

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Institute of Biochemistry, Molecular Biology and Biotechnology affiliated to the University of Colombo for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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, 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 Biochemical Molecular Bioscience and Biotechnology Institutions Regulation No. 01 of 2003 enacted under Section 18 of the Universities Act No. 16 of 1978 and Subsection 107(5) of the Universities Act, and the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

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 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 determines 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 Institute'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 intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Institute 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.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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 audit 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 scepticism 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 Institute'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 Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit 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 audit report. However, future events or conditions may cause the Institute 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 Institute and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Accounts Receivables

Audit Observation	Comment of the Management	Recommendation
The distress loan balance of Rs.212,497 due from a driver who resigned from the institute in the month of February 2023 had not been recovered even at the end of the year under review.	The driver had gone overseas in February 2023 on approved overseas leave for a period of one month. He submitted his resignation letter from there and the Governing Council has decided to conduct a formal disciplinary inquiry into his non-return to duty after his overseas leave. As such, as soon as the final decision is made, the distress loan balance will be recovered.	Actions should be taken to collect the receivable money immediately.

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

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Section 4.2 of University Grants Commission Circular No. 04/2016 dated 01 March 2016	The approval of the University Grants Commission had not received for the Master of Philosophy and Doctor of Philosophy Degrees (MPhil/PHD) conduct by the institute.	It has been requested from the University Grants Commission to give a blanket approval for the started post-graduate courses, before starting the formal approval procedure for the courses by the University Grants Commission.	Circular should be followed.
(b)	Section 03(viii) of National Budget Circular No. 2022/03 dated 26 April 2022	The Sum of Rs.128,840 and Rs.127,922 had been incurred from the generated fund in the years 2022 and 2023 respectively for the health insurance scheme implemented by the institute as an employee welfare	According to Section No. 8 (d) of the University Act No. 16 of 1978, the University Grant Commission has the ability to implement welfare schemes with employee contribution and provide its benefits to the employees. Further, the Commission has instructed by the	Budget circular should be followed.

scheme without obtaining the approval of the Cabinet of Ministers.

Circular No.718 the institutions under the Commission to establish a health insurance system. Further, instructions had been given to pay 50% of the premium of the insurance scheme established by section 718.1 (b) by the employee and pay the remaining 50% from the earned fund of the relevant institution.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a deficit of Rs.9,541,553 and corresponding surplus amounted to Rs. 12,080,867 in the previous year, thus observing a deterioration of Rs. 21,622,420 in the financial results. The decrease in recurrent grants had mainly attributed to said deterioration.

3. Operational Review

3.1 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>According to the approved cadre of the institution, while only 2 positions of temporary scientific assistant (on contract basis) have been approved, 04 excess officers had been recruited on contract basis for that position. Further, a sum of Rs.3,628,644 had been overpaid as salaries and allowances from the generated fund in the year under review.</p>	<p>That 04 temporary scientific assistants (Scientific Assistant – on assignment basis) have been recruited basis in addition to the 02 approved temporary scientific assistant positions (on contract basis) to make payments from the generate income based on the academic and research capacity of the academic divisions.</p>	<p>Recruitment should not be done exceeding the approved staff.</p>