

## **University of Jaffna - 2013**

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The audit of financial statements of the University of Jaffna for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 107(5) of the Universities Act, No.16 of 1978. My comments and observations which I consider should be published with the Annual Report of the University in terms of Sub-section 108(1) of the Universities Act, appear in this report. This report also to be considered as a detailed report in terms of Sub-section 108(2) of the Universities Act.

### **1.2 Management's Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor's Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **1.4 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **2 Financial Statements**

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### **2.1 Opinion**

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the University of Jaffna as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards.

### **2.2 Comments on Financial Statements.**

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#### **2.2.1 Sri Lanka Public Sector Accounting Standards (SLPSAS)**

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Fixed assets such as cloaks and medals valued at Rs. 6,836,600, which had been fully depreciated and continued to be used in the year under review had not been revalued and brought to the accounts in terms of SLPSAS - 3. In this connection the Vice Chancellor had stated that “revaluation process is in progress and 80 percent of the work has been completed including mainly the valuation of land and building, semi permanent structure, motor vehicles and cloaks”.

#### **2.2.2 Accounting Deficiencies.**

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The following accounting deficiencies were observed in audit.

- (a) The value of books and periodicals amounting to Rs. 1,845,672 and 87 items of journals and periodicals valued at Rs. 1,359,072 in respect of the years from 2005 to 2009 shown in the financial statements had not been received from the suppliers even up to 30 September 2014. However, the depreciation for those books and periodicals amounting to Rs. 438,214 had been charged against the income of the year under review.
- (b) The building construction works and internal roads work to the value of Rs.41,045,741 and Rs. 50,000,000 respectively had been completed and handed over to the University by the Northern Provincial Department of Buildings and Road Development Department during the year 2012. However, it had not been capitalized and brought to accounts.
- (c) A balance of Rs. 364,569 had been shown in suspense account since 2012 without being taken action to clear this balance.

#### **2.2.3 Accounts Receivable and Payable**

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The following observations are made.

- (a) No action had been taken to recover the outstanding balances of Rs. 146,703 which remained unrecovered for more than five years.

- (b) Trade payables amounting to Rs. 2,429,651 had been included in the outstanding balances remained unrecovered for more than six years. In this connection the Vice Chancellor had stated that action had been taken to transfer the payables of Rs. 861,137 to the revenue account with the approval of the Finance Committee and the Council. The balance of Rs. 1,701,265 is being used for the Running Courses.
- (c) Unpaid salaries to the staff of the University amounting to Rs. 48,306 remained as payables for the period ranging 01- 02 years without being credited to the revenue.
- (d) Out of the advances aggregating Rs. 208,692,479 made to the various parties such as Department of Buildings (Central), Ceylon Electricity Board, staffs of the University and suppliers for importation of books and periodicals and payments made to staff as salary advance an amount of Rs. 163,555 had not been recovered for more than 10 years.
- (e) A sum of Rs. 41,250 receivable as rent from 52 staffs of the University during the year under review had not been recovered.
- (f) Loan installments aggregating Rs.430,272 to be recovered from 27 officers had not been deducted from the salaries of the respective officers in each month during the year under review.
- (g) Distress loan balance of Rs. 53,055, Motor Cycle loan balance of Rs. 10,802 and computer loan balance of Rs. 18,000 due from an officer (Vavuniya Campus) had been outstanding for over 12 years without being recovered.
- (h) Advances aggregating Rs. 10,980,784 had been made on 30 December 2013 without having proper assessments for the possibility of purchase of books and periodicals. Hence, considerable period had been delayed to supply of the items ordered.
- (i) The balance of advances aggregating Rs. 650,886 paid to the Department of Buildings (Central) had not been remitted to the University even up to the date of audit inspection on 31 May 2014.
- (j) No action had been taken on unsettled advances of Rs. 1,121,194 paid to an officer in 2006 for the purchase of grocery items and stationeries.

#### **2.2.4 Lack of Evidence for Audit**

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 Following observations are made.

- (a) Annual verification reports had not been made available for audit to prove the existence of seven inventory items aggregating Rs. 7,544,894,425 included in the accounts.
- (b) Accuracy of the information regarding the donations, rent payments, losses and damages, accidents, decisions taken by the faculty boards, research allowances paid

and effective conduct of the academic programmes could not be confirmed in audit due to non- rendition of following evidence.

