

University of Jaffna – 2016

The audit of financial statements of the University of Jaffna (“the University”) for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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.

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 judgment, 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.

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

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 2016 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 Comply with Sri Lanka Public Sector Accounting Standards (SLPSAS)

SLPSAS – 7 Property, Plant and Equipment: - The fully depreciated assets costing Rs.1,123,900,383 were procured during the previous years are being used continuously by the University without taking action to review the residual value and useful life of such assets, and accounted for accordingly in terms of Section 65 of Standard.

2.2.2 Accounting Deficiencies.

A balance in a suspense account amounting to Rs. 333,885 had been brought forwarded to the accounts since 2012 without being taken action to clear this balance. This matter was pointed out in my previous years audit reports and also it had been discussed at the COPE meeting held on 22 August 2014. Accordingly, the Vice Chancellor had agreed to short out this matter in near future with the approval of the Council. However, no meaningful action had been taken by the relevant authorities even up to 15 August 2017.

2.2.3 Lack of Evidence for Audit

Verification reports on library books valued Rs.330,301,496 had not been submitted to audit for over 30 years.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Outstanding distress loan balance of Rs. 1,318,007 remained outstanding for over 7 years had been shown as receivables in the financial statements without being taken action to recover the dues.
- (b) The following advances aggregating Rs. 9,947,589 paid to various parties during the previous years had not been settled by them to the University even up to 31 July 2017.

<u>Name of the Party</u>	<u>Amount</u>	<u>Outstanding period</u>
	<u>Rs</u>	<u>Years</u>
Department of Building	979,575	5
Nallur Pradeshiya Sabha	204,104	3
University Grant Commission	101,000	3
Sri Lanka National Arbitration Centre	10,000	4
Assistant Registrar, Agriculture	46,050	1
Bursar, University of Peradeniya	1,713,600	1
Supplier of books and periodicals	6,893,260	6

	9,947,589	
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2.4 Non - compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Non - compliance
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(a) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka	
Financial Regulation 272(1)	All paid vouchers should be forwarded to audit monthly, not later than six weeks from the end of the month to which they relate. However, none of the paid vouchers had been forwarded to audit monthly.
Financial Regulation 756	Actions on shortages and excess of 120 and 274 items respectively reported by the Boards of Survey for the year 2016 had not been taken by the University.
(b) Circular Provisions	
Public Administration Circular No.41/90 of 10 October 1990.	The Fuel consumption of all vehicles should be tested at least once in six months. However, this procedure had not been carried out in respect of 17 vehicles belonging to the University.

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. 197,158,693 as compared with the corresponding deficit of Rs.141,526,367 for the preceding year, thus indicating a further deterioration of Rs.55,632,326 in the financial results. Significant increases in personal emoluments, maintenance expenses, contractual services and other operating expenses as compared with the previous year was the main reason attributed for this deterioration.

Even though the operations of the University during the year under review had resulted in a deficit of Rs. 197,158,693, the value addition of the University for the year under review after taking into account the personal emoluments, taxes paid to the Government and depreciation was Rs. 1,846,352,464. Further, value addition for the year under review had increased by Rs. 342,592,161 or 23 per cent as compared with previous year.

4 Operating Review

4.1 Performance

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

Results of Examinations

According to the University Grants Commission Circular No.636 of 14 July 1995, the results should be released within three months after the examinations. Nevertheless, the dates to be hold the examinations for various courses conducted under each Faculty of the University and target dates to be released the 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 12 months by the Faculties of Engineering, Agriculture, Arts, Management Studies and Commerce, Science and External Examination Unit of the University during the years 2015 and 2016. Therefore, the students had been deprived to get their employment opportunities in time. Even this matter was pointed out in my previous year audit reports, meaningful action had not been taken by the relevant authorities to release the result within three months after held the examinations.

4.2 Operating Weaknesses

4.2.1 Library Administration

Due to poor control over supply of periodicals within the stipulated period, the periodicals valued at Rs. 66,769 and Dollar 5,340 ordered in the previous years had not been received even up to 31 December 2016.

4.3 Management Weaknesses

The following observations are made.

- (a) Seventy four 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 actions to recover the bond value aggregating Rs. 71,000,000 as at 31 December 2016 from them for breached of agreements.
- (b) A contract work for the preparation of Fixed Assets Register of the University had been awarded to a private party at a cost of Rs. 3,150,000 on 01 December 2013 and this work should have been completed within the period of 90 working days. However, the work had not been completed within the stipulated contract period due to variation of cost and scope. In this regard the administration of the University had failed to handle this contract by giving proper instructions to the Contractor. Further, extension of time was allowed in 10 instances without proper evaluation and liquidity damages had not been imposed on this contract.
- (c) The University had not considered the availability of stocks and the necessity before placing new orders. As a result, items procured to the value of Rs. 207,014 had been allowed to idle.
- (d) The University had failed to provide the information to the students with regard to endowment scholarship payments. As a result endowment scholarship cheques to the value of Rs.83, 200 had not been issued to 111 students in 2016.
- (e) Considerable periods of delays were observed in settlement of advances due to weaknesses in control over advances, as advances were paid to the various officers without making proper assessments to the maximum limit of payment and period of settlement of previous advances etc.
- (f) A sum of Rs. 163, 653 paid to the Ceylon Electricity Board in 2004, had not been settled by the Ceylon Electricity Board even up to 30 August 2017. In this connection the Vice Chancellor of the University had stated that the action will be taken to waive off the advances with the approval of the Council.

