

University of Jaffna, Sri Lanka - 2012

1. Financial Statements

1.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 1.2.3 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion. Accordingly, I do not express an opinion on these financial statements.

1.2 Comments on Financial Statements.

1.2.1 Accounting Deficiencies.

Following accounting deficiencies were observed in audit.

- (a) Value of books and periodicals amounting to Rs. 2,191,072 and 87 items of journals and periodicals to the value of Rs. 1,359,072 in respect of the years 2005, 2006, 2007, 2008 and 2009 shown in the financial statements had not been received from the suppliers up to 30 June 2013. However, the depreciation of those books and periodicals amounting to Rs. 438,214 had been charged against income.
- (b) Building works for Rs. 1,708,750 had been completed and handed over to the University by the Department of Buildings. However, it had not been capitalized due to the non- submission of work completion certificate by the Department of Buildings.
- (c) Expenditure over income amounting to Rs. 1,202,957,271 had been erroneously debited to the General Reserve account instead of being charged to the Accumulated Fund. As a result debit balance had been shown in the General Reserves as at 31 December 2012.
- (d) Out of rent receivable amounting to Rs. 55,050 from several staff members of the University, a sum of Rs. 27,250 had not been recovered from the staff during the year under review.
- (e) Even though the interest amounting to Rs. 3,791,274 had been disclosed as receivable from endowment fund, the amount had been credited to the Restricted fund account instead of charging to the investment income account for the year under review.

- (f) A sum of Rs. 364,569 had been shown as Suspense Account as at 31 December 2012 and out of this a sum of Rs.103, 410 had been remained for over six years without being taken action to clear those balances.
- (g) Several corrections were made in the salary advance account and import advance account aggregating Rs. 993,456 without making proper Journal entries during the year under review.
- (h) Although six numbers of Payment Vouchers aggregating Rs. 705,500 had been forged due to the purchase of Library books and periodicals in December 2012, immediate action had not been taken on this fraudulent transaction and had been erroneously debited to Books and Periodicals account.

1.2.2 Accounts Receivable and Payable

Following observations are made.

- (a) No provision for doubtful debts had been made in the financial statements in respect of outstanding balances amounting to Rs. 504,237 for more than five years.
- (b) Trade payables included the outstanding balance for more than five years amounted to Rs. 2,562,402.
- (c) Unpaid salaries amounting to Rs. 1,080,499 to the Staff of the University remained as payables for the period ranging from 01- 02 years without being taken action in terms of FR.272 (2), and FR. 290.
- (d) Advances made to the various parties such as Department of Buildings, Ceylon Electricity Board, Staff of the University and suppliers to import the books and periodicals and salary aggregating Rs. 311,866,788 had not been recovered up to 30 June 2013. Out of this, a sum of Rs. 3,810,882 had not been recovered for more than 10 years.

- (e) Distress loan balance of Rs. 53,055 receivable from one staff and Motor cycle loan balance of Rs.10,802 receivable from another staff had been outstanding for last 09 years and 11 years respectively without being taken action to recover.

1.2.3 Lack of Evidence for Audit

Following observations are made.

- (a) The value of Property, Plant and Equipment aggregating Rs. 1,160,054,959 shown in the financial statements had been based on book value. However a physical verification of these assets had not been carried out during the year under review. Further a detailed schedule of a fixed assets and a register pertaining to fixed assets had not been maintained properly or provided for audit. Therefore, the existence, accuracy and completeness of the assets shown in the financial statements could not be ascertained in audit.
- (b) Items in the accounts such as inventory items, travelling claims, allowances, rent payments, telecommunication charges, repairs to vehicles and payment for cleaning service aggregating Rs.36,402,416 could not be satisfactorily vouched or accepted in audit in the absence of evidence or collaborative evidences such as annual verification reports, advance programmes and authority, telephone register, vehicle examiner's reports and vehicle log books etc.
- (c) Items such as donations, losses and damages incurred on vehicle accidents, research allowances and payments for the academic programmes etc. could not be satisfactorily vouched or accepted in audit due to non-rendition of following evidence or collaborative evidences.
- Detailed reports on donations received from foreign countries / embassies.
 - Minutes of the University Senate.
 - Reports on accidents and losses.
 - Details of academic programmes of Faculty of Management Studies.
 - details of research of the academic staff.

1.2.4 Non Compliance with Laws, Rules and Regulations

 Instances of non- compliance with the provisions in the following Laws, Rules and Regulations were observed in audit.

Reference to Laws, Rules and Regulations	Non compliance
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(a) Establishment Code of University Grants Commission and Higher Educational Institutions:	
(i) Section 3.1 of Chapter-XX	An Attendance Register had not been maintained in respect of the Academic staff of the University and of the Vavuniya Campus to record the arrival and departure.
(ii) Section 18.1 of Chapter- XXII	Even though a Staff Assistant could be interdicted by the Chairman of the University Grants Commission or the Vice Chancellor of the University, contrary to that he had been interdicted by the Registrar of the University.
(iii) Section 11.1 of Chapter- XXII	Even after one month of the appointment of inquiry committee had not initiated the action on disciplinary proceeding regarding the forged payment.
(iv) Section 2,3,4 of Chapter-XXVI	The stock of publications and Library books had not been verified annually.
(b) Financial Regulations:	
----- (i) F.R .135 (4)	The delegation of financial authority had not been revised annually by the Accounting Officer and not made available for audit.

