

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University of Jaffna for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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. 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 2024, 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 Auditor's Responsibility for the Audit of the Financial Statements

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)	Donations and grants amounting to Rs.26,678,265 received during the year under review had been credited to restricted fund account instead of being recognized as revenue in accordance with Sri Lanka Public Sector Accounting Standard 11. As such, the restricted fund and the surplus for the year under review had been overstated and understated, respectively, by that amount.	Due to a typographical error, discrepancies were identified in the presentation of income within the income statement. These discrepancies have been rectified immediately through appropriate journal entries to ensure the accuracy and integrity of the financial statements.	Should be complied with Sri Lanka Public Sector Accounting Standard.
(ii)	Net income of Rs.27,018,953 received from self-financing courses and projects during the year under review had been credited to the current liabilities instead of being recognized as revenue. As such, the current liabilities and the surplus for the year under review had been overstated and understated respectively, by that amount.	Due to a typographical error, discrepancies were identified in the presentation of income within the income statement. These discrepancies have been rectified immediately through appropriate journal entries to ensure the accuracy and integrity of the financial statements.	Should be complied with Sri Lanka Public Sector Accounting Standard.

1.5.2 Accounting Deficiencies.

No	Audit Issue	Management Comment	Recommendation
(i)	A sum of Rs.4,536,095 spent in year 2024 for the development of software for the preparation of fixed assets register was classified under work in progress instead of being capitalized and shown as intangible asset.	The amount of Rs. 4,536,095 related to the software used for the Fixed Assets Register was initially classified under Rehabilitation Work in Progress, as the asset was not yet considered fully operational for its intended use across the University. Full implementation across all relevant areas was still in progress during the previous reporting period. Although Enhancements were ongoing during 2024 to fully meet the operational requirements.	Action should be taken to capitalize the software assets and depreciated accordingly.
(ii)	The Land and building handed over by the Ministry of Policy Planning, Economic Affairs, Child, Youth and Cultural affairs for the Puliyanikulam Integrated Farm & Training centre activities in 2015 had not been value and brought to the financial statements even as at the end of the year under review.	The land, buildings, and other assets allocated for the Puliyanikulam Integrated Farm and Training Center activities were provided by the Ministry of Policy Planning, Economics Affairs, Child, and Youth Affairs without the formal transfer of ownership title to the University. Recognizing these assets in the financial statements without clear ownership title poses a notable concern.	These assets Should be disclosed in the Financial Statement as Soon as Possible

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
Actions had not been taken to recover the trade receivables balances aggregating to Rs.5,130,148 had remained outstanding over 5 to 6 years as at 31 December 2024.	To facilitate the settlement process of receivable from Ministry of Higher Education, the University of Jaffna has initiated communication with the Ministry of Higher Education regarding the outstanding receivable amount. Upon receipt of the funds from the Ministry, arrangements will be made to settle the receivable promptly.	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) Section 3 of chapter XX of Establishment Code of the University Grants Commission and Higher Educational Institutions.	Without confirming the arrivals and departure of academic staff members, a sum of Rs.3,240,859,349 had been paid as salaries and allowances during the year under review.	In the Sri Lankan university system, it is customary that academic staff members do not typically sign in on attendance registers. Instead, the monitoring of academic staff's work attendance has traditionally been conducted by the respective Heads of Departments. This protocol was reaffirmed during discussions at the Committee on Public Enterprises (COPE) meeting on 11 th November 2017, during which the explanation provided was accepted.	The management of the University should be complied with requirement of the Establishment code.

(b) 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, 12 Faculties of the University had taken 04 to 30 months to release the results.	Rigorous measures have been implemented to ensure the timely release of examination results. Monthly reports detailing the status of result releases, including examination particulars such as dates held and subjects awaiting results, along with the duration of any delays, are meticulously compiled and submitted to the Senate.	Exam results should be released within stipulated time.
(c) Section 3 of chapter XXVI as amended by the Establishment Circular Letter No-04/2013 dated 10 April 2013 of University Grant Commission	Annual board of survey report of the University of Jaffna for 98 locations for the year under review had not been completed until reporting date.	. out of the total 192 locations, 98 locations were unable to submit their reports within the deadline. The primary reason for this delay was that the first quarter of the year coincides with the main examination period in most faculties. A significant number of staff members involved in the Board of Survey—both as members of the survey team and as custodians of the articles—were also engaged in examination-related duties during this period. This overlap in responsibilities contributed to delays in conducting and finalizing the survey reports in some locations.	Action should be taken complied with requirement of the Establishment circular.
(d) Paragraph 4 of Commission Circular No. 01/2022 dated 03 January 2022 issued by the University Grants Commission.	Universities are required to complete verification of library books and periodicals to ensure proper inventory control and asset accountability. However, it was observed that the Library of the University of	Verification of library books and periodicals had been successfully carried out for the financial year up to 31/12/2019 and completed in 2020. And also, Library is in the process of the verification of library books and periodicals in the year 2025.	Immediate action should be taken to conduct a complete stock verification of library books and periodicals and maintain updated inventory records.

