

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 2022 comprising the statement of financial position as at 31 December 2022 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 2022, 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

No	Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(i)	According to Sri Lanka Public Sector Accounting Standard 01, gain arising from revaluation of building should be classified under the revaluation reserve in the Equity Statement. However, the revaluation value of the building had been shown under the SSDP capital fund account without comply with the standard. Even though the revalued amount of the building is Rs.305,980,000 the college has shown the revalued amount as Rs..179,998,338.	I would like to inform you that steps will be taken to follow the calculation given by you for the next financial statements.	Action Should be taken to comply with Sri Lanka Public Sector Accounting Standard.
(ii)	The useful life time of the non-current assets should be reviewed annually in terms of paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, However property, plant and equipment amounting Rs.36,008,797 which had been fully depreciated but still being used by the end of the year under review had not been reviewed and action had not been taken to revise the said estimated error in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 03.	I kindly inform you that steps will be taken to obtain adequate funding in the future and to reconsider it.	Action Should be taken to comply with Sri Lanka Public Sector Accounting Standard

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| (iii) | According to the section 72 of Sri Lanka Public Sector Accounting Standard 07, land and buildings are separable assets and are accounted for separately, even when they are acquired together. The College had not separated the land value amounting to Rs.105,000,000 and a depreciation value amounting to Rs.2,625,000 had been recognized during the year under review. As a result, the value of land as at 31 December 2022 and the surplus for the year under review had been understated by that amount. | The depreciation amount of Rs.2,625,000.00 will eliminate in the Financial Statements for 2023 by considering the building to have an unlimited useful life. | Action Should be taken to comply with Sri Lanka Public Sector Accounting Standard. |
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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.216,483 and the corresponding deficit in the preceding year amounted to Rs.3,578,610. Therefore an improvement amounting to Rs.3,795,093 of the financial result was observed. The reason for the improvement is increase in the recurrent government grant revenue than expenditure.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
Out of the total of 638 students studied in the College during the last 3 years period, 140 students ranging from 13 to 32 percent had dropped out without being completed the relevant courses.	Drop out has been an issue for the vocational training institutes and University colleges country wide due to Covid-19, Economic condition of Sri Lanka and no hostel facilities for the students who are living in outer districts.	Action Should be taken to minimize the drop-out rate of students.