

1.1 Qualified Opinion

The audit of the financial statements of the University of Jaffna (“University”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in equity 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 Section 107(5) of the Universities Act No.16 of 1978. 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 University as at 31 December 2019, 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 Company'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 Accounts Receivable and Payable

1.5.1 Receivables

Audit Issue	Management Comment	Recommendation
Appropriate actions had not been taken by the University to recover the distress loan balances of retired staff amounting to Rs. 132,110 outstanding for over 8 years shown as receivables in the financial statement for the year under review.	Loans recovery exceeded more than 6 years due to no pay leave, vacation of post, termination of service, retirement from the service etc. The unrecovered loan outstanding staffs not yet claimed their UPF fund. We have a clear control and procedure to recover it from the employee UPF when releasing the UPF fund.	Appropriate action to be taken to recover due amount.

1.5.2 Payables

Audit Issue	Management Comment	Recommendation
Three (3) refundable deposits, received from students, aggregated amount of Rs. 166,500 had been remained unsettled in General Deposit Account for over eight (8) years.	We have received Laboratory deposit for a total sum of Rs. 166,500 from students for the period of January 2013 to December 2013. This was shown in the accounts as Laboratory deposit. Action is being taken to account the sum of Rs. 166,500 as revenue in the prior year account of 2020.	Appropriate action to be taken to rectify the issue.

1.5.3 Advances

Audit Issue	Management Comment	Recommendation
Aggregated amount of advances of Rs. 2,052,946 provided for various purposes to several institutions had not been settled for a period ranging from 5 to 8 years. Further Travelling Advance amounted to Rs. 310,575 paid to the officers of the University in the year under review had not been settled up to 15 June 2020.	Action has been taken to recover the unsettled advances immediately. Moreover, we have already strengthened our internal control system to closely monitor unsettled outside advances which are currently under control. If the particular staff fails to settle the advance recovery process from the salary will be made immediately.	Advance should be settled immediately after expenses incurred.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 139	Paid vouchers, relating to the recurrent expenditure of Kilinochchi premises amounting to Rs. 1,658,443 paid in January 2019, had not been initialled by the Paying officer.	Instruction given to Shroff to put their signature in the payment vouchers in future.	Should comply with Financial Regulation
(ii) Financial Regulation 267	A sum of Rs. 7,096,677 had been paid as salaries to employees of Vavuniya Campus in 68 instances in November 2019 without obtaining receipts from them.	Currently the salary slips are sent to all departments and get the signature monthly without any delay. Action is being taken to obtaining the receipts or signature from the employees those who were not signed the pay sheet.	Should comply with Financial Regulation

(iii) Financial Regulation 371(2)(b)	Advances amounting to Rs.2,016,120 paid in 23 instances to employees in the Kilinochchi Faculty, had not been settled on due dates, and thus, the period of delays in settlement had been in the range from 1 to 7 months.	We have taken strict action to settle advances soon after the event is completed. Close monitoring mechanism has been implemented to monitor unsettled advances.	Should comply with Financial Regulation
(iv) Financial Regulation 835	Valuation reports had not been taken from the Valuation Department to determine the rent of Bank of Ceylon (BOC) University Branch and rent of People's Bank ATMs for signing the tenancy agreements established at the University premises. Further, action had not been taken to renew the existing agreement with the People's Bank Branch in the University premises. As a result, a considerable amount of rent income could not be obtained for more than 16 years period.	Action has been taken to sign tenancy agreement with Bank of Ceylon (BOC) University Branch, BOC ATM and Peoples Bank ATM at the University premises. Action has been taken to get the report from the Valuation Department to fix the rent for Bank of Ceylon University Branch People's Bank ATM at University premises.	Should comply with Financial Regulation

(b) University Grants Commission Circulars

(i) Establishments Circular No. 04/2013 of 10 April 2013.	The Boards of Survey had not been completed during the year under review.	The Asset Annual Verification process started on March 2020 and due to COVID – 19 Corona lockdown it got delay. Action taken to complete board survey before end of June 2020.	Should comply with Commission Circulars.
(ii) Establishments Circular No. 13/2017 of 06 September 2017	The services of a lecturer had been terminated by the University with effect from 04 April 2016 as	A particular Lecturer was appointed with effect from 01.04.2008. She completed M.F.A (Bharathanatnam) off-Campus Programme of	Should comply with University Act.

