

1. Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that, the University of Jaffna had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in Paragraph 1.2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the University of Jaffna as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.2 Comments on Financial Statements

1.2.1 Accounting Policies

The following observations are made.

- (a) Although the depreciation on property, plant and equipment should be calculated individually to avoid charging the depreciation on fully depreciated assets in terms of Sri Lanka Accounting Standard No.18, contrary to this requirement the University had charged the depreciation on total value of the assets. Therefore, the accuracy of the depreciation shown in the accounts amounting to Rs. 81,068,839 could not be considered as disclosing the correct position of each asset.
- b) According to the Sri Lanka Accounting Standard No.18 and the University Grants Commission Circular No. 649 of 05 October 1995, the depreciation should not be computed for the value of land. However, failure to identify the value of land and buildings separately the depreciation at a rate of 5% had been provided on lands too.
- (c) The statement of changes of equity had not been prepared and presented along with the financial statements in terms of Sri Lanka Accounting Standard No.03.
- d) The book value of the fixed assets, which had become Zero value and continued to be used had not been revalued and shown in the accounts in terms of the Sri Lanka Accounting Standard No.18

1.2.2 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) 117 items of journals and periodicals valued to Rs. 2,191,072 had been erroneously included in the books and periodical accounts without being received to the University.
- (b) The constructions works completed during the year under review amounting to Rs. 10,288,750 had been shown in the account as work -in- progress instead of being shown under the lands and buildings account.
- (c) Three busses (City Rider) which was donated by the Government of India during the year under review had not been valued and brought to accounts.
- (d) A three wheeler purchased from the Silver Jubilee Fund for a sum of Rs. 243,100 had not been brought to accounts since 2006.
- (e) Over recovery of bond obligation aggregating Rs. 2,178,090 had been set off against the bond obligation receivable accounts instead of being shown separately in the accounts as payables.

1.2.3 Accounts Receivable and Payable

Following observations are made.

- a) The unsettled balances in the sundry creditors accounts relating to the period 2007 to 2009 was Rs. 221,675 as at the end of the year under review.
- b) Supplies advance, displaced staff salary advance, building advance, sundry debtors and staff loan balances aggregating Rs. 157,349,632 had not been recovered for the period ranging from 01 to 23 years. Therefore the recoveries of these balances are doubtful.
- c) A sum of Rs. 37,455 over paid to an academic staff on account of books allowance in 1997 had not been recovered yet.

- d) According to information made available for audit, a sum of Rs. 117,530,741 was receivable from, 133 lecturers who had breached agreements and bond obligations during the years 2000 to 2010. Nevertheless, appropriate action had not been taken to recover this amount from the respective lecturers up to 30 June 2011.

1.2.4 Lack of Evidence for Audit

Assets, payables, receivables and depreciations shown in the accounts aggregating Rs. 1,750,016,314 could not be satisfactorily vouched in audit due to non availability of verification reports, confirmations, age analysis, details schedules etc...

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

Instances of non-compliance with the provisions in the following Laws, Treasury Circulars and Financial Regulations of the Government, Establishments Code of the Democratic Socialist Republic of Sri Lanka, Establishments Code for the University Grants Commission and Higher Educational Institutions were observed in audit.

- (a) Sections 153 and 155 of the Inland Revenue Act No. 10 of 2006
- (b) Sri Lanka Accounting Standards No. 03, 16 and 18
- (c) Financial Regulations
Nos. 103(1), 104, 109, 264, 271(2)(b), 570, 571, 756, 845, 846(3), 1645 and 1646
- (d) Establishments Code for the University Grants Commission and the Higher Educational Institutions.
Sections 7:6 to 7:6:2 of and 7:8 Chapters V
Section 3:1 of Chapter XX
Section 3:1 of Chapter XXIV
Section 2:2(f) of Chapter XXV
Sections 2:4 and 5 of Chapter XXVI
Section 3:3 of Chapter XXVI
Section 9:4 of Chapter XXVII

- (e) *Treasury Circular* No. 828 of 19 July 1976
- (f) Public Administration Circulars No. 41/90 of 10 October 1990, No.11/1995 of 16 March 1995 and No.22/99(IV) - 2004 of 27 December 2004, No. 09/2009 of 16 April 2009 and No. 09/2009(I) of 17 July 2009.
- (g) *University Grants Commission Circulars*
 - i. No. 63 of 25 February 1980
 - ii. No. 30/94 of 20 April 1994
 - iii. No. 02/2010 of 15 February 2010
- (h) Value Added Tax Circular No. 03 of 18 January 2007 issued by the Department of Inland Revenue.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

According to the financial statements presented, the working of the University for the year under review had resulted in a deficit of Rs. 611,306,520 before taking into the Government grant for recurrent expenditure as compared with the corresponding deficit of Rs. 686,748,646 for the preceding year. After taking the Government grant of Rs. 536,400,000 received for recurrent expenditure, the deficit for the year under review had been reduced to Rs. 74,906,520 and the Government grant of Rs. 649,600,000 received for recurrent expenditure for the preceding year the deficit of that year had been reduced to Rs. 37,148,646.

2.1.2 Utilization of Specific Funds

The specific funds amounting to Rs.29,493,089 received had been transferred to fixed deposit account without being utilized for the purposes for which they were granted.

2.1.3 Uneconomic Transactions

The following observations are made.