- Detailed reports on donations received from foreign countries/ embassies
- Valuation reports for the premises taken on rent.
- Minutes of the University Senate.
- Accident / Loss reports.
- Details of academic programmes conducted by the Faculty of Management Studies and Commerce.
- Details of research completed by the academic staff.

### **2.2.5 Transactions not Supported by Adequate Authority**

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According to the letter No. PE/01/174/119B dated 06 March 1998 of the Director General of Public Enterprises and Establishment, Circular No.8/2013 dated 23 May 2013 of the University Grants Commission, the allowances payable for language proficiency for government officers should not be extended to State Corporations and Statutory Boards. However, a sum of Rs. 397,807 had been paid to 57 non academic staff as language proficiency allowance during the year under review.

### **2.3 Non compliance with Laws, Rules and Regulations**

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Instances of non- compliances observed in audit are given below.

#### **Reference to Laws, Rules, Regulations and Management Decisions**

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#### **Non compliance**

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#### **(a) Acts**

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(i) Section 109 of the Universities Act,  
No.16 of 1978

The audited financial statements and report of Auditor General for the year 2012 had not been published in Gazette of the Democratic Socialist Republic of Sri Lanka, even up to 30 September 2014.

(ii) Stamp Duty Act, (Special Provision)  
No.12 of 2006 ordered under Section  
3 published in the Gazette of the  
Democratic Socialist Republic of Sri  
Lanka dated 01 January 2008

At the audit test check carried out on 40 payment vouchers for the months of February to December 2013, it was revealed that the stamp duties had not been deducted and remitted to the Department of Inland Revenue as requested.

- (b) Establishment Code for the University Grants Commission and Higher Educational Institutions
- (i) Section 11.1 of Chapter- XXII Even after one month since the appointment of inquiry committee, the action on disciplinary proceeding regarding the forged payments of Rs. 1,572,450 had not been initiated.
- (ii) Section 2, 3, 4 of Chapter-XXVI The stock of publications and books had not been verified annually.
- (iii) Section 3.1 of Chapter-XXVII The arrival and departure of academic staff of the University and the Vavuniya Campus had not been recorded in attendance register.
- (c) **Financial Regulations**  
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- (i) F.R .135 (4) Detail Revised Schedules in respect of delegation of functions annually by the Accounting Officers had not been made available.
- (ii) F.R .272(1) None of the paid vouchers had been forwarded to Audit monthly, not later than six weeks from the end of the month to which they relate.
- (iii) F.R.1645 Officer in charge of vehicles had not furnished the monthly summary of journey performed by each vehicle and the daily running charts for every month to the Auditor General through the Chief of relevant Institution before 15<sup>th</sup> of the following month for which the report were submitted. Daily running charts were rendered to audit only for the month of July 2014.
- (d) **Circular Provisions**  
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- (i) University Grants Commission Circular No. 63 of 25 February 1980. A report showing the difference between the budgeted and actual income and expenditure and the reasons for those variations had not been furnished along with the financial statements for the year under review.
- (ii) Public Administration Circular No.41/90 of 10 October 1990. The fuel consumption of vehicles should be tested at least once in six months. Nevertheless this procedure had not been carried out in respect of 12 vehicles belonging to the University.

### 3 **Financial and Operating Review**

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#### 3.1 **Financial Results**

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According to the financial statements presented, the operations of the University during the year under review had resulted in a deficit of Rs. 1,157,048,668 before taking into account the

Government Grant of Rs.1,037,920,000 for recurrent expenditure as compared with the corresponding deficit of Rs. 969,943,982 for the preceding year before taking into account the Government Grant of Rs.869,160,000 for that year, thus indicating a further deterioration of Rs. 16,793,288 in the financial results. The increase of personal emoluments in contractual services, depreciation charges and amortization expenses, and provision for gratuity for the year under review as compared with the previous year had been mainly attributed for this deterioration in the financial results.

### **3.1.1 Uneconomic Transactions**

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The following observations are made.

- (a) Intercom facilities had been installed at the University in January 2011 in order to reduce the official telephone charges by reducing the use of existing direct telephone lines. However, the telecommunication charges for the year under review had been increased by Rs. 4,697,076 or 32 per cent when compared with the charges for the preceding year due to outgoing facilities had also been given through the intercom lines simultaneously.
- (b) Although the University had own a guest house at Jaffna, officers visited to the University are provided an accommodation facility at private hotels due to the occupation of University Register and Deputy Registrar (Capital works) in this guest house without paying any rent since April 2009. In this connection a sum of Rs.825,125 had been paid during the year under review by the University to provide accommodation to the officers visited to the University.

