

## University of Jaffna - 2021

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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he audit of the financial statements of the University of Jaffna (“University”) 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 University 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

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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

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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

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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

No	Non Compliance with the reference to particular Standard	Management Comment	Recommendations
(a)	The useful lifetime of fixed assets had not been reviewed annually in terms of paragraph 65 of the Sri Lanka Public Sector Accounting Standard 7. Vehicles and cloaks accounted under Property, Plant and Equipment costing Rs.78,957,863 had been fully depreciated but still being used by the end of the year under review. No action had been taken to rectify the above estimated error in accordance with Sri Lanka Public Sector Accounting Standard 3.	Considering the number of assets items involved, cost incurring and time consuming exercise, University of Jaffna to initiate a policy to adopt cost model and depreciation policy has to change from straight line method to reducing balance method with a recommendation of the council and approval of the UGC.	Should be complied with Sri Lanka Public Sector Accounting Standard.
(b)	According to the paragraph 47 of the Sri Lanka Public Sector Accounting Standard 7, when the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. It may be necessary to revalue the item every three or five years. However, Property, plant, equipment with the aggregated amount of Rs.7,288,976,743 had not been revalued for the past 7 years since 2014.	Considering the number of assets items involved, cost incurring and time consuming exercise, University of Jaffna to initiate a policy to adopt cost model and depreciation policy has to change from straight line method to reducing balance method with a recommendation of the council and approval of the UGC.	Should be complied with Sri Lanka Public Sector Accounting Standard.
(c)	Assets costing Rs.2,421,636,621 received from Japan International Corporation Agency and Accelerating Higher Education Expansion and Development Projects on previous years had	As per the SLPSAS 10 & 11 income received from exchange and non-exchange transaction has to be disclosed as an income in that particular year only. Even though building completion and	Should be complied with Sri Lanka Public Sector Accounting Standard.

been indicated in the statement of financial performance as the revenue from non-exchange transactions during the year under review without adjusting retrospectively in terms of Sri Lanka Public Sector Accounting Standard 3.

equipment received before 2021 official handing over of the assets happen only in 2021. Therefore, proper accounting had been made for this transaction in the book of accounts in 2021 as per above standards.

(d) An aggregated amount of Rs.2,541,450 live stock had not been disclosed separately under non-current assets as biological assets in the statement of financial position as per the requirement of Sri Lanka Public Sector Accounting Standard 18. Instead of, it had been accounted under Property, plant & equipment. As a result the value of the Property, plant & equipment had been overstated by the similar amount.

Action had been taken to disclose the livestock as a separate line item under non-current assets in the future.

Should be complied with Sri Lanka Public Sector Accounting Standard.

(e) Sum of Rs.40, 972,090 had been received as capital grant from treasury during the year under review had not been recognized as revenue in terms of SLPSAS 11. As a result, the surplus from operating activities for the year had been understated by that similar amount in the Financial Statement.

Management not commented.

Should be complied with Sri Lanka Public Sector Accounting Standard.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

#### Audit Issue

#### Management Comment

#### Recommendation

Distress loan balance amounting to Rs.1,168,318 outstanding for a period ranging from 03 to 26 years had not been taken proper actions to recover those dues.

Action taken to recover these outstanding from this employee's gratuity payment as soon as possible.

Remedial actions should be taken to recover dues in time.

1.6.2 Payables

----- Audit Issue -----	Management Comment -----	Recommendation -----
Sum of Rs.1,591,323 shown as Recorp fish project of university of Amsterdam under Self Financing Courses payables in current liabilities had been remained unused for a period ranging from 01 to 05 years.	Funds will be used only when the given criteria has been met. Balance amount of this fund had to be kept under current liabilities as it is payable on demand.	Appropriate actions should be taken to utilize the unsettled balances.

1.7 Non-compliance with Rules and Regulations.

----- Reference to Laws, Rules, Regulations etc. -----	Non-compliance -----	Management Comment -----	Recommendation -----
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka -----			
(i) Financial Regulation 267	In 45 instances in 03 months of January, February and November 2021, salaries had been paid to employees without obtaining the receipts. Also, during the year under review, there were 173 instances where salaries had been obtained by signing by another person instead of the payee.	Proper internal control mechanism has been accelerated to monitor this process closely.	Should be complied with Financial Regulations.
(ii) Financial Regulation 371(2)	❖ In 270 instances, the sum of Rs.7,270,301 issued to the employees had been settled after a delay between 11 days and 161 days.	Strict action has been taken and internal financial circulars had been issued to all the staff to educate them to settle their advances on time.	Should be complied with Financial Regulations.

		❖ The prior approval of the Treasury had not been obtained for the issuance of 20 Ad-hoc sub imprest totalling Rs.3,147,017.	Internal financial circular already issued to educate the staff. Proper mechanism already implemented to supervise and monitor the advances strictly.	Should be complied with Financial Regulations.
(b)	Section 5.3.11 of Procurement Manual of the Democratic Socialist Republic of Sri Lanka (Goods & Works)	Bid security had not been obtained from two selected bidders during the year under review for procurement of on call vehicles.	Contract for the on call vehicle had been awarded by the departmental procurement committee for the eligible contractors based on the technical evaluation committee recommendation.	Should be complied with Procurement manual.

