

## **University of Jaffna - 2014**

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The audit of financial statements of the University of Jaffna for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 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 Sub-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.

### **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 the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers 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 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 Qualified 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 2014 and its financial performance and cash flows for the year then ended in accordance with 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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**SLPSAS 7- Property, Plant and Equipment;** Fixed assets such as cloaks and medals at a total cost of 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 accounts in terms of provision in the Standard.

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

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The following accounting deficiencies were observed in audit.

- (a) The store items received during the year 2013 and 2014 valued at Rs.250,114 had not been brought to accounts.
- (b) The land marking of the Engineering Faculty at Kilinochchy had been completed at a cost of Rs 3,332,634 by the Department of Surveyor General during the year 2013. Nevertheless, this expenditure had not been brought to accounts due to non settlement of advance paid to the Department of Surveyor General.
- (c) Five electricity supply works to the value of Rs.4,884,597 had been completed and handed over to the University during the year 2013, However, it had not been capitalized due to non submission of works completion certificate by the Ceylon Electricity Board even up to 31 July 2015.
- (d) Although building construction works to the value of Rs.520,957,509 had been completed during the year 2014, It had been shown as Rs.402,939,785 in the statement of financial position for the year under review. As a result, the value of property, plant and equipment had been understated by Rs.118,017,724.
- (e) An advance of Rs. 9,816,163 paid to then Provincial Council of the North and East in several years ago had not been brought to the financial statements. Further, the date of advance made to the respective Provincial Council had not been furnished to audit even called for.

### **2.2.3 Suspense Account**

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A balance of Rs.288,204 had been shown in the suspense account since 2012 without being cleared. Even though this matter had been reported in the previous years audit reports since 2012, no meaningful action had been taken by the relevant authorities in this regard. This matter was also discussed at the COPE meeting held on 22 August 2014 and the Vice Chancellor had agreed to short out the matter with the approval of the Council.

### **2.2.4 Accounts Receivable and Payable**

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The following observations are made.

- (a) No action had been taken either to recover or write-off the outstanding receivable balances amounting to Rs. 454,810 which remained unrecovered for more than six years. In this connection the provision for doubtful debt had not been made in the financial statements.
- (b) Payables amounting to Rs. 2,807,386 included in the outstanding balances had remained unsettled for more than seven years.
- (c) Nine advances aggregating Rs.842,824 paid to the Provincial Department of Road Development during the period from 1986 to 2004 had not been settled up to the date of this report.
- (d) Unpaid examination claim amounting to Rs.97,655 had been kept in the deposit accounts for over 10 years without paying those claims to the relevant parties concerned.
- (e) Staff loan balance of Rs. 1,857,491 had been outstanding for more than 7 years without being taken prompt action to recover the dues.
- (f) Advance of Rs. 1,676,432 paid in respect of construction of semi permanent lecture hall -01 for the Faculty of Applied Science had not been settled by the Provincial Department of Buildings.
- (g) No action had been taken on unsettled advance of Rs. 1,121,194 paid to an officer in 2006 for purchase of grocery items and stationeries.
- (h) Advances aggregating Rs. 37,171,324 made during the period of 2001-2013 for various construction works such as construction of Arts Building Block, Ramanathan Academy Fine Arts, Agriculture Natural Science Unit, and Auditorium for Medical Faculty, Structure of the Faculty of Arts (Kailasapathy Auditorium), Faculty of Business Studies, and Stage III of the Vavuniya Campus had not been settled even up to 31 July 2015.
- (i) Advances paid to various suppliers aggregating Rs. 13,639,960 during the period from 2010 to 2014 for the supplies of books and periodicals had not been settled.

- (j) Advances aggregating Rs. 22,411,763 made for various purposes to the various institutions such as security Head Quarters, Kilinochchi, National Centre for Advanced Studies, Research Grant, Master of Education, Maintenance, Sundry Expenses, Supply Advances, North East Provincial Council, United Nation Development Programme, National Agriculture Research Plan A/C, Research Grant (National Thematic Research Programme), Exhibition, Project on Women Empowerment and Stationery had not been recovered even up to 31 July 2015. Further, out of this amount, a sum of Rs.104,050 had not been recovered for more than 10 Years.

