

## **University of Jaffna – 2017**

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The audit of financial statements of the University of Jaffna (“the University”) for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of changes in net assets and statement of cash flows 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. A Detailed report in terms of Sub-section 108(II) of the Universities Act issued to the Vice Chancellor of the University on 17 September 2018.

### **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 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. Section 111 of the Universities Act, No. 16 of 1978 give discretionary powers to the Auditor General to determine the scope extend of the audit.

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

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

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

### **2 Financial Statements**

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#### **2.1 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 2017 and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards.

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

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##### **2.2.1 Accounting Deficiencies.**

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The following observations are made.

- (a) Rent amounting to Rs. 225,000 paid to the building owner had been erroneously charged to Rental Deposit Account instead of being debited to the rental account. As a result, the expenditure for the year and Rental Deposit Account as at 31 December 2017 had been understated by similar amount.
- (b) A debit balance of Rs. 184,853 was shown in an income account of self-financing courses since 2013. However, no action had been taken to clear this account even up to the end of the year under review.
- (c) The power supply works to the value of Rs.22,245,263 completed during the period of 2015 to 2017 had not been brought to the accounts. Therefore, provision for depreciation amounting to Rs.1,700,000 thereon had been made in the accounts.

##### **2.2.2 Accounts Receivable and Payable**

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The following observations are made.

- (a) Ten refundable deposits aggregating Rs. 629,750 had been retained in the General Deposit Account without being taken action to clear this account for more than eight years.
- (b) Five payables aggregating Rs. 534,808 had been shown under Sundry Creditors for more than eight years without being taken fruitful actions to settle these balances even up to 30 September 2018.

- (c) Outstanding staff loan balances aggregating Rs.948,005 had remained in the accounts for over 5 years without being recovered.
- (d) Advances aggregating Rs. 443,485 given to 05 parties for various purposes had not been settled by them between the periods ranging from 1 to 5 years.

### 2.2.3 Lack of Evidence for Audit

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Reports of Annual Board of Survey had not been furnished to audit in respect library books valued at Rs. 58,562,916.

### 2.3 Non - compliance with Rules, Regulations and Management Decisions etc.

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

Reference to Rules, Regulations and Management Decisions	Non – compliance
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(i) Public Administration Circular No.09/2009 of 16 April 2009.	Five finger scanner machines installed at the Faculty of Agriculture, Faculty of Science, Ramanathan Academy of Fine Arts, Faculty of Management Studies & Commerce and Siddha Medicine Unit were out of service for over two years. However, the Management had not taken actions to repair those finger scanner machines even though all staff should be entered their arrivals and departures in the finger print scanner.
(ii) Establishments Circular of the University Grants Commission No. 04/2013 of 10 April 2013	Six months delay were observed in conducting the Annual Boards of Survey for the year under review

## 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. 443,649,262 as compared with the corresponding deficit of Rs. 197,158,693 for the preceding year, thus indicating a further deterioration of Rs. 246,490,569 in the financial results for the year under review. The main reasons for this deterioration were increase of personal emoluments, 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. 443,649,262, the value addition of the University for the year under review was Rs. 1,898,387,724 after taking into account the personal emoluments, taxes paid to the Government and depreciation aggregating Rs. 2,342,036,986 Further, the value addition for the year under review had increased by Rs 52,035,162 or 3 per cent as compared with previous year.

#### **4 Operating Review**

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##### **4.1 Academic Performance**

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

##### **(a) Results of Examinations**

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According to the University Grants Commission Circular No.636 of 14 July 1995 results should be released within three months after the examinations. Nevertheless, the 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 12 months by the Faculties of Arts, Management Studies and Commerce, Science, AHS Unit / Medical Laboratory Science, AHS Unit / Nursing, AHS Unit / Pharmacy, and Post Graduate Diploma in Education of the University during the years 2017 and 2018. 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 actions had not been taken by the relevant authorities to release the results within three months after the examinations.

##### **(b) Library Administration**

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Periodicals worth USD 951,597 purchased in the previous years had not been received to the University even up to 05 October 2018.

