

University of Jaffna - 2015

The audit of financial statements of the University of Jaffna for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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

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

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 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

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

2 Financial Statements

2.1 Qualified Opinion

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 2015 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.

2.2.1 Compliance with Sri Lanka Public Sector Accounting Standards (SLPSAS)

SLPSAS 7- Property, Plant and Equipment:- The fully depreciated assets procured by the University at a cost of Rs. 4,633,615 during the previous years are being used by the University without reviewing the useful life of them and accounted the changes in term of Section 65 of this Standard.

2.2.2 Accounting Deficiencies.

The following accounting deficiencies were observed in audit.

- (a) Store items to the value of Rs. 28,300 received during the year 2014 had not been brought to the financial statements even up to the year under review.
- (b) A sum of Rs.5,025,466 paid to the Consultant for the building constructed at the Faculty of Agriculture had been erroneously shown as consultancy service instead of being charged to the building account in the financial statements.

2.2.3 Suspense Account

A balance of Rs. 333,885 had been shown in the Suspense Account since 2012 without being taken action to clear the balance. Even though the Vice Chancellor had agreed to shorted out this matter very shortly with the approval of the Council at the COPE meeting held on 22 August 2014, no meaningful action had been taken by the relevant authorities in this regard even up to 30 September 2016.

2.2.4 Accounts Receivable and Payable

The following observations are made.

- (a) No action had been taken to recover or write-off the receivable balances of Rs.84,240 remained outstanding for more than seven years and also the provision for doubtful debt had not been made in the financial statements.
- (b) Advances amounting to Rs. 981,957 had been included in the outstanding balances for the period of more than seven years and action had not yet been taken to recover these advances.

- (c) Advances aggregating Rs.41,157,244 made for various project works such as constructions of dug well pump house water tank, auditorium for the Faculty of Medicine and, modification of entrance structure to the Faculty of Arts (Kailasapathy Auditorium), Faculty of Applied Science Stage III of Vavuniya Campus, Faculty of Business Studies, construction of canteen of the Vavuniya Campus and multi sports complex in Vavuniya had not been settled by the Department of Building since 2015.
- (d) Advances aggregating Rs. 5,830,953 paid during the period from 2010 to 2015 for supplies of books and periodicals and various purposes had not been settled even up to 31 July 2016.
- (e) Various advances totalled to Rs.735,501 had been made in twenty two instances to the Department of Building during the period from 1999 to 2015 for the rehabilitation works. Even though the works had been completed, these advances had not been settled by the Department of Building to the University up to September 2016.

2.2.5 Lack of Evidence for Audit

The following items in the accounts such as donations received, losses and damages sustained due to vehicle accidents and damages incurred, research allowances, hostel rent income and unsettled advances could not be satisfactorily vouched or accepted in audit due to non-rendition of evidence given below.

- Detailed schedules on donations received from foreign countries/ embassies
- Meetings minutes of the University Senate, Finance Committee, Faculties and Library.
- Details of academic programs
- Details of researches completed by the academic staff

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

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

Reference to Laws, Rules and Regulations and Management Decisions	Non-compliance
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(a) Establishment Code for the University Grants Commission and Higher Educational Institutions -----	
(i) Section 4:3 of Chapter IX	Although a separate register should be maintained to record the times relatives to overtime, such a register had not been maintained by the Vavuniya Campus.

(ii) Section 20.6 of Chapter-X	All no pay leave had not been reported monthly to the Auditor General in Form General-96
(iii) Section 11.1 of Chapter- XXII	Action on disciplinary proceeding and issue of charge sheets to the person responsible for forged payments of Rs.1,572,450 had not been completed even lapse of two years and eight months. In this connection, the Vice Chancellor stated that the financial authority to recover loss from relevant officer is rest with the Secretary to the Ministry of Higher Education.
(iv) Section 2, 3 and 4 Chapter of XXVI	Annual Board of Survey should be conducted in respect of all goods and fixed assets belonging to the Higher Educational Institutions. However, the library books valued at Rs.26,388,415 had not been verified in the year under review and the relevant report had not been presented.
(v) Section 3.1 of Chapter XXVII	Even though the direction had been given by the COPE to the Chief Accounting Officer and Accounting Officer to draw the red line on correct time in the attendance register, the Direction had not been complied with.
(b) Treasury Circulars -----	
No. IAI/2002/02 dated 28 November 2002	A fixed assets register had not been maintained in respect of computers and computer accessories of the University.
(c) University Grants Commission Circulars -----	
(i) No. 02/2004 dated 24 April 2014	A sum of Rs. 560,000 had been paid to the Council members to attend the meetings without deducting PAYE tax during the year under review.
(ii) No. 02/2010 of 15 February 2010	A sum of Rs. 62,219,455 had been paid to 138 academic and non-academic staff of the Vavuniya Campus during the year under review without confirming their times of arrival and departure through finger scanners.
(d) Public Administration Circulars -----	
(i) No. 41/90 of 10 October 1990	The fuel consumption of vehicles should be tested at least once in six months. However, this procedure had not been carried out in respect of 17 vehicles attached to the University.

