

University College of Jaffna – 2018

1.1 Unqualified Opinion

The audit of the financial statements of the University College of Jaffna (“College”) for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 2018, 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 Unqualified 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 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 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 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendations
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulations 104	An assigned vehicle of the College had met with an accident on 03 November 2018 and the final report regarding the accident had not been furnished to audit.	Since the level of damage is high, the Ministry has taken the responsibility for the repair. Due to some procedural delays in obtaining the approval from the Secretary to the Ministry it took time. Now the Ministry has started to get quotation from the recommended garages for the repair and the actual loss has not been identified yet.	Need to be complied with Financial Regulations.
(ii) Financial Regulations 110	Register of losses and damages had not been maintained.	Once the report is received from the committee appointed by the Board of Management on the Report of Board of Survey 2017, action would be taken in this regard.	Need to be complied with Financial Regulations.

(iii)	Financial Regulations 272(3)	Paid vouchers had not been forwarded to audit monthly, not later than six weeks from the end of the month to which they relate.	Vouchers are forwarded for audit regularly.	Need to be complied with Financial Regulations.
(iv)	Financial Regulations 757	Annual Board of Survey had not been carried out during the year.	Committee for Board of Survey 2018 was appointed by the Board of Management on 20.12.2018 and report from the committee of Board of Survey 2018 is awaited.	Need to be complied with Financial Regulations.

(b) Circulars

(i)	Treasury Circular No: IAI/2002/02 of 28 November 2002	A fixed Assets Register regarding Computers and software had not been maintained properly.	Action is being taken to maintain the register	A fixed Assets Register needs to be maintained
(ii)	Public Enterprises Circular No. PED/12 of 02 June 2003	The Performance Report for 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. Nevertheless, the College had not taken action accordingly.	The University of Vocational Technology is responsible to submit such report to the Treasury and Department of Public Enterprises. University of Vocational Technology includes the all University Colleges' performance in their reporting.	A Performance Report needs to be submitted to relevant institutions timely.

1.6 Cash Management

----- Audit Issue -----	----- Management Comment -----	----- Recommendations -----
Fourteen cheques outstanding over six months amounting Rs. 394,080 had not been brought to the accounts as a Liability in terms of the Financial Regulation 396.	Though it was informed to the recipients to collect the cheques, some did not do; some receiver lost the cheques and some did not deposit it. Action is being taken to credit un- presented cheques once it is approved by the Board of Management at forthcoming meeting.	All outstanding amounts need to be accounted for.

2. Financial Review

2.1 Financial Results

The operation of the College had resulted in a deficit of Rs. 4,090,327 in the year under review and, the corresponding deficit in the preceding year was amounted to Rs. 6,677,760. Accordingly, an improvement amounting to Rs. 2,587,433 of the financial result was observed and that increase had mainly attributed by increase in Government grants by a sum of Rs. 2,308,051.

3. Operational Review

3.1 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
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Five machines costing Rs. 36,755,265 had not been fully utilized to intended purposes for over 3 years.	<p>It seems that the information collected in this regard has not been checked or verified with the Head of Department or the teaching staff as they are the people involved in teaching with this equipment.</p> <p>a. <u>Farm Machinery Technology</u></p> <p>Two Wheel Tractor and Self-Propelled paddy Repair are using in teaching modules of NVQ, Level 5 and Level 6. But the practical usages and teaching of this equipment wants a field/land for demonstration for plowing and harvesting. Since we have no land/ field presently it is underutilized.</p> <p>b. <u>Production Technology</u></p> <p>The machinery of CNC Wire cut EDM Machine is fully used for the practical teaching of module of Manufacturing Technology for the students, studying in NVQ, Level 6. Hence it is not idle or underutilized.</p>	Optimum utilization of machines for intended purposes is needed.

c. Food Technology

The Blast Freezer/Plate Freezer is utilized for teaching the students of NVQ, Level 5 and NVQ, Level 6, in accordance with the TVEC approved curriculum. Though it may be underutilized, it is necessary equipment for teaching as per the curriculum.

3.2 Human Resources Management

Audit Issue -----	Management Comment -----	Recommendation -----
Sum of Rs. 12,630,553 had been paid to an Assistant Register, an Assistant Bursar and an Assistant Librarian during the last 3 years without obtaining approval for cadre from the Department of Management Services by the College.	There is approved cadre to all University Colleges for Registrar, Bursar and Librarian and at the initial stage the University of Vocational Technology made selection and appointed Assistant Registrar, Assistant Bursar and Assistant Librarian instead of appointing Registrar, Bursar and Librarian to all University Colleges. Applications have been already submitted to the Department of Management Services to convert the cadre of Registrar, Bursar and Librarian into Assistant Registrar, Assistant Bursar and Assistant Librarian respectively.	Necessary approval should be obtained from the Department of Management Services.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue -----	Management Comment -----	Recommendation -----
An Annual Action Plan with quarterly targets and the details of 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.	Action plan with quarterly target has been prepared.	Comply with the Circular instructions

4.2 Internal Audit

Audit Issue	Management Comment	Recommendation
Several weaknesses in internal control systems of the College were observed due to non-establishment of Internal Audit Unit since the year 2014 in term of Financial Circular No. DMA/2009(1) of 09 June 2009.	The recommendation to establish an internal unit will be attended soon.	An Internal audit unit needs to be established.

4.3 Audit Committee

Audit Issue	Management Comment	Recommendation
An Audit Committee had not been established in terms of Section 7.4.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.	The recommendation to establish an audit committee will be attended soon.	An audit committee needs to be established.

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. 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 by the College.	Action will be 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.	Sustainable Development Goals needs to be achieved.