##### **(c) Students Academic Programs**

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Four hundred and ninety one lecture hours relating to theoretical and practical sessions out of 1,847 hours had not been covered by the academic staff of the Faculty of Agriculture for the year under review.

##### **(d) Ranking of the University**

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According to the World Ranking published by the Webometrics, the University was ranked at 7<sup>th</sup> and 4506<sup>th</sup> places among the Sri Lankan Universities and International Universities respectively in the year 2017. In the meantime, it had secured the 8<sup>th</sup> and 5380<sup>th</sup> places in the previous year. However, further actions are needed to enhance the ranking of the University in locally and internationally.

## **4.2 Management Activities**

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The following observations are made.

- (a) Seventy three Lecturers of the University who proceeded abroad on scholarships had not reported for duties or left from the University after completion of the scholarships. However, the University had not taken actions to recover the bond aggregating Rs 68.4 million as at 31 December 2017 from them for breached of agreements
- (b) The University had failed to make arrangements to pay the endowment scholarship fund to the particular students. As a result, endowment scholarship money amounting Rs.191,760 had not been paid to 116 Students in 2017.
- (c) Committee appointed for conducting the Board of Survey had not been reported 5890 idle items and 6080 unserviceable items in their verification reports submitted for audit.
- (d) Proper actions on 3118 damaged items and 8388 unserviceable items reported on the Board of Survey Report for 2016 had not been taken by management of the University.

## **4.3 Idle and Underutilized Assets**

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The following observations are made.

- (a) Idle, unserviceable and slow moving items to the value of Rs. 1,219,402 had remained in the store I and II of the University for a period ranging from 03 to 19 years. However, prompt actions in this regard had not been taken by the University.
- (b) Even though the construction works of buildings valued at Rs. 192.36 million had been completed and handed over to the Faculty of Management Studies & Commerce, the building was allowed to be idled for more than 3 years.

## **5. Achievement of Sustainable Development Goals**

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Action had not been taken to identify the Sustainable Development Goals and Targets which relating to the activities of the University together with milestones in respect of achieving those goals and targets due un-aware of the said Agenda for the year 2030 by the University.

## **6. Accountability and Good Governance**

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### **6.1 Deficiencies in Contract Administration**

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The following observations are made.

- (a) Advances aggregating Rs.29,611,788 paid to the Department of Buildings for various construction and rehabilitation works during the period from 2014 to 2016 had not been settled even after the completion of works for over 02 years.
- (b) An advance of Rs. 25 million had been paid to the Department of Buildings in the month of April 2017 for the construction of Staff Quarters at Vavuniya Campus. According to the agreement, the works should be completed on or before 31 December 2017. However, the works had not been completed even up to 30 September 2018.

### **6.3 Budgetary Control**

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

### **6.4 Tabling of Annual Report**

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Annual Reports for the years 2016 had not been tabled in Parliament even up to 31 July 2018 in terms of Section 6.5.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

### **6.5 Unresolved Matters pointed out in the previous Audit Reports**

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- (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 23 November 2017 had directed that all staff attached to the University should follow the rules, regulation and directions of the Chief Accounting Officer / Accounting Officer. However directions in this regard were not adopted by the University even up to the date of this report.
- (b) Actions on losses to the value of Rs.357,400 pointed out in previous year audit report had not been taken even up to 31 December 2017.

## **6 Systems and Controls**

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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.

**Areas of System and  
Control**

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**Observations**

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| (a) | Assets Management          | Attention to be paid to utilise the assets efficiently  |
| (b) | Human Resources Management | Proper actions to be taken to fill the existing vacancies in academic and non-academic cadre or revise the existing cadre by considering the actual requirements of Human Resources |
| (c) | Vehicle Fleet Management   | Purpose of the trips, fuel order numbers, dates and numbers of fuel bills to be indicated in the running charts of vehicles.  |
| (d) | Accounting                 | Prescribed format should be used in preparing the statement of cash flows.  |
| (e) | Stores Administration      | Meaningful actions to be taken by the management to utilize the store items systematically  |