(ii) No.11/2015 of 20 May 2015

University staff members had been attended to office without proper dress code.

(e) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka

(i) 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.

(ii) Financial Regulation 140 (3)

The Bursar had failed to search any facts within his special knowledge and duly taken action before payment is made with regard to six forged payment vouchers aggregating Rs.1,572,450.

(iii) Financial Regulation 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.

(iv) Financial Regulation 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 15th of the following month for which the report were submitted. However, daily running charts were rendered to audit only on 06 May 2016.

3 Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the University during the year under review had resulted in a deficit of Rs. 141,526,367 as compared with the corresponding deficit of Rs.124,793,315 for the preceding year, thus indicating a further deterioration of Rs.16,733,052 in the financial results. The main reasons for this deterioration were increase of personal emoluments, maintenance expenses, contractual services and other operating expenses.

Even though the operations of the University during the year under review had resulted in a deficit of Rs. 141,526,367, the contribution of the University to the Country during the year under review was Rs.1,645,286,670. Hence, the value addition at the end of the year under review was Rs.1,503,760,303. The details of the value addition at the end of the year under review and previous four years are shown below.

Description	2015 Rs.	2014 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
Deficit for the year	(141,526,367)	(124,793,315)	(119,128,668)	(100,783,982)	(60,290,341)
Add:					
Personnel Emoluments	1,379,464,219	1,054,344,200	885,523,611	724,336,180	637,669,183
Taxes Paid to the Government					
- Customs Duty	132,569	220,641	437,504	46,704	-
- Value Added Taxes (VAT)	68,249,939	59,818,383	25,818,383	10,940,557	2,923,767
- Ports Authority Levy (PAL)	-	396,526	673,318	192,121	-
- Rate & Taxes	1,624,121	1,663,868	1,189,326	905,219	844,689
Depreciation	195,815,822	156,616,277	115,530,639	93,580,287	67,246,092
Total Contribution	1,645,286,670	1,273,059,895	1,029,172,781	830,001,068	708,683,731
Value Addition	1,503,760,303	1,148,266,580	910,044,113	729,217,086	648,393,390

Increase of personal emoluments and depreciation during the year under review by Rs.325,120,019 and Rs. 39,199,545 respectively were the main reasons attributed for the improvement of Rs. 355,493,723 in the value addition for the year under review.

4 Operating Review

4.1 Performance

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

(a) Results of Examinations

According to the University Grants Commission Circular No. 636 of 14 July 1995, results of the examinations should be released within three months after the examination held. Nevertheless, 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 07 months by the Faculties of Agriculture, Arts, Management Studies and Commerce, Science and External Examinations Unit of the University during the years 2014 and 2015. Thereby, the students had been deprived to get their employment opportunities in time. Even this matter was pointed out in my previous year audit reports; no meaningful action had been taken by the relevant authorities to release the results in terms of provisions in the above Circular.

(b) Cost per Student

Total number of students registered at the University and the cost per student for the year under review and in previous three years is shown below.

	2015	2014	2013	2012
Total cost (Rs.)	1,258,378,949	988,640,662	815,147,732	644,212,414
Total number of students	8,307	8,308	5,723	5,896
Cost per student (Rs.)	151,484	118,999	142,433	109,262

The cost per student of the University had increased by Rs.32,485 or 27.29 per cent during the year under review as compared with previous year even though the total number of students at the University are almost equal in these two years.

