

Institute of Biochemistry, Molecular Biology and Biotechnology Affiliated to the University of Colombo

The audit of financial statements of the Institute of Biochemistry, Molecular Biology and Biotechnology Affiliated to the University of Colombo for the year ended 31 December 2013 comprising the Statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement 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 17 of the Institute of Biochemistry, Molecular Biology and Biotechnology Ordinance No. 1 of 2003 enacted under Sub-section 107(5) and Section 18 of the Universities Act, No. 16 of 1978 and Sub-section 108(1) of the Universities Act. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 108(1) of the Universities Act, appear in this report. A detailed report in terms of Sub-section 108(2) of the Universities Act, was furnished to the Director of the Institute on 19 May 2014.

1:2 Management's Responsibility for Financial Statements

The 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

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 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 judgement, 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 Institute'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 Institute'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 financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent 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

My opinion is qualified based on the matters described in paragraph 2:2 of this report.

2. Financial statements

2:1 Qualified Opinion

In my opinion, except for 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 Institute of Biochemistry, Molecular Biology and Biotechnology as at 31 December 2013 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

2:2:1 Accounting Deficiencies

Even though a sum of Rs.618,288 out of the course fees had been transferred to the Institute Development Fund as specified by the decision of the Board of Management, that had been brought to account as a receivable and payable in addition to that amount. As such the current assets and the current liabilities in the statement of financial position had been overstated by that amount.

2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) Financial Regulations 756 and 757 and Chapter XXVI Section 2.12 of the Establishments Code of the University Grants Commission.	Even though stock verifications should be carried out annually, a verification of the stocks of chemicals of the Institute had not been carried out.
(b) Treasury Circular No. 842 of 19 December 1978.	The Institute had not maintained a Register of Fixed Assets in terms of the circular.
(c) Instructions Circular No. 2004/PS/1 dated 26 January 2004 of the National Institute of Library and Information Services sub-paragraph 3.1 of paragraph 3.	Even though survey of library books should be conducted annually, a survey of the books had not been conducted since the establishment of the library up to 06 May 2014, the date of audit.
(d) National Budget Circular No. 150 of 07 December 2010.	Even though the provisions for the procurement of motor vehicles on hire basis by Government Institutions had been withdrawn, sum of Rs.667,364 had been paid for a hired motor vehicle in the year under review.

- (e) Institute of Biochemistry Molecular Biology and Biotechnology Ordinance No. 01 of 2003: Section (d) Even though courses should be commenced with the approval of the University Grants Commission, such approval had not been obtained for 04 courses.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the financial results of the Institute for the year ended 31 December 2013 before taking into account the Government grant for recurrent expenditure and rehabilitation amounted to a deficit of Rs.39,994,576 and the corresponding deficit for the preceding year had been Rs.33,944,254. The financial result for the year under review, after taking into account the Government grant of Rs.47,818,000 for recurrent expenditure and rehabilitation, had been converted to a surplus of Rs.7,823,424. The surplus for the preceding year after taking into account the Government grant of Rs.37,568,028 for recurrent expenditure amounted to Rs.3,623,774. The improvement of Rs.4,199,650 in the year under review as compared with the preceding year had been mainly due to the increase of the Government grant by a sum of Rs.10,249,972, the research grants by a sum of Rs.2,445,934 and the earned income by a sum of Rs.8,518,872. But the recurrent expenditure had comparatively increased by Rs.16,903,258.

4. Operating Review

4:1 Performance

Five Postgraduate Courses in Master of Philosophy, Doctor of Philosophy and Master of Science had been conducted in the year under review. The registration of students for the Postgraduate Courses in the Master of Molecular Biology and Master of Philosophy / Doctor of Philosophy in the year under review as compared with the year 2012 had decreased by 50 per cent and 36 per cent respectively.

4:2 Management Inefficiencies

Action had not been taken even up to date for the transfer of the land belonging to the University of Colombo on which the building of the Institute is maintained.

4:3 Dormant Bank Accounts

It was observed that the balance of Rs.245,795 in two Bank Current Accounts maintained by the Institute had been underutilized over a long period.

5. Accountability and Good Governance

5:1 Draft Annual Reports

A copy of the Draft Annual Report had not been furnished to the Auditor General along with the annual financial statements in terms of the Public Enterprises Circular No. PED/12 of 02 June 2003.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets
- (b) Library Administration
- (c) Stock Control