#### **2.2.5 Lack of Evidence for Audit**

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The reliability and the accuracy of the items such as donations, losses sustained due to accidents of vehicles, damages, decisions of the Faculty Boards, payment of research allowances, conduct of the academic programmes, hostel rent income and unsettled advances to the value of Rs. 69,522,188 could not be confirmed in audit due to non-submission of following evidence.

- Detailed schedules on donations received from foreign countries/ embassies.
- Minutes of the University Senate.
- Accident / loss reports.
- Details of academic programmes.
- Details of research completed by the academic staff.
- Hostel rent register.
- Register of unsettled advances.

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

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

<b>Reference to Laws, Rules and Regulations</b>	<b>Non compliance</b>
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<p>(a) <b>Establishment Code for the University Grants Commission and Higher Educational Institutions</b></p>	
<p>(i) Section 11.1 of Chapter XXII</p>	<p>The action on disciplinary proceeding and issue of charge sheets to the persons responsible for the forged payments of Rs.1,572,450 had not been initiated even after lapse of one year and eight months.</p>
<p>(ii) Section 2, 3 and 4 of Chapter XXVI</p>	<p>The stock of publications and library books had not been verified annually.</p>
<p>(iii) Section 3.1 of Chapter XXVII</p>	<p>Even though a direction had been given by the COPE to follow the rules and regulations on the arrival and departure of academic staff of the University and the</p>

Vavuniya Campus, the arrivals and departure had not been recorded in attendance register.

**(b) Financial Regulations the Government of the Democratic Socialist Republic of Sri Lanka.**

- (i) Financial Regulation 135 (4) Annual detail updated schedules of delegation of functions by the Accounting Officers had not been made available for audit.
- (ii) Financial Regulation 136 (6) Authorized person's records had not been compared and reconciled at least once a month with those of the Certifying Officer.
- (iii) Financial Regulation 140 (3) The Bursar had failed to search any facts within his special knowledge and duly taken into account before making the payment with regard to six forged payment vouchers aggregating Rs.1,572,450.
- (iv) Financial Regulation 272(3) 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.
- (v) Financial Regulation 1645 Officer in charge for 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 reports were submitted. Daily running charts were rendered to audit only for the month of May 2015.

**(c) Circular Provisions**

- University Grants
- (i) Commission's Circular No.63 of 25 February 1980. A report showing the differences between the budgeted and actual income and expenditure and the reasons for the 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 followed in respect of 17 vehicles belonging to the University.

**3 Financial 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. 124,793,315 as compared with the corresponding deficit of Rs. 119,128,668 for the preceding year, thus indicating a further deterioration of Rs. 5,664,647 in the financial results. The increase of maintenance expenses by Rs. 4,498,658 was the main reason attributed for this deterioration.

**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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According to the Universities' Grants Commission's Circular No.636 of 14 July 1995, results should be released within three months after the examinations. However, 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 04 months to 15 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 2013 and 2014. Thereby, the students had been deprived to get their employment opportunities in time. Although this matter was pointed out in my previous year audit reports too, meaningful action had not been taken by the relevant authorities to release the result in accordance with the provisions in the above Circular.

**(b) Cost per Student**

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The total numbers of students registered at the University, the total expenditure incurred during the year under review and in the previous year are given below.

Faculties	2014			2013		
	Total cost	Total number of student	Cost per student	Total cost	Total number of student	Cost per student
	Rs.		Rs.	Rs.		Rs.
Arts	308,724,672	3,137	98,414	266,922,273	2,917	91,506
Agriculture	85,478,313	295	289,757	69,307,096	198	350,036
Engineering	24,980,617	100	249,806	3,897,490	208	18,738
Medicine	173,276,479	830	208,767	141,471,824	498	284,080
Management Studies & Commerce	74,631,840	1,484	50,291	59,832,990	894	66,927
Science	214,633,877	1,213	176,945	185,859,387	662	280,754
Applied Science Vavuniya Campus	61,068,982	678	90,072	50,672,015	214	236,785
Business Studies - Vavuniya Campus	45,845,882	571	80,290	37,184,657	132	281,702
<b>Total</b>	<b>988,640,662</b>	<b>8,308</b>		<b>815,147,732</b>	<b>5,723</b>	

The highest cost per student amounting to Rs.289,757 was reported at the Faculty of Agriculture whilst lower cost per student amounting to Rs. 50,291 was reported at the Faculty of Management Studies and Commerce during the year under review.