(c) Payments of Research Grants and Research Allowances

Research grants and research allowances amounting to Rs.8,895,019 and Rs. 62,845,674 respectively had been paid during the year under review. In this connection the following observations were made.

- i). Grants released to the officers were not submitted the research reports within the stipulated time period.
- ii). Work plans and schedules for submission of research reports had not been given by the officers.
- iii). The research grants had not been utilized in stipulated period by the Researchers.
- iv). No monitoring system on research allowances had been implemented.

4.2 Operating Weaknesses

The following observations are made.

- a) The University had own a guest house at Jaffna which is under repairing. However, without taking meaningful actions to complete the repair works of the guest house, the University had incurred a sum of Rs.754,327 during the year under review to provide accommodation facilities to the officers visited to the University.
- b) 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. 5,098,617 or 20 per cent when compared with the charges for the preceding year due to outgoing facilities had also been given through the intercom lines simultaneously as no control exercised on the outgoing telephone.

4.3 Management Weaknesses

The following observations are made.

- (a) Eighty one 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 the bond aggregating Rs. 82,840,601 as at 31 December 2014 from 86 lecturers for breached of agreements.
- (b) A contract agreement had been entered on 18 November 2013 for the preparation of Fixed Assets Register of the University which had been outsourced at a cost of Rs.3,150,000. However, the contract works had not been completed up to 30 September 2016. Even though the contract should have been completed before 31 July 2016, completion period were revised 04 times due to changes of scope and cost variation.
- (c) A sum of Rs. 31,440,494 received from the various sources to implement different types of projects had not been fully utilized for the intended purposes and shown in the financial statements as unspent balances since more than 10 years without transferred the money to other development projects.
- (d) Unspent balances of Rs. 4,360,233 earned from self-financing courses had not been transferred to proper account and utilized for the development activities of the University.
- (e) A sum of Rs.163,653 paid to the Ceylon Electricity Board during the year 2004 had not been settled to the University even up to 30 September 2016. In this connection no action had been taken to recover the advance from the Ceylon Electricity Board.
- (f) A proper supervision and control over advances had not been adopted by the University and advances were paid to the various officers without making assessments to the maximum limit of payments. Further, considerable period of delays were observed in settlement of those advances by the officers.
- (g) Vehicles belonging to the University had met with accidents in several occasions due to drivers were not allowed to take rest after the completion of long journeys. Even though this matter was informed by the drivers to the Vice Chancellor, no action had been taken by the University in this regard.
- (h) The University Provident Fund of Rs. 1,244,382 had not been paid to the officers of the University in several years. In this regard no meaningful action had been taken by the management to refund the officer's Provident Fund.
- (i) A loss of Rs.4,915,577 had incurred during under review in conducting Self-finance courses on Diploma in Physical Education, Diploma in Journalism, Master of Business Administration, M.A in Tamil, M.A in Saiva Siddhenta, M.Sc in Environment Management, M.Sc in Health Management, Post Graduate in Teaching English as

Second Language. In this connection the University had not taken any action to earn money to cover at least cost of each course conducted.

4.4 Library Administration

The following observations are made.

- (a) Thirty one books had not been returned within stipulated time period by seventeen academic staff and students who had obtained books from the Library. In this regard no proper action had been taken to get back those books. The books which were outstanding for periods more than one year due to non-imposing fine for delay by the University.
- (b) Values of periodicals Rs. 136,535 and US\$ 15,102 purchased had not been received in 2015 due to poor control over supply of periodicals within the stipulated period. In this regard no proper action had been taken on non-supply of periodicals within specified time period.

4.5 Identified Losses

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, these payments had been transferred to loss on books and periodicals suspense account by a journal entry and the internal and external inquiries were in progress.
- (b) A laptop computer 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 and based on the Council decision 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 even up to 30 September 2016.
- (c) Two personal computers worth Rs.140,000 which were kept in the digital learning archives of the Department of Music have been stolen on 28 April 2014. Two officers were nominated by the Vice Chancellor to conduct preliminary investigation on this matter. However, no action had been taken by the responsible officers to conduct preliminary inquiry in terms of Financial Regulation 104.
- (d) A multimedia projector valued at Rs 98,700 belonging to the Dean's office issued under the provision of University grant to the Faculty of Agriculture was disappeared from second year Lecturer Hall by 13 February 2015. In this regard the Dean / Agriculture had failed to report within one month regarding the loss in terms of Financial Regulation 103. Even though the officers had appointed by the Council for preliminary investigation on 08 August 2015. No meaningful action had been taken by the University to recover the loss until 30 September 2016.