she had not acquired the necessary postgraduate qualification for confirmation of service. Further, she had been appointed to the post of temporary lecturer in dance with effect from 01 April 2016. Even though, in accordance with the Establishment Circular Letter No. 13/2017 dated 06 September 2017 of the University Grants Commission that the postgraduate degree obtained through online learning mode could not be considered as acceptable qualification for confirmation and promotion of academic staff members, she had been confirmed in the post of lecturer with effect from 01 April 2008, and also promoted to the post of Senior Lecture Grade II in dance with effect from 30 December 2016 by the University Council at its 425th meeting held on 30 December 2017.

two years duration at Bharathidasan University, India without availing study leave in 2009. Since she has not submitted a certificate to the effect that she completed her Ph.D she was terminated with effect from 01.04.2016 and appointed on temporary basis lecturer. The University Council at its 424th meeting held on 09.12.2017 having considered the UGC Establishments Circular letter No. 13/2017 dated 06.09.2017 decided that off campus degree programme will be considered for the purpose of confirmation of services to the Post of Lecturer who obtained the off-campus degree programme before 15.09.2017 and Selection Committee recommended that the staff be confirmed in the post of Lecturer in Dance (Bharathanatiyam) with effect from 01.04.2008. Further the Selection Committee recommended to promote her to the Post of Senior Lecturer Grade II in Dance (Bharathanatiyam) with effect from 30.12.2016.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the operations of the University during the year under review had resulted in a deficit of Rs. 1,236,122,034 as compared with the corresponding deficit of Rs.717,788,058 for the preceding year, thus indicating a further deterioration of Rs.518,333,976 in the financial results. The main reason for this deterioration was increase in personal emoluments, contractual services and other operating expenses.

3. Operational Review

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

3.1.1 Results of Examinations

Audit Issue	Management Comment	Recommendation
According to the University Grants Commission (UGC) Circular No. 636 of 14 July 1995, examination results should be released within three months after the examination but there were delay periods ranging from 04 months to 17 months by the four faculties of the University during the year 2019. Therefore, the students had been deprived to get their employment opportunities in time. Even though this matter was pointed out in my previous years audit reports, meaningful actions had not been taken by the relevant authorities to release the result within three month after the examination.	Monthly Report regarding release of examination results with the details of examinations, date of examinations held, details of subjects for which results not released and period of delay are submitted to the Senate. In addition Internal Circular issued by the Competent Authority on 04.03.2020 and reported to Council indicating the procedures, guidelines and rules are set out to expedite the process of releasing results. Accordingly it is the responsibility of the Deans of the Faculties and Heads of the Department to release the examination results at the Faculty level results board Action had been taken to closely monitor on this process.	Examination results should be released within three months as per the circular instruction.

3.1.2 Library Administration

Audit Issue	Management Comment	Recommendation
Advances aggregating Rs. 510,147 paid during the period from 2016 to 2018 for supplies of books and periodicals had not been received even up to the date of this report.	Control mechanism has been already accelerated to control subsequent journal payments. Action already taken to deduct the journal value from the subsequent journal payment if the supplier fails to supply the periodicals within the two years' period.	Proper actions to be taken to obtain Books and periodicals in time.

3.1.3 Students Academic Programs

Audit Issue	Management Comment	Recommendation
Out of 1,588 hours of total allocated hours for theoretical lectures, 354 hours had not been completed by the academic lecturers of the Faculty of Agriculture and Engineering in the year under review.	The attendance was not taken when conducting study visit to fulfill the practical components of the course units. Action has been taken to maintain attendance properly in future.	Academic lecturers are required to conduct academic lectures as per schedule.