## **4 Operating Review**

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### **4.1 Performance**

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The academic performance of the University during the year under review was as follows.

- (a) Results of Examinations
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Dates to hold the examinations for various courses conducted under each faculty of the University and target dates to release results of the examinations had not been determined. It was further observed that there were considerable period of delays in releasing the results of examinations ranging from 01 to 22 months from the date of examinations by the faculties of Agriculture, Arts, Management Studies and Commerce, Science and External Examination unit of the University during the years 2012 and 2013. According to the University Grants Commission Circular No.636 of 14 July 1995 the results of the examinations should be released within three months after the examination. But, results had been delayed by the significant period as mentioned above; thereby the students had been deprived to get their employment opportunities in time.

(b) Cost per Student

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Total number of students registered at the University was 5,723 as at the end of the year under review and the total expenditure incurred during the year under review amounted to Rs. 815,147,732 and as such the average cost per student for the year was Rs.142,434 as per details given below.

	<b>Arts</b>	<b>Agriculture</b>	<b>Graduate</b>	<b>Medicine</b>	<b>Managem</b>	<b>Science</b>	<b>Applied</b>	<b>Business</b>	<b>Total</b>
			<b>Studies</b>		<b>ent studies</b>		<b>Science</b>	<b>Studies -</b>	
					<b>and</b>		<b>Vavuniya</b>	<b>Vavuniya</b>	
					<b>Commerc</b>		<b>Campus</b>	<b>Campus</b>	
					<b>e</b>				
Total cost (Rs.)	266,922,273	69,307,096	3,897,490	141,471,824	59,832,990	185,859,387	50,672,015	37,184,657	815,147,732
Total number of students	2,917	198	208	498	894	662	214	132	5,723
Cost per student (Rs.)	91,506	350,036	18,738	284,080	66,927	280,754	236,785	281,702	142,434

The highest cost per student amounting to Rs. 350,036 was reported at the Faculty of Agriculture whilst lower cost per student amounting to Rs. 18,738 was reported at the Faculty of Graduate Studies.

(c) Mahapola and Bursaries

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Sums of Rs. 26,404,250 and Rs. 38,335,400 had been paid as “Mahapola” and Bursary to 1,950 students and 1,900 students respectively during the year under review. However, a sum of Rs. 1,282,400 had not been paid to 580 students as “Mahapola” up to the date of audit on 11 August 2014.

(d) Library Administration

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a) Seventeen books had not been returned within the stipulated period by thirteen lecturers who had obtained books from the Library. In this regard no proper action had been taken to get back those books which were outstanding for periods ranging from 1 year to 28 years or to impose a fine for the delays.

- b) The University had not been taken action relating to 724 books, magazine and journals valued at Rs. 1,992,508 which were not receipt by the University since 2006.

#### **4.1.1 Visiting Lectures**

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Stipulated period of lecture hours as mentioned in the letter of appointment had not been fully covered by the visiting lecturers, as a result the entire syllabus of the subjects were not covered by the visiting Lecturers.

#### **4.1.2 Payment of Research Grants and Research Allowances**

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Research grants and research allowances amounting to Rs. 3,243,572 and Rs. 52,799,328 respectively had been paid during the year under review. In this connection the following observations are made.

- i). A register for research grants had not been maintained.
- ii). Offices were not submitted the research reports in stipulated time period.
- iii). Terms and conditions and criteria for utilization of grants were not provided to the officers who were paid grants.
- iv). Work plan and schedule for submission of research reports had not been given by the officers.

#### **4.2 Management Inefficiencies**

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The following observations are made.

- (a) One hundred and forty eight Lecturers of the University who went on scholarship had not reported back for duty after completion of the scholarships. However, the University had not taken necessary action to recover sums aggregating Rs. 82,334,517 as at 31 December 2013 from 148 lecturers for breached of agreements.
- (b) Twenty two cheques valued at Rs. 8,593,446 drawn on 15 October 2012 and issued to 14 organizations as advances for the purchase of equipment had been subsequently, cancelled after lapse of four months. In this connection the Vice Chancellor had stated that “The cheques were drawn as at 30.12.2012 in order to utilize the available funds. The cheques were drawn when the orders were placed. As the supplier did not supply the item within the stipulated period, the cheques were cancelled to reverse the advance.”
- (c) Payments of Rs. 493,360 had been made to a private company on the service agreement of 23 photo copiers. However, as per the contract agreement, 12 services should have been carried out for the year under review at the rate of one per month for all photocopy machines within the contract period. However, services were made only at 4 to 07 occasions. As a result, a sum of Rs. 246,680 had been overpaid to that company.