- (e) Loss of a multimedia projector took place on 07 August 2015 at Faculty of Science. In this regard no action had been taken by the University to recover the loss.
- (f) Even though a bicycle belonging to Dean Office, Faculty of Medicine was lost on 04 November 2014 at the bicycle park, a meaningful action had not been taken by the University in term of Financial Regulation 103 and 105.

4.6 Human Resources Management

The following observations are made.

- (a) The University had not been taken action to fill 148 vacancies existed by 31 December 2015.
- (b) There were 117 vacancies in key academic post such as post of professor, associate professor in seven Faculties of the University. However, the university had not taken action to fill these vacancies.
- (c) Confirmations of the educational qualifications of 683 staff members appointed by the University had not been obtained from the respective organizations for several years in terms of Section 21 of Chapter III of the Establishment Code for the Universities and Higher Education Institutions.
- (d) Thirty Trainee Management Assistants were deployed in the duties of permanent cadre of the non academic staff of the University. However, action had not been taken to appoint the permanent post of non-academic staff.

4.7 Conduct of Boards of Survey

The following observations are made.

- (a) Shortages of 131 items such as bicycles, UPS, and lecture hall chairs and revolving chairs and excesses in 60 items such as macro waves, reading tables, UPS, computers and computer chairs reported by the Board of Survey for the year 2014. However, no action had been taken thereon as reported by Board of Survey in terms of Financial Regulation No. 756.
- (b) Fifty chairs to the value of Rs.257,600 purchased by the University with low quality for the use of the computer Unit, Faculty of Engineering which are in unusable condition. Nevertheless, the Board of Survey had failed to report those items in their report. Further, the University had not taken any action to replace the unusable chairs.

4.8 Matters in Contentious Nature

The following observations are made.

- (a) All staff should be entered their arrivals and departures in the finger print scanner However, the officers had refused to entered their arrivals and departures in the

finger print scanner. 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 act accordingly. However, this direction was not adopted by the University up to now.

- (b) The University had failed to follow procedure in terms of Chapter- X of the Establishment Code for the Universities and Higher Education Institutions with regard to leaves as most of the leaves taken by the officers had not been authorized by the responsible officers. Further, the officers were taken leave without suitable acting arrangements and as such urgent works had not been carried out by other staff.
- (c) 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 Compliance with Procurement Procedures

A sum of Rs. 921,180,776 had been paid for the procurement of office furniture and equipment, buildings, 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.

4.10 Assets Management

4.10.1 Idle Assets

Consumable and maintenance items such as candles, catalogue cards and ink cartridge to the value of Rs. 361,850 had remained unutilized for a period ranging from 01 to 15 years and kept in the stores of the University. In this regard no action had been taken to utilize them.

4.10.2 Management of Vehicles

The following observations were made on maintenance of vehicles.

- Fuel order number, dates and numbers of fuel bills had not been indicated in the running charts of vehicles.
- Purpose of the trips had not been indicated in the running charts of the vehicle.
- Log books of the vehicles were not properly updated.
- Officers had failed to sign in the running charts after using vehicles for 4260 km travelling.
- Vehicles movement register is not maintained.

5 Accountability and Good Governance

5.1 Tabling of Annual Reports

Annual Reports for the year 2013 and 2014 had not been tabled in Parliament even up to 30 September 2016 in terms of Section 6.5.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

5.2 Action Plan

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

5.3 Internal Audit

The following areas of transactions had not been covered by the Internal Audit Program prepared for the year under review by the Internal Audit Unit.

- (a) Vehicle Accidents
- (b) Loss of Assets
- (c) Documents contained in the Personnel Files

5.4 Un Answered Audit Queries

The University had not taken action to answer 11 audit queries issued from the year 2011 to 2015.

5.5 Budgetary Control

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

Deficiencies observed in systems and controls during the course of audit were brought to the notice of the Vice Chancellor of University from time to time. Special attention is needed in respect of control over fixed assets.