

Institute of Biochemistry, Molecular Biology and Biotechnology Affiliated to the University of Colombo - 2014

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 2014 comprising the statement of financial position as at 31 December 2014 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 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.

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 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 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. Section 111 of the Universities Act, and 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 audit opinion.

2. Financial Statements

2:1 Opinion

In my opinion, 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 2014 and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards.

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

The following non-compliances were observed.

<u>Reference to Laws, Rules, Regulations etc</u>	<u>Non-compliance</u>
(a) Financial Regulations 751,755 of the Democratic Socialist Republic of Sri Lanka and Chapter 4 of the University Grants Commission Circular No.48 of 13 November 1979 .	Inventories books had not been maintained so as to handing over the goods which are entrusted with the custody of an officer to his successor before transferred to another post and delegation of the custody of the goods had not been made to the officers of the relevant Division.
(b) Financial Regulations of the Democratic Republic of Sri Lanka Financial Regulation No.371	Even though advances obtained by an officer should settle immediately after the completion of the purpose ,advances aggregating to Rs.3,236,673 had been settled after delaying over a period of two weeks in 08 instances. Further, advances totaling of Rs.53,435 had been obtained exceeding the requirement.
(c) Sections 3.1 and 3.2 of Chapter XX of the Establishments Code of the University	Even though all the academic and non-academic officers of the Institute should record times of the arrival and the departure , salaries and allowances aggregating to Rs.10,432,909 had been paid for 04 officers without being recorded the arrival and departure times.
(d) Treasury CircularNo.842 of 19 December 1978.	The Institute had not maintained a Register of Fixed Assets according to the Circular instructions.

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| (e) | Paragraphs 3.1 and 3.3 of the Public Finance Circular No.PE/423 of 22 December 2006. | The Assets Replacement Fund had been established without obtaining the Treasury approval . |
| (f) | Public Enterprises Circular No.PED/12 of 02 June 2003. | A copy of the Draft Annual Report had not been furnished to the Auditor General along with the annual financial statements. |

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 2014 amounted to a surplus of Rs.9,687,231 and the corresponding surplus for the preceding year had been Rs.7,823,423. The improvement of Rs.1,863,808 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.9,738,000 and the earned income by a sum of Rs.1,950,447 .

4. Operating Review

4.1 Staff Administration

Five vacancies in the academic and non-academic staff were existed as at 31 December of the year under review.

5. Accountability and Good Governance

5.1 Corporate Plan and the Action plan

Even though in terms of the Public Enterprises Circular No.PED/12 of 02 June 2003, an Institute should furnish its Corporate Plan and the Annual Budget 15 days before the beginning of the relevant year , the said reports had been furnished on 10 May 2014. Further, the establishment and maintenance of mitochondrial DNA database Project that included in the Corporate Plan of 2014-2018 and in the Action Plan of the year under review,presented by the Institute had not been implemented.

5.2 Procurement Plan

Even though in terms of the Section 4.2.1 of the Procurement Guidelines of the year 2006, the Master Procurement Plan should be updated at least once in six months, due to action not so done, procurements amounting to Rs.2,359,590 made in 7 instances in the year under review had not been included to the plan.

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) Procurement Procedure
- (c) Stock Control
- (d) Advances