

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 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 University 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 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

No	Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(i)	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 the Property, Plant and Equipment amounting Rs.48,516,123 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.	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.
(ii)	The income amounting to Rs.2,374,180 received by auctioning the Fixed Assets in the year under review had been identified as an income without adjusting through an Assets Disposal Account in terms of Paragraphs 80 and 81 of the Sri Lanka Public Sector Accounting Standard 7. Moreover, action had not been taken to remove the cost and the accumulated depreciation of the auctioned assets.	The whole sales proceeds received in the action has been considered as surplus and recognized as income in the financial statements as the carrying value of the disposed assets are zero and are fully depreciated. The disposed assets are being derecognized from the asset register and remove it from the system once the council approval received.	Should be complied with Sri Lanka Public Sector Accounting Standard.
(iii)	Donations amounted to Rs. 1,280,240 received during the year under review had not been identified and measured in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard 11.	The donations of those assets were placed in the finance committee and action has been taken to add these assets as soon as the building has been taken to the donation in the university books of accounts.	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 -----
Action had not been taken by the University to recover the Distress Loan Balance totalling Rs.1,009,338, stated under the Accounts receivable in the financial statements, despite a period ranging from 03 years to 27 years had lapsed to recover that balance.	Action taken to recover these outstanding from these employee's gratuity payment as soon as possible.	Remedial actions should be taken to recover dues in time.

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

The following observations are made.

Reference to Laws, Rules, Regulations etc. -----	Non-compliance -----	Management Comment -----	Recommendation -----
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
Financial Regulation 371(2)	(i) Even though the Advances obtained should be settled immediately after the completion of the relevant function, Imprests totalling Rs.2,706,567 provided in 68 instances had been settled after a period of delay ranging from 12 days to 89 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.	Action Should be taken to comply with Financial Regulations.
	(ii) Advances totalling Rs.3,724,669 in 25 instances had been provided exceeding the maximum limit of which the Sub- Imprests could be provided amounting to Rs.100,000 , 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 03(X) of National Budget Circular No. 03/2022	Suspension should be made to grant loan facilities to staff grade officers until 31 December 2022. However, A sum of Rs.5,500,000 had been granted to staff grade officers as distress loan in 22 instances.	The loan disbursements given by the University to the officers mentioned are the disbursements made from the capital amount recovered.	Action Should be taken to comply with the Circular instructions.
(c) Section 3 of chapter XX of Establishment Code of the University Grants Commission and Higher Educational Institutions.	(i) Salaries and Allowances amounting to Rs.2,295,150,010 had been paid in the year under review without confirming the Attendance 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 11.11.2017.	Action Should be taken to comply with the Establishment code.
	(ii) A sum of Rs.31,819,145 had been paid in the year under review as overtime and holiday payment without confirming the arrivals and the Departures.	Due to Corona outbreak and Economic crises the finger print scan was not used. However, overtime & Holiday payments have been made according to the certified and authorized attendance register.	Action Should be taken to comply with the Establishment code.
(d) 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 taken a period ranging from 03 months to 22 months for the release of the results of the examinations conducted in 6 Faculties in the University, from the year 2019 to the year 2021.	Action had been taken to closely monitor this process and there has been a significant improvement on releasing the results in comparison with previous year.	Action Should be taken to comply with the circular instructions.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.619,419,916 and the corresponding surplus in the preceding year amounted to Rs.2,250,028,585. Therefore an deterioration amounting to Rs.2,869,448,501 of the financial result was observed. The reasons for the deterioration are the decrease in the recurrent grant and the capital revenue from non-exchange transactions

3. Operational Review

3.1 Management Inefficiencies

Audit Issue -----	Management Comment -----	Recommendation -----
Seventy one (71) academic staff and twenty one (21) non-academic staff of the university who had gone overseas on scholarship programmes had not reported back for duty or vacated from the university after completion of the scholarships. However, the university had not taken proper actions to recover the bonds aggregating amounting to Rs. 130,105,033 during the period from 1980 to 2022 from the officers who had breached 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 breached amount from responsible officers.