**(c) Mahapola**

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A sum of Rs. 38,114,100 had been paid as “Mahapola” to the students during the year under review. However, a sum of Rs. 1,155,150 had not been paid to students and this money was refunded to Mahapola Higher Education Scholarship Fund due to lack of timely communication with the students.

**4.2 Operating Inefficiencies**

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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. 5,683,904 or 29 per cent when compared with the charges for the preceding year due to outgoing calls being made through the intercom lines and no control being exercised on the outgoing telephone calls.
- (b) Although the University had own a guest house at Jaffna, the officers visiting the University are provided the accommodation facilities at private hotels due to the occupation of the guest house by the University Registrar without paying rent since April 2009. In this connection a sum of Rs. 735,809 had been paid during the year under review by the University to provide accommodation facilities to the officers visiting to the University.

**4.3 Management Inefficiencies**

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The following observations are made.

- (a) Eighty six Lecturers of the University who went on scholarship had not reported for duty or left from the University after completion of the scholarships. However, the University had not taken action to recover sums aggregating Rs 73,740,389 as at 31 December 2014 from those lecturers for breached of agreements and also bond agreements amounting to Rs 9,786,272 due from four officers for breached of bond agreement in Vavuniya Campus had not been recovered even up to 24 November 2015.
- (b) Twenty paid vouchers aggregating Rs. 1,572,450 had been forged as payment had been made without receiving the Library books and periodicals. In this connection, the University had not taken action to recover the payment from the parties responsible.
- (c) Advances aggregating Rs. 1,545,255 had been paid to the Department of Building (Central) for various purposes in different years. However, the Department of Building had not commenced the work and the advance amount had been credited to the Government revenue account by the Department of Building instead of being refunded to the University. In this connection, the University had not taken any action to recover the amount paid to the Department Building.



- (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. As per contract agreement, the works should have been completed on or before 31 May 2014. However, the works had not been completed up to 31 July 2015 even after lapse of 01 year and 2 months.
- (e) A sum of Rs.799,228 had been paid for purchase of instruments of Gymnasium by the Vavuniya Campus of the University of Jaffna. At a physical verification carried out on 18 August 2015 it was revealed that the above items had not been properly maintained and the records of students utilizing the machineries were not made available.
- (f) Eighty foxtail trees were purchased for Rs. 398,000 and planted in the entrance of the Faculty of Business Studies, Pampaimadu. At the physical verification carried out on 07 August 2015 it was revealed that the eight trees were fully damaged due to improper maintenance.
- (g) A sum of Rs. 4,266,737 had been paid as advance during the year under review to the Security Head Quarters, Kilinochchi in two occasions for landscaping at the Faculty of Agriculture. However, no evidence was made available to prove that the works relating to landscaping had been completed. In this connection no action had been taken to recover the advance paid.
- (h) A sum of Rs.8,110.136 received from the various sources to implement different types of project had not been fully utilized for the intended purposes and shown in the financial statements as unspent balances since more than 10 years.
- (i) A proper mechanism for supervision and control over advances had not been introduced by the University, and advances were paid to the various officers without making assessment of actual requirements of payment. Further, considerable period of delays were observed in settlement of advances by the Officers and advances were paid without considering the settlement of previous advances obtained for various purposes.

#### **4.4 Library Administration**

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The following observations are made.

- a) Seventy nine books had not been returned within the stipulated period by thirty one academic, administration and non academic staff 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 a periods ranging from 2010 to 2015 years or to impose a fine for the delays.
- b) The University had not been taken action on 724 books, magazine and journals valued at Rs.2,337,908 which were not received by the University from the suppliers since 2006

#### **4.5 Identified Losses**

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The following observations are made.

- (a) The books and periodicals purchased during the period from 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 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.
- (b) A laptop at a cost of Rs.110,000 had been lost at the residence of Head Community and Family Medicine during the year 2013. In this connection no action had been taken by the University to conduct preliminary inquiries in terms of Financial Regulation No.104 and recover the loss from the Officer concerned.
- (c) Another Laptop to the value of Rs.104,220 had been lost by the Coordinator Nursing Unit. In this connection responsibility of loss were fixed by the University based on the Council decision and it was decided to recover the full replacement cost of Rs.115,800 from the Officer concerned. However, the loss had not been recovered from the Officer up to 02 September 2015 even after the lapse of two years.
- (d) Action had not been taken in respect of 821 shortages and losses reported by the Board of Survey reports for the year 2014 in term of Financial Regulation 756.