- (d) A contract agreement had been entered on 18 November 2013 for the service of preparation of fixed assets register of the University which had been outsourced at a cost of Rs. 3,150,000 from a Private Company. In this regard the following observation is made.

As per the contract agreement, the work should be completed on or before 18 February 2014. Nevertheless, the work had not been completed even up to 30 October 2014 after lapse of 08 months. As per the information made available for audit, 25 per cent of the works only had been completed up to June 2014. Further, the prior approval for the extension had not been obtained.

- (e) In terms of Section 11.1 of Chapter XXII of the Establishment Code for the University Grants Commission and Higher Educational Institutions, the inquiry officer should be completed the inquiries within the period of 03 months. Even though four inquiry boards had been appointed to conduct the inquiries against the officers who had been interdicted due to disciplinary grounds and fraudulent activities, the inquiry board had not been completed its proceeding within the specified period of time. As a result, interdicted officers were paid full salaries without obtained prior approval/ authority from the University Grants Commission. Further, it was observed that interdiction given to a professor had been subsequently withdrawn and requested to report back for duties with full salary.

#### 4.3 Identified Losses

The books and periodicals purchased during the period from December 2012 to March 2013 through twenty paid vouchers aggregating Rs. 1,572,450 had been forged as payment had been made without receiving the above items. In this connection, the University had not been taken action to recover the payment from the parties responsible. Further, this payment had been transferred to loss on book and periodicals suspense account by a journal entry and the internal and external inquiry process are in progress in view of recover the losses.

#### 4.4 Human Resources Management

Position of approved and actual cadre of the University as at 31 December 2013 is given below.

Category of Staff	Approved Cadre	Actual Cadre	Vacancies	Excess
Academic	497	367	130	-
Academic Support	58	31	27	-
Temporary Academic	140	183	-	43
Administrative	686	561	125	-
<b>Total</b>	<b>1,381</b>	<b>1,142</b>	<b>282</b>	<b>43</b>

The following observations are made.

- (a) Reasons for delay in recruitment of staff had not been furnished to audit.
- (b) There were 282 vacancies existed by 31 December 2013 and out of that 130 vacancies were key academic posts such as post of Professors, Associate Professors of seven faculties of the University. However, the university had not taken prompt actions to fill these vacancies.
- (c) Direct confirmations with regard to the educational qualification of 1,142 officers appointed by the University had not been obtained from the respective institutions in terms of Section 21 of Chapter III of the Establishment Code for the University Grants Commission and Higher Educational Institutions.
- (d) The Council of the University had decided to reinstate the terminated staff by considering the appeals from various parties based on sympathetic grounds without considering the provision laid down in Paragraph 20:16 of Chapter III of the Establishments Code for the University Grants Commission and Higher Educational Institutions and the Letter No. UGC/HR/3/1/6 dated on 28 September 2012 forwarded by the Chairman of the University Grants Commission.

#### **4.5 Contract Administration**

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- (a) Bill of quantities (BOQ) had been increased by the work Engineer without proper authority. As a result a sum of Rs. 115,087 had been over paid to the contractor during the year under review on the work carried out at the student centre of the University.
  - (b) Plumbing repairs, internal electrical repairs had not been executed by the contractor as agreed on the agreement made.
  - (c) Extra Schedule of Rate and In due Schedule of Rate (ESR & ISR) of the works to the value of Rs. 228,374 had been executed by the contractor without required authority in respect of construction of Garage.

#### **4.6 Matters in Contentious Nature**

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The following observations are made.

- (i) It was decided by the Senate of the University to conduct 4<sup>th</sup> year study programme for the L.L.B students in a rent out building at Colombo, Although the buildings, resource persons and all other facilities were made available at the University, the lectures had been conducted in a rental building obtained on the basis of Rs. 100,000 rent per month in Colombo and a sum of Rs.6,630,000 had been paid as rental up to 31 December 2013.
- (ii) Attendance register for the Academic staff had not been maintained for a long period. Therefore, the leave taken and accuracy of the salaries paid to the staff

amounting to Rs.697,024,683 for the year under review could not be satisfactorily vouched in audit.

- (iii) Even though it had been planned to install the finger print scanners in the year 2011, it had not been effectively installed for the intended purpose in terms of Establishments Circular No. 02/2010 dated 15 February 2010 issued by the University Grants Commission.

