

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 2021 comprising the statement of financial position as at 31 December 2021 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 2021, 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
In terms of Sri Lanka Public Sector Accounting Standards (SLPSAS)- 07, particulars relating to fully depreciated Property, Plant and Equipment (PPE) costing Rs.35,294,552 which still in use had not been disclosed in the financial statements. As well, the estimation error of the useful life of those assets had not been rectified and adjusted in the financial statements according to SLPSAS-03.	Steps will be taken to obtain adequate funding in the future and to reconsider it	Should be complied with particular standard.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(i) The land extent of 0.33 hectares belonging to the college, the college's buildings had been constructed, had not been valued and brought to the accounts.	We will accept your observation and take immediate action to get the deed to the land and disclose its value in the financial statements.	The land should be valued and brought to the accounts.
(ii) The Gratuity provisions had been overstated by Rs. 1,679,755 in the year of 2020 due to made of provisions for temporary and resigned staff. However, no action had been taken to rectify this issue in financial statements presented for the year under review. As a result,	In view of your opinion, we accepted that and got the advice from our head institution in this regard and have taken appropriate action as per your suggestions.	The necessary adjustment should be made in the financial statement.

Gratuity provisions had been overstated by that amount during the year under review. As well, due to the erroneous calculations, gratuity provision for the year had been also overstated by Rs.218,268 As a results, financial performance for the year under review had been understated by that amount.

1.6 Non-compliance with Laws and Regulations.

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 an internal audit functions 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 didn't get the approval.	Internal audit function should be established.
(b) Sustainable Development Act No. 19 of 2017	The College had not recognized the goals and targets relating to its functions and the indicators required for measuring the achievement of those targets.	We considered the SDG no 4 & 5 in our objectives in the Action plan (physical) and as per your instruction, measurements has been taken to in cooperate the goals.	Should be complied with the provision of the Act.
(c) Public Administration Circular 30/2016dated 29 December 2016.	The Vehicle Performance Monthly Summary has not been prepared and submitted for audit.	We are taking immediate action and preparing a continuous report on time and sending it to you.	Should comply with Circular instructions.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.3,578,610 and the corresponding surplus in the preceding year amounted to Rs.3,577,995. Therefore a deterioration amounting to Rs.7,156,605 of the financial result was observed. The reason for the deterioration is decrease of income.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
Out of the total of 899 students studied in the College during the last 04 years period, 254 students ranging from 6 to 43 per cent had dropped out without being completed the relevant courses.	College has implemented some strategies to keep students until the completion of course. We assure that we concern this issue in the future.	An action should be taken to minimize the drop-out rate of the students.

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 idled in the stores of the College without being taken proper actions to distribute them among the students for over 6 years period and the value of that stock had been shown under the current assets in the financial statements.	We sought approval at the 52nd Board of Management Committee Meeting held on 09th Feb 2022. We have distributed the T-Shirts as requested by the board of management to distribute them to the students and staff free of cost.	An action should be taken to utilize the assets.