- (ii) F.R. 136 (6) Authorized person's records have not been compared and reconciled at least once a month with those of the certifying officer.
- (iii) F.R. 140 (3) Before the payment is made, the responsible officer should search any facts within his/her special knowledge. However a sum of Rs. 705,500 had been paid by forged paid vouchers in six instances.
- (iv) F.R. .272(3) Paid vouchers had not been forwarded to Audit monthly, not later than six weeks from the end of the month to which they relate.
- (v) F.R.1645 Officer in charge of vehicle had not furnished the monthly summary of Journey performed by each vehicle and the daily running chart for every month to the Auditor General through Vice Chancellor of the University before 15th of the following month for which the report were submitted.
- (c) University Grants Commission Circular No.63 of 25 February 1980. A report showing the difference between the budgeted income and expenditure and actual income and expenditure and the reasons for those variations had not been furnished along with the final accounts for the year under review.
- (d) Public Administration Circular No.41/90 of 10 October 1990. The fuel consumption of vehicles should be tested at least once in six months. This procedure had not been followed.
- (e) National Budget Circular No.150. In the case where approval has been given for purchasing a vehicle on the basis of

replacement, the replaced vehicle should be disposed within three months from the date of registration of the new vehicle. The sale proceeds of such vehicles should be remitted to the consolidated fund as soon as possible but not later than 14 days. However this procedure had not been followed in connection with the vehicle purchased during the year under review.

2 Financial and operating Review

2.2 Financial Review

2.2.1 Financial Results

According to the Financial Statements presented, the working of the University for the year ended 31 December 2012 had resulted in a deficit of Rs. 100,783,982 as compared with the corresponding deficit of Rs. 60,290,341 for the preceding year, thus indicating a further deterioration of Rs. 40,493,641 in the financial results of the University due to increases in personal emoluments, contractual services, depreciation and amortization expenses.

2.2.2 Uneconomic Transactions

Following observations are made.

- (a) Telephone 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. 2,635,377 or 20 per cent when compared with the charges for the preceding year due to the outgoing facilities had also been facilitated through the intercom lines simultaneously.
- (b) The University Registrar and Deputy Registrar (Capital works) had been occupying in a guest house since April 2009 and November 2010 respectively

without paying rent. In this connection, electricity charges aggregating Rs. 37,262 had been paid from the University funds.

- (c) Sum of Rs. 242,263,073 and Rs. 132,618,288 had been invested and shown as Long Term and Short term Investments respectively in the financial statements for the year under review. However a sum of Rs. 4,497 only had been charged to the account as the income from an investment which was 0.001 per cent of the total investments. Thus indicating that the University funds had not been utilized efficiently and effectively to earn maximum benefits.

1.1.3 Assets Management

Following observations are made.

- (i) The following vehicles had remained idle. However, no meaningful action had been taken to utilize these vehicles for the intended purpose of the University.

Land master	01
Scooter	01
Three wheeler	01

	03

- (ii) Supplies and maintenance items aggregating to Rs. 4,107,424 had remained unused for a period ranging from 01 to 14 years in the stores of the University. In this regard no action had been taken to utilize them.
- (iii) A time recording machine purchased for Rs. 182,400 had been remained unused since 2001.
- (iv) Hundred and fifty six steel beds purchased for Rs. 1,482,000 had been remained unused for over six years.
- (v) Hundred and sixty one computers and accessories, multimedia project equipments and furnitures had been identified as idling and under utilized assets in the office of the Dean, faculty of Management Studies and Commerce,

Department of Human Resources, Department of Accountancy and in the Department of Physics.

- (vi) Nine hundred and seventy items received under the SIDA project were brought by the two private customers for the assembling of LAN / WAN connections at the University had been allowed to idle in the Department of Computer Science for more than two years.
- (vii) It was observed that 223 damaged items were lying idle in the Department of Computer Science for more than one year and action had not been taken thereon in items of F.R 110.
- (viii) Thirty seven sports equipment had been disposed off by the Coordinator of the sports science unit in 2008, 2009, 2010 and 2012 without obtaining the required approval.

1.1.4 Items of Contentious Nature

Following observations are made.

- (i) Even though the buildings, resource persons and all other facilities had been made available at the University, the lectures for the 4th year students of the Department of Law were being conducted in a building taken on rent basis in Colombo since March 2008 and paid a sum of Rs. 5,430,000 as rentals at the rate of Rs. 100, 000 per month up to 31 December 2012.
- (ii) Even though it had been planned to install the finger print scanner progressively in early part of 2011, it had not been effectively installed for the intended purpose in terms of Establishment Circular No. 02/2010 of 15 February 2010 issued by the University Grants Commission.
- (iii) Twenty two numbers of cheques valued at Rs. 8,593,446 had been drawn on 15 October 2012 and issued to 14 organizations as advances for the purchase of equipments; subsequently those cheques had been cancelled on 12 February 2013.