4.4 Identified Losses

Action had not been taken by the University to conduct preliminary inquiry in term of Financial Regulation 104 with regard to the items worth Rs.213,000 lost in the Department of Law.

4.5 Unresolved Matters pointed out in the previous Audit Reports

- (a) All staff should be entered their arrivals and departures in the finger print scanner. However, most of the officers had refused to enter their arrivals and departures in the finger scanners. In this connection Committee of Public Enterprises held on 22 August 2014 had directed that all staff attached to the University should follow the rules and regulation and directions of the Chief Accounting Officer / Accounting Officer. However directions were not adopted by the University up to the date of this report. This matter was reported in Audit Reports since 2012.

- (b) One laptop computer valued at Rs.104,220 had been lost during the year 2012. In this connection responsibility of loss was 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 lost had not been recovered from the officer even up to the date of audit on 31 July 2017.
- (c) Two personal computers worth Rs.140,000 which were kept in the Digital Learning Archives of Department of Music have been stolen on 28 April 2014. In these connection two officers was nominated by the Vice Chancellor to conduct preliminary investigation. However, no action had been taken to conduct preliminary inquiries in terms of Financial Regulation 104.
- (d) A multimedia projector costing 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, Faculty of Agriculture had failed to report within one month regarding the loss in terms of Financial Regulation 103. Even though the investigation officers had appointed by the Council for preliminary investigation, no meaningful action had been taken by the University to recover the loss until 31 July 2017.
- (e) A Multimedia Projector had been stolen at Faculty of Science on 07August 2015. In this regard no action had been taken by the University up to the date of audit on 31 July 2017.

4.6 Human Resources Management

The following observations are made.

- (a) The University has not taken action to fill 180 vacancies in non-academic posts as at 31 December 2016.
- (b) There were 142 vacancies in key academic posts such as post of Professor, Associate Professor and Senior Lecturer in seven Faculties of the University. However, the University had not taken action to fill these vacancies. Further, it was failed to take action to fill 73 vacancies in Academic and Non-academic posts existed in Vavuniya Campus.
- (c) Thirty Trainee Management Assistants were deployed in the duties of the permanent cadre of the non-academic staff of University for more than five years in contrary to the Finance Circular No.124 of 24 October 1997 of the Ministry of Finance and Planning.

4.7 Assets Management

4.7.1 Idle Assets

The following observations were made.

- (a). A sum of Rs. 64,429,531 had been spent by the University for construction of a lecture hall in block “C” building complex for the Faculty of Management Studies and Commerce. Even though the construction works were completed on 31 May 2015 and handed over to the University on 23 July 2015, the portion of the building is being allowed to be idled without utilize for the intended purposes.
- (b). Idle, unusable and slow moving items kept in the store I and II of the University valued at Rs. 234,975, Rs.1,320,659 and Rs.325,409 respectively had remained unutilized for a period ranging from 02 to 18 years. In this regard no action had been taken to utilize them.

4.8 Compliance with Procurement Procedures

A sum of Rs.1,118,964,032 had been spent for the procurement of office furniture & equipment, buildings, books & periodicals, cloaks, telephone exchange 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 Guideline 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 line Ministry.
- (e) As per Guideline 4.2.2 of the Procurement Guidelines, a procurement time schedule should be prepared by describing in chronological order, steps for 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.

5. **Accountability and Good Governance**

5.1 **Action Plan**

The University had not prepared an Annual Action Plan for the year under review in terms of provisions in the Circular Letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance.

5.2 **Follow up Action on Audit Queries**

The University had not taken action to answer to 4 audit queries issued during the year 2016.

6 **Systems and Controls**

Deficiencies observed in systems and controls 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.

<u>Control Area</u>	<u>Observation</u>
(a) Assets Management	Proper action had not been taken on items lost.
(b) Library Administration	Board of Survey had not been done on library books for more than 30 years.
(c) Stores Administration	No meaningful action had been taken by the management to maintain store items systematically
(d) Contract Administration	Hostel I and II had been constructed at a cost of Rs.196,427,614 and handed over to University with many defects. Construction works had delayed for a period ranging 100 days to 400 days. In this connection extension of time were allowed without proper evaluation for delay in completion
(e) Receivables and Payables	Delay in action to recover or settle the dues
(f) Human Resources Management	The University had not taken action to fill the existing vacancies in academic and non-academic cadre
(g) Control over Advances	Proper supervision and control over advances had not been adopted by the University
(h) Vehicle Fleet Management	Purpose of the trips, fuel order number, dates and numbers of fuel bills had not been indicated in the running charts of vehicle