

Institute of Biochemistry, Molecular Biology and Biotechnology - 2015

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 2015 comprising the statement of financial position as at 31 December 2015 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. 01 of 2003 and Sub-section 108(1) of the Universities Act enacted under Sub-section 107(5) and Section 18 of the Universities Act, No. 16 of 1978. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Sub-section 108(1) of the Universities Act appear in this report.

1.2 Management's Responsibility for the 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 Auditing 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 misstatement 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, No. 16 of 1978 gives 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.

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 effects of the matters described in paragraph 2.2 of this report, financial statements give a true and fair view of the financial position of the Institute of Biochemistry, Molecular Biology and Biotechnology affiliated to the University of Colombo as at 31 December 2015 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 Sri Lanka Public Sector Accounting Standards

The following observations are made.

(a) Sri Lanka Public Sector Accounting Standard 02

In the preparation of the cash flow statement, the non-current assets valued at Rs. 1,749,648 purchased on credit basis had been shown as cash outflows under investing activities.

(b) Sri Lanka Public Sector Accounting Standard 03

Even though assets costing Rs. 52,662,824 had been fully depreciated due to the failure in reviewing the useful life annually for non-current assets, they were still being used. As such, action had not been taken to revise the estimated error.

2.2.2 Accounting Deficiencies

The following observations are made.

(a) Four ledger accounts had been maintained for capital grants spent in the Institute and out of those, debit balances amounting to Rs. 1,991,832 were observed in two ledger accounts due to accounting errors.

(b) Action had not been taken to assess and account for the value of 346 books received to the library as donations during the year under review.

2.2.3 Unexplained Differences

A difference of Rs. 5, 877,100 was observed in the comparison of the value of non-current assets included in the financial statements with the Register of Fixed Assets.

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
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 371	Ad hoc sub-impressts totalling Rs. 662,447 had been granted to 15 officers of the Non-staff Grade in 57 instances.
(b) Treasury Circular No.842 of 19 December 1978.	A Register of Fixed Assets had not been maintained for non-current assets.
(c) Sections 3.1 and 3.2 of Chapter XX of the Establishments Code of the University	Salaries and allowances amounting to Rs. 10,161,078 had been paid for 05 officers of the academic staff of the Institute without establishing their arrival.

2.4 Transactions not supported by Adequate Authority

An Employees' Welfare Fund had been established by using funds of the Institute without an approval of the Ministry of Higher Education and the Ministry of Finance and a sum of Rs. 392,850 from the Main Account had been transferred to the Welfare Fund as at the end of the year under review without proper approval.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the financial result for the year ended 31 December 2015 had been a surplus of Rs. 3,613,509 and as compared with the corresponding surplus of Rs. 9,687,230 for the preceding year. The increase in the expenditure on salaries and allowances by Rs. 10,028,816 and decrease in the income by Rs. 6,514,872 had mainly attributed to the decrease in the financial result by Rs. 6,073,721 of the year under review as compared with the preceding year.

3.2 Analytical Financial Review

According to the statement of financial position presented, the current ratio of the Institute in the year under review had been 10.3. Nevertheless, 35 per cent of the current assets is represented by short term investments and cash balances and it was observed that a significant amount of assets of the Institute had been retained in liquidity assets.

4. Operating Review

4.1 Management Activities

The following observations are made.

- (a) Despite the availability of 04 Lecturers in the permanent academic staff of the Institute, a female Course Coordinator had been appointed on the basis of paying a sum of Rs. 45,000 per month for the Course in Master of Science in Cellular and Molecular Immunology and coordinating allowances amounting to Rs. 405,000 had been paid for 09 months in the year under review.
- (b) The Board of Management had been allowed to decide the allowances of Visiting Lecturers under the University Grants Commission Circular No. 01/2015 of 22 January 2015 despite the decrease of the total income including the income from courses of the Institute in the year 2015 by 46 per cent as compared with the year 2014. Accordingly, the allowance of Visiting Lecturers had been increased from Rs. 2,500 to Rs. 5,000 by 100 percent per hour. The additional lecture fees amounting to Rs. 496,212 had been paid due to making payments based on the increased rates for the lectures held before increasing the rates as well.

4.2 Operating Activities

The reasons for the stopping of enrolments for the Master of Science in Bioinformatics after the academic year 2012/2013 had not been explained to audit

4.3 Transactions of Contentious Nature

Despite having paid custom duty of Rs. 511,351 for the goods imported by the Institute, a sum of Rs. 201,770 had been paid by stating that it had been paid for the release of goods to a private Clearance Agent. Out of that, a sum of Rs. 32,500 had been shown in the voucher as fees of the Clearance Agent and the balance as payments for other institutions. Nevertheless, bills for confirmation of those payments had not been attached to the voucher. The method of selecting the Clearing Agent and the expenditure incurred without a source document had not been explained to audit.

4.4 Staff Administration

The following observations are made.

- (a) Even though six vacancies existed as at 31 December 2015 in the approved cadre of the Institute, 09 employees recruited extraneous to the approved cadre without proper approval on assignment basis and deployed in service by granting extension instead of filling the vacancies.
- (b) A post of Consultant not included in the approved cadre of the Institute had been created and allowances of the Consultant totalling Rs. 701,137 had been paid at a rate of Rs. 200,325 per month in the year under review. The relevant officer is a current member of the Management Committee, the Research and Higher Degrees Committee and the

Academic Committee of the Institute. Further, it was observed that many functions included in the duty list given to the Consultant should be performed by the aforesaid Committees in accordance with the Ordinance of the Institute.

5. 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.

Area of Systems and Controls -----	Observations -----
(a) Control of Procurement Activities	Failure to purchase by calling for quotations.
(b) Advances Control	Granting ad hoc sub-impressts to the Non-staff Grade officers.