#### **4.6 Human Resources Management**

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The following observations are made in this connection.

- (a) The University had not taken action to fill 395 vacancies even by 31 December 2014.
- (b) There were 136 vacancies in key academic post such as post of Professors, Associate Professors in seven Faculties of the University. However, the University had not taken action to fill these vacancies.
- (c) Confirmation of the educational qualification of 1,241 officers appointed by the University had not been carried out for several years in terms of Section 21 of Chapter III of the Establishment Code for the University Grants Commission and Higher Educational Institutions.
- (d) Even though academic activities of the Faculties of Engineering and Agriculture and other Departments and Units were expanded during the last two years, no action had been taken to increase the cadre.
- (e) Action had not been taken to appoint the post of Bursar, Deputy Bursar, Senior Assistant Bursar, and Assistant Bursar and Deputy Internal Auditor. Further, thirty

Trainee Management Assistants were covering up the duties of the permanent posts of the non academic staff of University.

#### **4.7 Contract Administration**

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Fifteen items of work relating to the construction of staff quarters at Ariviyal Nagar, Kilinochchi to the value of Rs. 602,262 had not been executed by the contractor. Subsequently these works had been executed by another contractor during the year 2014 without adopting proper procurement procedure.

#### **4.8 Matters in Contentious Nature**

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The following observations are made.

- (i) Attendance register for the academic staff had not been maintained for a long period. Therefore, the accuracy of the leave taken by the officer and salaries paid to the staff for the year under review could not be satisfactorily vouched in audit. In this connection Committee on Public Enterprise held on 22 August 2014 had directed that all staff attached to the University should follow the rules and regulations and also directed the Chief Accounting Officer / Accounting Officer to draw red line at the correct time in the attendance register and act accordingly. However, this direction was not adopted by the University up to the date of audit on 02 September 2015.
- (ii) Twelve finger print scanners valued at Rs. 779,520 purchased during the year 2011 had not been effectively installed in all Units of the University in terms of Establishments Circular No. 02/2010 dated 15 February 2010 issued by the University Grants Commission.

#### **4.9 Irregular Transactions**

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Value Added Tax (VAT) aggregating Rs.1,255,459 had been paid by the University for the construction works without examining the validity of VAT registration number and VAT invoice at the time of the payments were made. Subsequently it was found that VAT number indicated by the contractors were inactive.

#### **4.10 Non-adhering with Procurement Procedures**

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A sum of Rs.946,750,914 had been paid for the procurement of office furniture and equipment, books and periodicals, cloaks, telephone exchanges and stationeries during the year under review in this regard the following observations are made.

- (a) According to Section 4.2.1 of the Procurement Manual, a Detailed Procurement Plan had not been prepared.
- (b) According to Section 4.2.1 (b) of the Procurement Guidelines, the Procurement activities envisaged at least for a period of three years should be listed in the Master

Procurement Plan. However, 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 Section 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.

#### **4.11 Assets Management**

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The following observations are made.

- (i) Two vehicles had remained idle at the University since 2006. However, no meaningful action had been taken to utilize those vehicles for the intended purpose of the University.
- (ii) Consumable and maintenance items such as candles, computer paper, and typing sheet aggregating Rs. 264,879 had remained unutilized for a period ranging from 01 to 15 years and kept in the stores of the University.
- (iii) The computers and accessories valued at Rs 12,861,777 had not been used for the intended purpose and remained idle at Vavuniya Campus.
- (iv) Vavuniya Campus had been procured 100 computers and accessories at a cost of Rs.12,113,912 during the year under review even though 50 computers already procured at a cost of Rs. 4,308,000 during the year 2013 which were allowed to idle at IT Centre over one year.

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

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#### **5.1 Tabling of Annual Report**

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Annual Reports for the year 2013 had not been tabled in Parliament even up to 31 July 2015 in terms of Section 6.5.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

## **5.2 Internal Audit**

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According to 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) Audit on Capital Projects and Contract Management.
- (b) Unsettled Advances.
- (c) Vehicle Accidents.
- (d) Losses.

## **5.3 Procurement Plan**

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A Procurement Plan had not been prepared for the year under review in terms of Section 4.2 of the Procurement Guidelines - 2006.

## **5.4 Follow up Action on Audit Queries**

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The University had not taken action to answer 04 audit queries issued during the years from 2011 to 2014.

## **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
- (i) Monthly Advance Programme and Dairies