

RICHARD HULEATT, *President*

TRUSTEES OF
JAFFNA COLLEGE FUNDS

INCORPORATED IN BOSTON, MASSACHUSETTS

MAY 3, 1877

March 31, 2017

The Rt. Rev. Dr. Daniel Thiagarajah
Chairman, Board of Directors of Jaffna College
Chairman, Board of Directors of Uduvil Girls' College

Dear Bishop Daniel:

Thank you for your letter of March 15, 2017.

Attached is our review of the items we requested in Appendix A of our January 5, 2017, letter compared with what was provided in your letter. While we are appreciative of the information that was shared, the bulk of our requested information remains to be received. We look forward to receiving the outstanding information on or before June 30, 2017.

In view of the foregoing, we have decided for the second quarter to reduce funding by twenty percent of the budgeted grant amounts, as we did in the first quarter. We are mindful of the short-term stresses that the reduced level of funding places on the Schools. Nevertheless, our focus must necessarily be on their long-term welfare.

Regarding the restoration of funds resulting from reduced contributions, we will determine how much, if any, of the reduced contributions will be made when we have received all of the requested information.

Very truly yours,



The Rev. Richard H. Huleatt
President

cc: Chief Minister C.V. Wigneswaran, Northern Provincial Council
Minister of Education Thambyrajah Gurukularajah, Northern Provincial Council
Vijula Arulanantham, Vice Chair, JC and UGC Boards
Patricia Suneetha Jebaratnam, Principal, UGC
D. S. Solomon, Principal, JC
Jude Sutharshan, Principal, CTS
T. Thevanesan, Chair, CACM
Darshan Ambalavnar, Program Director, CACM
Sugash Kanagaratnam, JC Alumni – Jaffna
Manickam Thavaogarajah, JC Alumni – Colombo
Murugesu Pushparajah, JC Alumni – Toronto
Anton Ganesan, JC Alumni – London
Ajit Emerson – JC Alumni – Sydney
Sabaratnam Ratnakumar, JC Alumni – Singapore
Jeevanam Watson, UGC Alumni - Colombo
Suganthy Alphonsus, UGC Alumni – Toronto
Sharmila Harichandra, UGC Alumni – Sydney
Gopikka Nirmal, UGC – London
Alexis Thayaparan, UGC – Parents Association

Beneath each item below *in italics* is the response of the Trustees to the letter dated March 15, 2017, from Bishop Thiagarajah. For convenience, this Appendix includes all the requests included in the Trustees' letter dated January 5, 2017.

Appendix A

For each of Jaffna College and Uduvil Girls' College:

1. Audited financial statements by an independent internationally-recognized auditor that comply with international accounting standards for the year ended December 31, 2015 and the year ended December 31, 2016, including the letter to the Board of Directors (comments on quality of the audit process) and so-called management letter about internal financial controls and related governance matters.

*The Trustees received **drafts** of the audited financial statements for 2015 for Jaffna College and Uduvil Girls' School. We require the **final copy**, including EY's audit report, of the financial statements for 2015 as well as 2016 for both institutions. We also require the two letters, from EY (noted above) that customarily accompany financial statements – these when delivered to the Board of each College provide EY's independent assessment of the audit process and of each College's internal financial management. We require these documents as soon as they are available and no later than June 30, 2017, as said in our January 5th letter.*

2. Establishment of an Audit Committee (comprised of persons financially literate and independent of financial compensation by the college) and Nominating and Governance Committee for the Board of Directors.

The Trustees require that the Board of each College have an Audit Committee, and are confident that EY would advise you similarly, as it is vital that an organization have persons at the board level who have familiarity with financial statements and audit procedure, and who are financially independent of the organization.

Identifying current or potential board members with such qualifications is generally a responsibility of a nominating and governance committee. If needed, EY could provide guidance about appropriate standards to assess a person's experience with financial matters. For this and other reasons, we believe each College should establish a nominating and governance committee.

The Trustees are aware that restructuring a board of directors takes time and resources. Accordingly, we anticipate that the Colleges may be unable to complete this process by next June.

*However, we require **a letter, by June 30, 2017, from the Board of each College** describing the steps the College has taken to meet these goals (referred to below as the "**Progress Letters**"). For this paragraph 2 and in each paragraph below that refers to the Progress Letters, each College needs to include a realistic date by which it commits to complete the requested item.*

3. Adoption of a policy by the Nominating and Governance Committee that publicly solicits names and qualifications of prospective directors from alumni, parents of students, and administrators of each school.

The Trustees do not think it necessary (nor have we the means) to survey the practices of other Sri Lanka schools as to the adoption of a policy for a nominating and governance committee. These policies are customarily adopted by well-run organizations.

Please note that our requirement for the policy refers to the various groups (see above) from whom to nominate prospective board members. There may be others that occur to you, such as leaders of the Jaffna community who would bring useful perspective even if not directly involved with the Colleges.

The key point here is that adoption of this policy engages all the constituencies – alumni, parents, administrators, community leaders – who are vital to the colleges’ success and committed to their long-term future. The involvement of these groups is at least as important to the colleges as the funding from the Trustees. Moreover, the success of the Master Plan for Jaffna College that you sent us probably depends on commitment from the various constituencies – their presence on the Board would certainly assist in achieving those objectives.