3.1.4 Research and Development

Audit Issue	Management Comment	Recommendation
The University had incurred a sum of Rs. 11,555,865 for 61 researchers in the year under review and previous two years. Even though the projected period of the researches had ended at the end of years 2017 to 2019 and approximately more than 70 per cent of the research cost had been paid the progress of researches, final reports of them had not been submitted to the University by researchers since 2017.	All payments related to Research and Developments were made with the recommendation of the University Research Committee (URC) based on the justification given by the grantee. When URC approving new grants and payments for prior grants, it is considered the present position of the prior grants and the unutilized amount of the particular grantee for the previous year and requested him/her to complete the prior research within the stipulated grant period.	Researchers should submit their final reports within the stipulated research period.

3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(i) Outstanding balances of four items amounted to Rs. 1,990,474 had been shown in the financial statements as "Restricted Fund and Specific Reserve" under the non-current liabilities for more than 9 years without being taken proper actions to utilize them for intended purposes.	The University of Jaffna is receiving funds for various purposes from different well-wishers. When we receive the amounts those were credited to the respective ledger accounts and such funds are kept in Fixed Deposits on short term investment basis. The interest earned from the respective investment is taken into account and utilized for the particular purposes indicated by the donors when such event occurs. This fund of Rs. 1,990,474 was still not used for any specific purpose since the donor did not instruct any special tasks. As soon as we receive the instruction from the committee, we will take action to use the fund immediately.	Utilization of funds for intended purposes without any delay.

(ii) Sixty nine (69) academic staff and twenty one (21) non-academic staff of the University, who had been granted scholarships, had not reported for duty or left from the service of the University after completion of the scholarships. However, the University had not taken prompt actions to recover the bonds aggregated amount of Rs. 62,777,924 for the period from the year 1987 to 2019 in terms of agreements.	On the direction of the Council various measures have been introduced to improve the bond obligation through the Committee on obligations of Bond and Agreements. The meeting of the Committee on obligations of Bond and Agreements had been continuously reviewing them and a policy paper in this regard had been prepared codifying all the procedures to scrutinize the legal requirements and which has been approved by the University Council. University Grants Commission has published all the names of the defaulters including all the Universities in the Newspaper in 2018.	Immediate action to be taken to recover the bonds from responsible officers
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3.3 Idle Assets

Audit Issue	Management Comment	Recommendation
Idle and unusable items amounting to Rs. 857,145 and Rs. 803,728 respectively had not been used for any function and, remained idle in stores of the University for a period ranging from 05 to 21 years.	We have taken action to reduce the idle, unusable and slow moving item and Compare to it 2019 situation Idle items Rs. 838,198 and Unusable items Rs. 941,264 and currently we have Idle items of Rs. 754,078 and Unusable items of Rs. 906,794 which has been reduced compared to previous years. We have formed a committee to identify unusable and idle item in the stores and report it for recommendation of the council to take prompt action.	Usable items should be maximally utilized before procurement.

3.4 Delays in Projects

Audit Issue	Management Comment	Recommendation
Total estimated cost of the construction of the proposed Faculty of Applied Science (Stage III Phase III) in Vavuniya Campus of University of Jaffna	Rs. 55.0 million was released to Department of Buildings (North Province) for the Construction and Completion of Proposed Faculty Applied Science (Stage III Phase III) in	Construction works Should be completed in time.

was amounting to Rs. 99,439,978 and, out of which a sum of Rs. 55,000,000 had been paid to the Provincial Department of Building as an advance with the target of completion of constructions on or before 01 January 2018 and, subsequently, the target date for completion had been extended up to 01 November 2018. However, only a sum of Rs. 39,547,180 or 72 per cent had been utilized by the Provincial Department of Building even up to the end of the year under review. Accordingly, it was observed that no proper mechanism had been designed and implemented by the University for monitoring and supervising of construction of contracts.

Vavuniya Campus. Department of Buildings sub-contracted the said work to a contractor for Rs. 69,230,293. Although the scheduled date of completion was 01.01.2018, the contract was further extended up to 01.11.2018 and terminated by the Chief Secretary/ North Province with effect from 15.02.2019 due some contractual disputes. The disputes were under Arbitration and finally both parties (Sub-Contractor and the Department of Buildings) become for an amicable settlement and the balance work of the building will be completed by the sub-contractor by 30th June 2020.

