

University of Jaffna - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University of Jaffna (“University”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the University as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the University is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the University.

1.4 Audit Scope

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the University, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the University has complied with applicable written law, or other general or special directions issued by the governing body of the University
- Whether the University has performed according to its powers, functions and duties; and
- Whether the resources of the University had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Accounting Deficiencies

The following observations are made.

No	Audit Issue	Management Comment	Recommendation
(i)	Japan International Cooperation Agency (JICA) Project and Accelerating Higher Education Expansion and Development (AHEAD) Project had donated non-current assets worth of Rs. 385,063,178 in 2020 and Rs. 415,423,614 in 2018 and those amounts had not been taken to accounts in relevant years. According to Sri Lanka Public Sector Accounting Standard (SLPSAS) 11, the fair value of assets had not been recognized as assets and revenue in the financial statements in relevant years. As a result, non-current assets had understated by Rs. 385,063,178, accumulated deficit had overstated by Rs. 120,026,945 and deficit for the year under review had overstated by Rs. 680,459,847 in the financial statements.	Even through Furniture and Equipment of JICA Project has been given to Faculty of Agriculture in 2019, these assets have been considered as a donation and action has been taken to get the approval of the council to inventorise these assets in 2021. AHEAD activities being separate operations not connected with university. Fixed assets received under AHEAD project have been taken as donation and proper entry has been passed accordingly. All universities are following the above same procedure for the AHEAD donation.	Assets and revenues should be recognized in relevant years
(ii)	Capital donations amounting to Rs. 31,189,895 had been included in the restricted fund account under	As per SLPSAS 10, non-exchange transaction that acknowledged as donation should be recognized as	All items should be categorized appropriately.

non-current liabilities without being recognized as revenue according to SLPSAS 11. As a result, the deficit for the year and non-current liabilities had overstated by that amount in the financial statements.

revenue. When we receive fixed assets as donation there is no cash inflow for this donation. As per SLPSAS 10 donations has to be categorized as revenue. Accordingly action has been taken to record the fixed assets received under different donors as revenue in future.

(iii) Even though the land and buildings and two vehicles received from 3 ministries in 2015 had been used by the University, appropriate actions had not been taken to account for and to take over the ownership of these assets.

Follow up action is in process to transfer the assets to the University of Jaffna as soon as possible.

Proper actions should be taken to take over the ownership of property.

(iv) The livestock had not been valued and taken to account. It was revealed that the estimated value of that livestock as at the end of the year under review was approximately Rs. 3,089,400.

Action has been taken to account the University owned farm, crop farm livestock and poultry farms amount to the university books of accounts in future.

All assets should be recognized and account for in relevant years.

1.6 Accounts Receivable and Payable

1.6.1 Payables

Audit Issue	Management Comment	Recommendation
Aggregating amount of Rs. 6,249,270 shown as payables of self-financing courses under current liabilities had been remained unsettled for a period ranging from 3 to 19 years.	When we are using these funds ensuring that the given criteria have been met and fund utilized properly. Also unutilized funds of these courses can be claimed by the donor at any time. Therefore these funds had to be kept under current liabilities as it is payable on demand.	Appropriate actions should be taken to utilize the unsettled balances.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Establishment code of the University Grants Commission and the Higher Educational Institutions			
(i) Section 2 and 2.9 of Chapter XXII	An assistant lecturer had been interdicted on 01 October 2013 and reinstated with effect from same date and since then he had been sent on compulsory leave by the University up to now. However, he had been promoted up to professor and paid a sum of Rs. 26,315,186 for the period from 01 October 2013 to 28 February 2021 without being obtained any service to the University.	University has to send the report to the Attorney General's Department to enable them to submit the report to the Court of Appeal on or before 29.04.2021.	The management of the University should be complied with the requirements of the Establishment Code.
(ii) Section 3 of Chapter XX	An attendance register must be kept in every higher educational institution in which shall mark the times of arrival and departure of every person employed in the institute concerned. However, during the year under review salaries amounting to Rs. 2,148,447,845 had been paid to the academic staff of the University without being confirmed their arrival and departure by manual or finger scanners.	However heads of the Departments are confirming their presence. They are always monitored by respective Heads of the Department.	The management of the University should be complied with the requirements of the Establishment Code.

(b) University Grant
Commission
Circulars

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| (i) Circular No. 636 of 14 July 1995 | Even though the results of the examinations are required to be released within 3 months, results of seven faculties had been released with delays in the period ranging from one month to 21 months. | There was a significant improvement on releasing result in comparison with previous year. Action had been taken to closely monitor on this process. Timeline for releasing the results have been included in the examination by law which is to be approved by the council. | The management of the University should be complied with the requirements of the circulars. |
| (ii) Circular No 920 dated 05 February 2010 | The University had incurred a sum of Rs. 17,027,348 to follow postgraduate degrees for 07 academic staff from 2014 to 2019 within the specific study leave period. However they had resumed duties without completion their degrees, the university had not taken proper action to recover the Expenditure. | Action will be taken to resolve this issue as soon as the study is completed and the report received. | The management of the University should be complied with the requirements of the circulars. |

2. Financial Review

2.1 Financial Result

The operations of the University during the year under review had resulted in deficit of Rs. 966,484,640 and the corresponding deficit in the preceding year was amounted to Rs. 1,236,122,034. Therefore, improvement amounting to Rs. 269,637,394 of the financial result was observed. The main reason for that improvement was increasing recurrent grant by Rs. 203,512,000 in the year under review.