2. Financial Review

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2.1 Financial result

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The operating result of the year under review amounted to a surplus of Rs.2,250,028,585 and the corresponding deficit in the preceding year amounted to Rs.966,484,640. Therefore, an improvement amounting to Rs.3,216,513,225 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
(a) Sixty nine academic staff and twenty one non-academic staff of the University who had gone abroad on scholarship programmes had not reported for duty or left from the University after completion of the scholarships. However, the University had not taken remedial actions to recover the bonds aggregating Rs.71,019,495 during the period from 1983 to 2021 from the officers who had breached agreements.	Requested Assistant Registrar/Legal & Documentation to carry out the detailed study on a case by case basis to make recommendation to the Council for the possible legal actions. The University has still not released the Gratuity and UPF to Non-Academic staff and the funds are with the University. Follow up action will be taken to recover the dues whenever these staffs claim their UPF.	Immediate action should be taken to recover the bonds from responsible officers.
(b) A Senior lecturer in Department of Botany had obtained approval for the resignation of her post with effect from 26 December 2018 and acknowledged the approval. She had withdrawn her resignation and she had been reinstated, in contrary to the section 4.5(C) of the Chapter V of Establishment Code of the University Grants Commission and the Higher Educational Institution. However,	She did not lose her continuity of the service and thus her entitlement for sabbatical leave was considered favorably and sabbatical leave was granted. Vehicle permit and other benefits also granted to her based on the above justification.	Should be complied with Establishment code of the University Grants Commission.

Rs.12,451,000 had been paid as salary and allowance since she had reinstated, without being obtained any continuous service by the University. Even though she had resigned her post properly, she had been given sabbatical leave and vehicle import permit without being complete 07 years and 06 years respectively from her reinstated date.

- (c) Seven academic staffs of the University were unable to complete their postgraduate degree within the specific study leave period, but they had resumed duties. However, as per the Circular No. 920 dated 05 February 2010 of the University Grant Commission and the Clause No.14(a) of the Agreements, the University had not taken appropriate actions to recover the expenditure amounting to Rs.26,969,765 incurred by the University for the period from 2018 to 2021 from the respective staff.
- Action has already been taken to send the letter to relevant staff demanding them to settle the obligation amount while copying the letter to their guarantees. If they fail to settle the payment action will be taken to issue vacation of post with the approval of the council.
- Immediate action should be taken to recover the bonds from responsible officers.

3.2 Under -utilization of Funds

Audit Issue	Management Comment	Recommendation
<p>(a) Aggregated amount of Rs.345,359,916 had been obtained by the university as endowment funds from the well-wishers for the academic development and encouragement for students. During the year under review, Rs.8,823,834 had been received as interest on the above 204 funds. But Rs.6,041,617 of that interest or 68 percent remain unused in a bank current account.</p>	<p>The progress of the endowment activities has been continuously discussed in every month finance committee and at the council meeting.</p>	<p>Appropriate actions have to be taken to utilize the donations.</p>
<p>(b) In 2015, Sum of Rs.53,246,276 had been donated as the estate of late Karthigesan Tamil music trust fund and the estate of late Karthigesan Tamil library trust fund for the specified implementation. Even though Rs.184,476,087 had been received as interest, sum of Rs.167,160,640 or 91 percent not utilized by the specified purposes since the year of donation.</p>	<p>Some of the criteria mentioned in the fund are not practical and unable to meet those criteria. Due to the above barrier utilization of the fund became a biggest challenge. But committee of the Kandiah Kartigeasan trust fund had decided to negotiate and change the criteria in order to commence activities and utilize the fund.</p>	<p>Appropriate actions have to be taken to utilize the donations.</p>

3.3 Delays in Projects

Audit Issue	Management Comment	Recommendation
<p>The first installment of Rs.2,591,400 had been paid to the Engineering Unit of the University during the year under review for completion of 14 minor maintenance works which estimated cost of Rs.28,805,000. However, the maintenance works had not commenced by December 31, 2021. Also, the percentage of non-completion of 11 maintenance works cost of Rs.29,411,000 to be completed by that unit during the year under review was between 27 to 100.</p>	<p>The COVID 19 situation and other unexpected conditions, contractors were unable to complete the works on time. The approval for such rehabilitation works which can be managed by the maintenance branch, are obtained from the Vice Chancellor and the materials are purchased by the Finance Branch. The works are commenced on priority basis and the material at site for the execution/ commencement of work.</p>	<p>Construction works Should be initiated and completed on time.</p>

3.4 Defects in Contract Administration

Audit Issue	Management Comment	Recommendation
<p>A three storied building had been constructed at Kaithady Siddha Medicine Unit at a cost of Rs.93.7 million including arbitration fee, interest and interest on interest in 2015. According to the audit inspection conducted in December 2021, it was observed incomplete works and massive defects such as horizontal splitting, rain water drip through most of the walls and fungus appear in inter walls within 6 year period.</p>	<p>The contractor handed over the building with some defects in November 2015 and the contractor failed to rectify the defects within the given period. There were some contractual issues during the implementation of this project. At the end, the contractor has referred 5 contractual disputes to the Adjudicator. The five story building had two more floors to be built. But there was a suspension for the construction projects by the ministry of finance in the year of 2021. Thus the building is not completed.</p>	<p>Defects should be rectified.</p>

3.5 Human Resources Management

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Audit Issue  
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The University had not filled 165 vacancies in key academic posts such as professor, associate professor, and senior lecturer / lecturer etc. in 10 faculties and other academic units in the University.

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Management Comment  
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University has taken all efforts to fill some key academic positions such as Professor, Associate Professor, Senior Lecturer/ Lecturer are still in process as there was no application received with required qualifications despite of repeated advertisements. In such circumstances the University has filled these vacant positions by Temporary Lectures, Temporary Instructors and Temporary Demonstrators in order to carry out the academic programs without interruption.

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Recommendation  
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Should try to fill Vacancies.