The expenditure made by Department of Buildings up to December 2019 was Rs. 39,547,180 and Rs. 6,585,978 was transferred from Rs. 55.0 million to another project implemented by Department of Buildings in Vavuniya Campus. The balance of Rs. 8,866,842 (Rs. 55,000,000 - 6,585,978 - 39,547,180) available with Department of Buildings will be utilized for the payments for disputed items and the balance work of Stage III Phase III.

3.5 Defects in Contract Administration

Audit Issue	Management Comment	Recommendation
A sum of Rs. 61,242,337 had been paid to various contractors during the year 2019 which the constructions works should have been completed before the end of the year under review. However, it was observed that those works had not been completed within the stipulated period and, completion reports or details about extensions period and reasons of extensions were not made available to audit.	The contractor may be allowed to complete the work within another 200 days from the actual completion date and deduction of LD (0.05% of contract sum maximum of 10%). Works were substantially completed within the contract period and further completion report was not provided until the final payment amount is finalized	Construction works Should be completed according to the agreement.

3.6 Human Resources Management

Audit Issue	Management Comment	Recommendation
Appropriate actions had not been taken by the management of the University to fill vacancies timely. As a result, 181 vacancies in key academic posts, 25 academic support staff vacancies in seven faculties and 40 academic staff vacancies in Vavuniya Campus were observed.	University has taken all the efforts to fill the existing cadre vacancies promptly. The University was unable to fill some key academic positions such as Professor, Associate Professor, Senior Lecturer/ Lecturer etc. for which are in process as there was no application received with required qualifications despite of repeated advertisements. In such circumstances the University filled these vacant positions by Temporary Lectures, Temporary Instructors or by Temporary Demonstrators in order to carry out the academic programs without interruption.	Vacancies to be filled without delay

3.7 Non-performed Expenditure

Audit Issue	Management Comment	Recommendation
Even though uniform materials cost for Rs. 4,021,472 had been provided for employees of the University in the year 2019, they had used to wear informal suits in their duty time. Accordingly, it was observed that a proper internal control system to ensure that wearing of uniforms in duty times had not been implemented by the management.	Internal circular has been issued by Competent Authority on 13.01.2020 to instruct about uniform requirement for staff. Close monitoring have been implemented by all heads of department for confirming their staffs are wearing the uniform during office hours.	Officers are required to wear uniform on duty time

3.8 Irregular Payment

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.	Should recover the irregular payment

3.9 Unsettled Audit Issues Highlighted in the Previous Year Audit Report

Audit Issue	Management Comment	Recommendation
According to the Establishments Circular No. 10/2017 of 10 July 2017, salaries amounting to Rs. 1,403,804,856 had been paid to academic staff of the University during the year under review without being confirmed their arrival and departure through finger scanner. This matter was noted in Audit Reports since 2012.	This was revealed at the previous COPE meeting and agreed by the COPE committee. Academic staff in the Sri Lankan university systems does not generally sign in the Attendance Register. However, this matter was brought to the notice at its 372th meeting of the council dated 29.09.2012 and it was pointed out at the meeting that most of the Universities in Sri Lanka academic staffs are exempted to sign in the attendance register. Deans of faculties endorsed this view.	Should comply with Commission Circular

4 Accountability and Good Governance

4.1 Tabling of Annual Report

Audit Issue	Management Comment	Recommendation
Annual Report for the year 2018 had not been tabled in Parliament even up to 15 May 2020 in compliance with the Section 6.5.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003.	We have already submitted the Annual Report and Accounts for the year 2018 to the Ministry of Higher Education, Technology and Innovations on 24.01.2020 and re-submitted the above with the Future Projection report based on sustainable development (Section 17(d) of the National Audit Act No.19 of 2018) on 20.05.2020, and it was submitted for the cabinet approval on 26.05.2020 and awaiting for the approval of Cabinet, in order to table in Parliament.	Annual report to be table in the parliament in terms of the circular requirement.