- a) Although average monthly cash balances amounting to Rs. 179 million were kept at the bank account of the faculty of Graduate studies and external exam unit at the end of each month of the year under review, action had not been taken to invest this money in an interest bearing source. As a result considerable amount of income had been deprived to the University.
- b) Even though a guest house facility is available at the University and a guest house keeper was appointed and salary aggregating Rs. 248,640 had been paid for the year under review, a sum to Rs. 528,459 had been paid to various lodges as accommodation charges (food & Lodging) for guests arrived in Jaffna during the year under review.
- c) Although three new buses had been received to the University from the Indian Government, a sum of Rs. 1,000,576 had been paid as Vehicle hiring charges for hiring of private vans instead of being utilize these busses

2.1.4 Assets Management

The following observations are made.

- (a). Two scooters had remained unused for more than eight years
- (b) Items in 35 categories valued at Rs.617, 151 had remained idle at the stores for a period ranging from one to ten years. This matter was pointed out in my previous year's report too. However, no action had been taken by the University to utilize these assets up to 30 June 2011.
- (c) 5,258 items of 10 Category of inventory aggregating Rs. 200,305 had been remained idle at the stores over eight years.
- (d) A time recording machine purchased for Rs. 182,400 had been remained unused since 2001.
- (e) 225 steel beds which were purchased for Rs, 2,137,500 had been remained unused for over four years.

2.1.5 Identified Losses

Losses of Library books to the value of Rs.161,633 had been written off during the year under review.

2.1.6 Delays in Projects

The following observations are made.

- (a) An advance payment of the consultancy fees amounting to Rs. 750,375 had been made to the National Water Supply and Drainage Board during the year 2008 for introducing a waste water disposal system to the female hostel complex of the University. However, the works had not been commenced even up to end of the year under review
- (b) A sum of Rs. 7,611,885 had been paid to a construction company during 1999 to 2000 for the construction work for an Auditorium at Medical Faculty. However, construction works had not yet been fully completed. Further due to undue delay the cost of construction would be increased tremendously and the objective of this building also had not been achieved. In addition a sum of Rs. 13,000,000 had been paid to the Dept. of Buildings during the years 2005 and 2006 for the Interior decoration works, which was not yet commenced.

At the progress review meeting held at the University Grants Commission on 29 July 2010 regarding this matter, the Hon. Minister of Higher Education had expressed serious concern on the slow progress of the implementation of the above project and advised the University to take steps to expedite this and report to him on the outcome. Even thereafter this work had not yet been completed. At the physical inspection carried out on 14 March 2011, revealed that the ceiling, electrical, air-conditioning and seating works had not yet been commenced. As a result, students of the Faculty of Medicine could not obtain any benefit from this facility for over ten years although a sum of Rs.20 Million had been spent by the University.

- (c) Although a sum of Rs.2,000,000 had been paid to the Department of Buildings as an advance for the construction of over head tank for students hostel at Thirunelvely during 1989, the works to the value of Rs.1,590,000 only had been completed. As a result students are being affected.

- (d) A sum of Rs. 1,485,208 had been paid to a company in Colombo and another sum of Rs. 10,171,618 had been paid from SIDA IT Networking Project to the same company for implementation of Local Area Network/Widest Area Network (LAN/WAN) Project in the University. No progress report relating to the above project had been made available for audit. This project was commenced in early part of the year 2005 but it was not completed even up to 30 June 2011. As a result the objective of the project had not been achieved as expected.
- (e) Three advances amounting to Rs. 3,200,000, Rs. 3,014,000 and Rs. 5,615,000 had been released on 31 December 2004, 16 November 2005 and 04 October 2007 respectively to the Chief Engineer, Department of Buildings, of the then North East Provincial Council for the construction of overhead tank and sump for Vavuniya Campus at Pambaimadu.

The Construction of sump work had been completed. However, the overhead tank and balance works had not been completed. In the meantime, the contract was terminated by the Department of Buildings. A sum of Rs. 2,439,956 had already been paid to the Contractor up to the termination. A fresh Agreement to the value of Rs. 5,615,000 with another contractor had been signed on 10 November 2006 for balance works. But the works had not been completed up to 30 June 2011.

2.2 Human Resources Management

It was observed that the temporary lecturers, tutors, demonstrators etc. had been appointed on the request made by the Heads of Department in several instances without following proper recruitment procedure.

2.3 Courses and Examinations

The following observations are made.

- a) Total numbers of students registered in 22 courses of the University were 5,395 as at the end of the year under review. Total recurrent expenditure incurred during the year under review amounted to Rs. 487,578,520. The average recurrent cost per student for the year was Rs. 90,376

- b) 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 delays in releasing the results of examinations conducted by certain Faculties during the years 2009 and 2010. According to the University Grants Commission Circular No. 636 of 14 July 1995 results should be released within three months after the examination. But, results had been delayed by periods ranging from 4 to 14 months.

2.4 Budgetary Control

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

3. Systems and Controls

Observations made in systems and controls during the course of audit were brought to the notice of the Vice Chancellor of the University by my detailed report issued in terms of Section 13(7) (a) of the Finance Act. Special attention is needed in respect of the following areas of control.

- (a) Contract Administration
- (b) Library Administration
- (c) Assets Management
- (d) Utilizations of Specific Funds
- (e) Delays in Projects
- (f) Receivables and Payables
- (g) Human Resources Management
- (h) Budget