2.2 Operating Review

2.2.1 Verification of Physical Existence of Tangible Assets

Report of the Annual Board of survey on physical verification of fixed assets and other inventory articles for the year 2012 had not been carried out and rendered the report for audit in terms of Sections 2, 4 and 5 of Chapter XXVI and Section 3.1 of Chapter XXIV of the Establishments Code of the University Grants Commission and Higher Educational Institutions and F.R.756.

2.2.2 Examinations and Results

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 delays in releasing the results of examinations conducted by the faculties of Agriculture, Arts, Management Studies and Commerce, Science and External Examination unit of the University during the years 2011 and 2012. According to the University Grants Commission Circular No.636 of 14 July 1995 results should be released within three months after the examination. But, results had been delayed for periods ranging from 4 to 14 months; thereby the students had been deprived to get their employment opportunities in time.

2.2.3 Cost per Student

Total number of students registered for the courses of the University was 5,896 as at the end of the year under review. The total recurrent expenditure incurred during the year under review amounted to Rs. 644,212,414. The average recurrent cost per student for the year was Rs. 109,263.

2.2.4 Human Resources Management

Following observations are made.

- (a) The University had not taken action to retrench the existing vacant cadre; instead the staff had been recruited on temporary basis excessively. Details are as follows.

Category	Number of Approved Cadre	Number of Existing Cadre	Number of Vacancies	Number of Excess cadre
Academic Staff	456	338	118	-
Academic Support Staff	56	30	26	-
Temporary Academic Staff	126	168	04	46
Non – academic Staff	726	531	195	-
Total	1,364	1067	43	46

- (b) Attendance register for the Academic staff had not been maintained for a long period. Therefore, the leave, accuracy of the salary payment made to the staff for the year under review could not be satisfactorily vouched in audit for the year under review.

2.2.5 Recruitments and Appointments

Following observations are made.

- (a) The University Council had decided to forward the decision to reinstate the 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 of 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.
- (b) The Secretary of the University Grants Commission had informed by his letter No. UGC/HR/1 dated 10 December 2004 to the Vice- Chancellor of the University of Jaffna that the Higher Educational Institution has the authority to confirmed the services of the Senior Assistant Registrars, Assistant Registrars and other similar posts. However, the following observations are made on the confirmation of service of the staff.

- (i) Different number of members had been appointed for the different panels for the oral test.
- (ii) Proper method in appointing / selecting the members of the panel had not been adopted to verify the performance of non- academic staff as requested by the paragraph No.06 of the letters of appointment.

2.2.6 Procurement of Goods and Services

Following observations are made.

- (a) According to Guideline 4.2.1 of the Procurement Manual, a detailed procurement plan had not been prepared.
- (b) Although according to Guideline 4.2.1 (b) of the Procurement Guide lines, the Procurement activities envisaged at least for a period of three years should be listed in the Master Procurement Plan, the University had listed the procurement activities only for the year under review.
- (c) Target dates of completion for the items mentioned from No. 07 to No. 13 of the Master Procurement Plan had not been indicated.
- (d) Master Procurement Plan had not been approved by the Secretary to the Ministry of Higher Education.
- (e) According to Guideline 4.2.2 of the Procurement Guidelines, a procurement time schedule should be prepared by describing in chronological order, 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.

3. Accountability and Good Governance

3.1 Corporate Plan

Although the Corporate Plan for the period 2012- 2016 had been prepared, it had not been periodically reviewed in terms of Public Enterprises circular No. PED/12 of 02 June 2003.

3.2 Annual Action Plan

An Action Plan for the years 2012-2016 had been prepared instead of for the year 2012. However, the progress on the targets indicated in the action plan had not been achieved.

3.3 Internal Audit

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

- (a) Post Audit on Capital Projects and Contract Management.
- (b) Procurement Works of the University.
- (c) Debtors and Creditors Management.
- (d) Loans and Advances.

3.4 Follow up Action on Audit Queries

Following observations are made.

- (a) The management of the University had not aware of the details and number of audit queries issued in each financial years as the certain queries had been misplaced and requested a copy again after considerable period of time.
- (b) Even though the copies of the audit queries had been forwarded to the University Grants Commission, the Vice Chancellor of the University had not forwarded the copies of the replies to those audit queries to the University Grants Commission.

- (c) Details of the unanswered audit queries are given below.

Year	Number of Un answered Audit Queries	Duration of delay (months)
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2011	01	16
2012	04	02 - 09

3.5 **Tabling of Annual Report**

Annual Report for the year 2011 had not been tabled in Parliament even up to 20 October 2013 in terms of Section 6.5.3 of the Public Enterprises Circular No PED/12 of 02 June 2003.

3.6 **Budgetary Control**

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

4. **Systems and controls**

Deficiencies observed in systems and controls during the course of audit were brought to the notice of the Vice- Chancellor of the University 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) Delays in Projects
- (f) Receivables and Payables
- (g) Procurements
- (h) Human Resources Management
- (i) Budget