#### **4.7 Irregular Transaction**

Value Added Tax (VAT) aggregating Rs. 424,175 had been paid by the University for Civil Works carried out at the Engineering Faculty without examined the validity of VAT registration number and VAT invoice at the time of payments. Subsequently, it was found that VAT number indicated by the contractors were inactive.

#### **4.8 Weaknesses in Procurement Procedures**

A sum of Rs. 328,703,735 had been incurred for the procurement of office furnitures and equipments, books and periodicals, cloaks, telephone exchanges and stationeries during the year under review. In this regard the following observations are made.

- (a) Target dates of completion for the items mentioned from No. 07 to No. 13 of the Master Procurement Plan had not been indicated.
- (b) Master Procurement Plan had not been approved by the Secretary to the Ministry of Higher Education.
- (c) According to the Procurement Guideline 4.2.2 a procurement time schedule should be prepared by describing in chronological order and steps of each individual procurement action from the point of commencement and until its completion. However, the time schedule and steps of each individual procurement action had not been prepared by the University.

#### **4.9 Assets Management**

The following observations are made.

- (i) Supplies and maintenance items such as typing sheets, electricity goods, twin and fan aggregating Rs. 1,599,197 had remained idle for a period ranging from 01 to 15 years in the stores of the University. In this regard no action had been taken to utilize them.
- (ii) Out of 69 raincoats purchased during the year under review, 65 raincoats had not been collected by the employees. As a result raincoats were left to be idle at the stores without being utilized for the intended purposes.

#### **4.10 Vehicle Fleet Management**

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##### **(a) Maintenance of Vehicle Running Charts**

- Fuel order number, dates and numbers of fuel bills had not been indicated in the running charts of vehicle.
- According to the running charts, an over payment of Rs. 96,504 had been observed in audit relating to four vehicles used by the Vavuniya Campus of the University.
- Purpose of the trips had not been indicated in running charts of the vehicle.

##### **(b) Hiring of Vehicles**

A sum of Rs. 2,509,795 had been paid as vehicle hiring charges during the year under review. Although University had 12 vehicles in its fleet, several vehicles had been hired by the University. In this connection, the following observations are made.

- Procurement procedure had not been properly followed for hiring of vehicles.
- Rate per k.m had been paid without consider economy / government rate fixed by the District Secretary.
- Quotations were not called from the registered transport agencies to obtain transport services.
- Milo meter reading and duration of journey had not been authenticated by the officers used by the hired vehicles.
- Register for booking of vehicles had not been maintained.

#### **5 Accountability and Good Governance**

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##### **5.1 Tabling of Annual Reports**

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Annual Reports for the year 2011 and 2012 had not been tabled in Parliament even up to 30 September 2014 in terms of Section 6.5.3 of the Public Enterprises Circular No PED/12 of 02 June 2003.

##### **5.2 Action Plan**

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According to the Circular letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance; the University had not prepared an Annual Action Plan and Annual Performance Report for the year under review.

##### **5.3 Internal Audit**

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As per the internal audit programme for the year under review the following areas of transactions were not fully examined/ covered by the internal audit unit.

##### **(a) Post audit on Capital Projects and Contract Management.**

In this connection the Vice Chancellor had stated that “post audit on capital projects and contract management was unable to covered fully due to non completion of the

contract works in progress. Therefore, internal audit covered half of the contract management and balance works are being audited time to time”.

**(b) Procurement of the University.**

In this connection the Vice Chancellor had stated that “The procurement works was audited by the internal audit by verifying the payment vouchers related to the procurement of goods and services. Action will be taken to examine them fully in future”.

**5.4 Un-served Audit Queries**

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The University had not taken action to answer 09 audit queries issued from 2011 to 2013. Details are as follows.

<u>Year</u>	<u>Number of Un- answered Audit Queries</u>
2011	01
2012	01
2013	<u>07</u>
	<u><b>09</b></u>

**5.5 Budgetary Control**

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Significant variations were observed between the budgeted and actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

**6 Systems and Controls**

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Deficiencies observed in systems and controls were brought to the notice of the Vice Chancellor from time to time. Special attention is needed in respect of the following areas of control.

- (a) Assets Management
- (b) Library Administration
- (c) Stores Administration
- (d) Contract Administration
- (e) Receivables and Payables
- (f) Procurements
- (g) Human Resources Management
- (h) Budget.