Jaffna has not conducted inventory verification of library books and periodicals during past five (05) years.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.320,756,997 and the corresponding surplus in the preceding year amounted to Rs.115,076,218. Therefore, this reflects a decline of Rs. 435,833,215 in the financial result was observed. The decline is primarily due to a higher increase in the operating expenditure compared to the increase in revenue.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) Seventy nine (79) academic staff officers and twenty one (21) non-academic staff officers of the university who had gone overseas during the years 1980 to 2024 on scholarship programmes had not reported for duty after completion of the programme. However, the university had not taken proper actions to recover the bonds valued at Rs.87,196,060 in line with the provisions in the agreements.	The Committee on Obligations of Bond and Agreement (COBA) has diligently examined the particulars of bond defaulters and compiled a comprehensive policy paper. This policy paper was meticulously crafted, taking into account the prevailing legal and regulatory framework, as well as pertinent rulings of the University Council up to 2017. Issue regarding academic staff who commenced duties without completing their postgraduate studies were also addressed, with recommendation made to the council. COBA has outlined actions for defaulters, including escalating unresponsive cases, waiving remaining obligations considering prior payments, and recovering amounts through mortgaged properties. Defaulters can settle dues via installment payments, with legal consequences for non-compliance. A sum of Rs. 75,590,267 was recovered from various faculties up to 31.03.2025.	Further steps should be taken to promptly recover the outstanding bond value.

<p>(b) The contract awarded to construct the building for Engineering Technology and Systems Technology at contract value amounting to Rs.432,400,031 on 15 December 2021. As per the agreement, the construction should be completed on 31 December 2023. However, it was observed that 48 percent of works were only completed until 21 April 2025 and the payment as at that date was Rs.337,983,931.</p>	<p>The reasons for the delays in the completion of the project are as follows:</p> <ul style="list-style-type: none"> i At the outset, several site-related issues and adverse weather conditions affected excavation and foundation work, particularly due to a high underground water table. ii There was a severe shortage of construction materials and significant transport difficulties, which were exacerbated by the economic crisis, the "Aragalaya" protests, and the fuel crisis the country faced. iii There were substantial delays in settling the contractor's progress claims for work completed. No progress claims were settled within the stipulated period, despite being certified by the Engineer to the contract and recommended by the Vice Chancellor, and forwarded to the relevant Funding Agency. These delays contributed to the overall delay in project completion. <p>.</p>	<p>The institution should take necessary steps to ensure proper project monitoring mechanisms are in place, expedite the remaining work, and enforce relevant contractual provisions—such as penalties for delays—to safeguard public funds and ensure timely project completion.</p>
<p>(c) A total sum of Rs.7,488,500 had been paid as advance to five suppliers during last 3 to 5 year period for the supply of books and periodicals and the corresponding books & periodicals had not supplied even as at the end of the year under review and no action had been taken to recover the advance as well.</p>	<p>According to their response, most of the non-supplied journals pertain to the COVID-19 period, during which many journals were not published. The supplier has now received confirmation from the publishers that the pending journals are being reprinted. They assured us that the complete supply will either be fulfilled by the end of the month or a credit note will be issued for any journals that remain unsupplied.</p>	<p>A strong internal control system should be eshtablished for advance payments and receipt of goods.</p>

(d) The position of University Librarian has remained vacant since 2019.

Due to the suspension of filling vacancies in the permanent academic cadre effective 08.08.2022, vacancies arising from post vacation, resignation, retirement, or death in 2022 and 2023 were filled only with approval from the DMS. However, as directed by the UGC, no DMS approval was granted to fill the vacant post of Librarian, which has remained unfilled since 25.12.2019.

Steps should be taken to fill the position of Librarian.