3. Operational Review

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

3.1.1 Library Administration

Audit Issue	Management Comment	Recommendation
Books and Periodicals worth Rs. 1,177,344 incurred during the period from 2015 to 2018 had not been received to the University even up to the date of this report. As a result, the opportunities for the students of the University to obtain upgraded knowledge and skills had been deprived.	Every year we will pay advance for books & periodicals for the next year issue. Actions have been taken to settle these advances without any delay.	Proper arrangements should be made to bring the books & periodicals without delay.

3.1.2 Research and Development

Audit Issue	Management Comment	Recommendation
15 researchers had not submitted their final reports even after being utilized a sum of Rs. 6,085,466 of research grants by the University up to the end the year under review.	19 Nos of researchers have submitted their final reports up to now, and 16 Nos of researchers have requested extensions, due to various reasons, mainly prevailing COVID-19 pandemic situation.	Action should be taken to obtain their final reports from the researchers during the specified research period.

3.2 Uneconomic Transactions

Audit Issue	Management Comment	Recommendation
The University had paid a sum of Rs. 30,000,000 to six employees of the Sports Science Unit of the Faculty of Allied Health Science during the period from 2015 to 2020. However, any academic course in this unit had not conducted since 2015.	The University Grants Commission has now approved the University of Jaffna to commence the Degree Programme at its meeting held on 7 th January 2021.	Resources of the University should be utilized effectively.

3.3 Management Inefficiencies

Audit Issue -----	Management Comment -----	Recommendation -----
(i) A sum of Rs. 5,026,090 remained under the restricted fund account for more than 10 years without being utilized for the intended purposes.	This fund of Rs. 5,026,090 was still not used for any specific purpose since the donor did not indicate any special tasks. As soon as we receive the instruction from the committee, we will take action to use the fund accordingly.	Proper actions should be taken to utilize these funds without further delay.
(ii) Ninety (90) academic and non-academic staff who had gone overseas for scholarship programmes had not reported for duty. However, the University had not taken remedial actions to recover the aggregating bond value of Rs. 62,343,767 due to breach of bond agreements during the period from 1983 to 2020.	Based on the information available Rs. 2,351,823 is the Bond amount to be recovered and the total balance of the University Provident Fund as at 31.12.2018 was Rs. 4,425,613. Follow up action will be taken to recover the dues whenever this staffs claim their UPF.	Immediate action should be taken to recover the bonds from responsible officers.

3.4 Human Resources Management

The following observations are made.

Audit Issue -----	Management Comment -----	Recommendation -----
(i) The University had not filled 666 vacancies in non-academic staff and academic staff and 27 academic support staff of the University of Jaffna and the Vavuniya campus.	University has taken all efforts to fill the existing cadre vacancies promptly. However to fill some key academic positions such as Professor, Associate Professor, Senior Lecturer/ Lecturer etc. are still in process as there were no applications received with required qualifications despite of repeated advertisements. In such circumstances the University has filled these vacant positions by Temporary Lectures, Temporary Instructors and Temporary Demonstrators in order to carry out the academic programs without interruption.	Vacancies to be filled without delay
(ii) A sum of Rs. 1,225,604 had been paid to unapproved staff categories as salaries and other allowances by the University	Actions will be taken to ensure that the approved cadre is not exceeded in the future.	Appropriate actions should be taken to get the approval for the

since their appointment date. Further, the University had not taken proper actions to get the approval for the excess cadre.

excess cadre.

3.5 Unsettled Audit Issues

Audit Issue	Management Comment	Recommendation
Vehicle allowance amounting to Rs. 1,740,000 and Fuel allowance amounting to Rs. 710,360 had been paid to an Acting Bursar of the University for his acting service period from the year 2015 to 2018 in contrary with the Establishment Circulars of No. 13/2015 of 18 September 2015 and No. 13/2015(i) of 09 January 2016.	Acting Bursar has served during the period from 21.12.2013 to 31.12.2018. Acting Bursar is eligible for the above payment as per the establishment circular no 13/2015. According to the provision in Para 119 of Chapter IX as per the Procedure Rule Volume-1 Extraordinary Gazette Notification No. 1589/30 dated 20.02.2009, transport and fuel allowances paid to Acting Bursar.	Irregular payments should be recovered from the responsible officers.