amount.	This particular donation activities represent an ongoing project within our organization. It is imperative to clarify the financial treatment of the income generated from these activities.	Action Should be taken to recognize revenue according to the Sri Lanka Public Sector Accounting Standard.
(b) A sum of Rs.16,374,485 had been shown as a rehabilitation project under property, plant, and equipment without categorizing according to similar nature or function as per the paragraph 50 of Sri Lanka Public Sector Accounting Standard 7.	The rehabilitation projects we have undertaken represent significant investments in assets that directly contribute to enhancing our property, plant, and equipment.	Action Should be taken to comply with Sri Lanka Public Sector Accounting Standard.
(c) Computer Science building which was completed and handed over in the year 2022 at a cost of Rs.220,700,622 out of the funds of Accelerating Higher Education Expansion and Development (AHEAD) project had been accounted as income from non-exchange transactions during the year under review without adjusting retrospectively in terms of Sri Lanka Public Sector Accounting Standard 03. Due to non-capitalization of the value of the building the depreciation was understated by Rs.6,437,101 for the year under review.	Under the Financial Management Guidelines of the University of Jaffna, any donations or gifts, whether in goods or funds from domestic or international sources, must be reported to the Council through the Finance Committee's recommendation. Once the Council approves, the Finance Branch should be notified to ensure proper recording in the accounts and financial statements.	Action Should be taken to comply with Sri Lanka Public Sector Accounting Standard.

1.5.2 Accounting Deficiencies.

Audit Issue	Management Comment	Recommendation
(a) Assets purchased for Rs.13,142,949 during the year under review had not been brought to the accounts.	Payables for capital procurements are recorded in the accounts only when the payment is made.	All assets purchased during the year should be taken to the accounts.
(b) A sum of Rs.250,609,496 had been donated by Accelerating Higher Education Expansion and Development (AHEAD) had not been brought to the accounts from 2021.	Upon approval by the Council, this project has been duly recorded in the work-in-progress account for the financial year 2024.	All donations received during the year should be taken to the accounts.
(c) The Land and Building located in the Puliyankulam which was donated by the Ministry of Policy Planning, Economic Affairs, Child, Youth and Cultural affairs to the Integrated Farm & Training center activities in the year 2015 had not been valued and accounted by the date of this report.	The official handover process is still pending, by the relevant department. Once these formalities are completed and duly reported, the assets will be rightfully recognized as belonging to the University.	The Land and Building should be valued and taken to the accounts.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
A sum of Rs.7,056,150 shown as other receivables in the financial statements had been remained outstanding for a period ranging from 04 to 07 years.	The University is in communication with the Ministry of Higher Education about the outstanding amount. Upon receiving the funds from the Ministry, it will promptly settle the receivable.	Remedial actions should be taken to recover dues in time.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Financial Regulation 371(2) of the Democratic Socialist Republic of Sri Lanka and Public Finance circular No. 03/2015 and dated 14 July 2015.	(i) Imprest totaling to Rs.5,269,725 provided in 68 instances had been settled after a period of delay ranging from 14 days to 104 days.	Robust controls and stringent measures, including internal circulars ensure timely advance settlements.	Action Should be taken to comply with Financial Regulations.
	(i) Advances totaling to Rs.3,358,700 in 12 instances had been provided exceeding the maximum limit without obtaining the approval of the Treasury through the Chief Accounting Officer.	All the advances had been made with the maximum limit of Rs.100,000.00 Cheque and there were no breach of the circulars under any circumstances.	Action Should be taken to comply with Financial Regulations
(b) Section 3 of chapter XX of Establishment Code of the University Grants Commission and Higher Educational Institutions.	(i) Salaries and Allowances amounting to Rs.2,878 million had been paid in the year under review without confirming the arrivals and the departure of the academic staff.	Academic staff in the Sri Lankan University systems do not generally sign in the Attendance Register and this matter was satisfactorily explained at COPE meeting held on 11 November 2017.	Action Should be taken to comply with Establishment code.
	(ii) A sum of Rs.28,628,818 had been paid as overtime and holiday payment for non-academic staff during the year under review without verification of finger print attendance.	A new system will be introduced to confirm the arrival and departure of staff using a finger scanner. This system will replace the current manual attendance registers.	Action Should be taken to comply with Establishment code.
(c) Circular No.15/2015 on 17 November 2015 of University Grants Commission Establishment	Even though the results should be released within 3 months after conducting the examination, it had been taken a period ranging from 04 months to 27 months in 11 Faculties in the University, from the year 2019 to 2023.	Rigorous measures have been implemented to ensure the timely release of examination results.	Action Should be taken to comply with the circular.

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| (d) | Paragraph 05 of circular no. BD/HRD/126/214/19/2023 dated 18 January 2023 of Ministry of Education. | Bond recovery amount of Rs.61,776,055 had not been sent to the Treasury. | Not Commented. | Action Should be taken to send bond recovery amount to the Treasury. |
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2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.115,076,218 and the corresponding deficit in the preceding year amounted to Rs.619,414,916. Therefore, an improvement amounting to Rs.734,491,134 of the financial result was observed. The reasons for the improvement are the increase in the recurrent grant and the capital revenue from non-exchange transactions.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
Eighty (80) academic staff and twenty one (21) non-academic staff of the university who had gone overseas on scholarship programmes had not reported for duty after completion of the programme. However, the university had not taken proper actions to recover the bonds valued at Rs.166,298,684 during the period from 1980 to 2023 from the officers who had breached the agreements.	Decision has been taken to recover the balance obligation through bond property which was mortgaged by bond defaulters and send the letter of demand for all defaulters and take legal action through legal department.	Immediate action should be taken to recover the bonds value from the responsible officers.