Please include in the Progress Letters an update on the steps the Colleges have taken to establish Nominating and Governance Committees, and a policy for each, and a projected date for full compliance with this paragraph.

4. List of relevant experience and qualifications of each director currently on the Board of Directors including disclosure of any family relationships among board members and financial or other compensation for service as a board member.

The Trustees appreciate your response, and are generally satisfied. We notice, however, that each board contains members of the same family, which in general is not considered “best practices” for boards of directors. We urge that the policy of each Nominating and Governance Committee include a requirement for Board member nomination so as to assure that both a range of expertise (educational, governance, management, fundraising, etc.) as well as diversity of background are represented on the Board of each College.

Please include in the Progress Letters a discussion of this Item 4 regarding the manner of, and criteria for, identifying prospective board members, and a projected date for full compliance with this paragraph.

5. Adoption of a conflict of interest policy (with required annual reports by each director) for the Board of Directors.

*We reviewed the policy manual you sent, but note that it is in only in **draft form** and not complete. Several important sections, notably Section 3 re Finance, Section 4 re Governance, and Section 5 re Personnel, contain “suggestions” and need additional text. The conflict of interest policy in the draft manual (at present, insufficiently detailed) is not in effect unless the College has formally adopted the policy.*

The Trustees have adopted a conflict of interest policy for our Fund which could serve as a “template” for the Colleges; alternatively, you can find examples on Internet websites specializing in resources for governance of non-profit organizations.

Please include an update in the Progress Letters about revision or completion of the draft policy you sent us, and whether it has been formally adopted.

6. Annual disclosure of related party transactions for each member of the Board of Directors. (A related-party transaction is one in which a director derives a financial or other personal benefit from the college that could result in divided loyalty between service to the college and his/her own personal interest.)

You correctly note that disclosure of related party transactions is part of the audit process. This requires two steps: disclosure of potential conflicts at the Board level, as well as to the outside auditor. Please bear in mind that conflicts of interest may not be solely as to financial matters, but perhaps result from personal or institutional loyalties not in the best interest of the Colleges. The annual requirement of disclosure could be included in the Board’s policy for its Nominating and Governance Committee, which is the committee that generally has oversight of this matter.

Please include in the Progress Letters a discussion of factors a board considers in determining whether a conflict of interest exists, and if a potential or actual conflict exists, how it is disclosed and dealt with following disclosure.

7. Minutes of all meetings of the Board of Directors made available publicly.

The Trustees understand your concern if it relates to the need for Board members to speak candidly and fully; protection of matters spoken in confidence is sometimes necessary. And, to be clear, “publicly available” does not mean publication in, e.g., a newspaper. The Trustees, however, recommend strongly that Board minutes be available to constituencies who care about the colleges, including alumni, faculty and administrators. This can be accomplished by announcing that minutes are posted on a restricted-access web portal, or available in hard copy on request.

Discussion of sensitive or confidential matters (e.g., as related to College personnel) can be noted in minutes in summary or redacted form, or held in an executive session of the Board (and not recorded in the minutes of the general Board meeting). General accessibility of minutes of a governing body of a non-profit organization promotes transparency and trust, which are keys to the long-term health of the organization. Finally, you might consider opening board meetings from time to time to any interested member of the College community.

Please include an update of this Item 7 in the Progress Letters.

8. Establishment of a faculty hiring committee comprised of the Principal, one college administrator or senior teacher, one member of the Board of Directors, one representative of the Parents' Association, and one public education official such as the Minister of Education (or his/her designee from the Ministry of Education).

We appreciate your response and agree that the Principal of each College should play a major, perhaps decisive, role in selection of faculty. We believe, however, that involvement of other constituencies should not be on an ad hoc basis at the sole discretion of the Principal. Accordingly, we urge each College, if it has not done so already, to adopt a policy which may include publication of open faculty positions, with qualifications, and a statement that a defined committee review candidates' qualifications and make hiring recommendations (perhaps a "short list" of finalists). That process could leave the final decision to the Principal in consultation with the chairperson of the relevant department.

We would agree that there are various ways to undertake faculty hiring, but insist that the objective be to have publicly-announced procedures that have as their primary objective the hiring of the most qualified candidates available. This is vital for parents in making the decision to enroll their children in the Colleges and to the further increase of the Colleges' reputation in general.

Please include an update of this Item 8 in the Progress Letters.

9. Copies of bylaws (amended, if needed, to provide for term limits) and governing documents, as currently in effect.

Your March 15, 2017 letter reported that the Colleges would send copies of these documents to the Trustees "in due course." Please deliver them promptly, as copies should be readily available in the records of each College, and not difficult to procure.

Finally, we repeat that we are well aware that the restructuring of the reporting and governance of the Colleges that we as the Trustees insist is challenging. If helpful, and provided we receive the Progress Letters by June 30, 2017, we are prepared to suggest models of policies and procedures that the Colleges might find useful. Many of the models are also available on websites for specializing in non-profit governance. It is also possible that the Colleges' board members or education professionals elsewhere in Sri Lanka have access to suitable resources as well.