

**1. Financial Statements**

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**1.1 Qualified Opinion**

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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 2021 comprising the statement of financial position as at 31 December 2021 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, 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 Sub-section 107 (5) and 108(1) of the Universities Act, No 16 of 1978 and Section 17 of the Institutes of Biochemistry, Molecular Biology and Biotechnology Ordinance, No. 1 of 2003 enacted under Sub-section 18 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, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 1.5 of this report. 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 qualified opinion.

**1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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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 determine 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 intend 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 of the institute.

#### **1.4 Audit Scope**

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 auditor's 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 auditor's 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 auditor's 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 of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observations on the preparation of Financial Statements

### 1.5.1 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) The assessed value of the building received as a donation in the year 2020 amounted to Rs.116,564,463 had been debited to the Capital Grant Spent account instead of being debited to the gift and donation account, so those two accounts had been overstated and understated respectively in the financial statements.	In the year 2020, the amortization of the building was started, and it was adjusted to capital grants without adjustment to the related asset (Gift & Donations). I continued the same accounting policy followed till 2020. I inform that the adjustment will be corrected in the year 2022.	Actions should be taken to prepare financial statements accurately.
(b) Although there should be a credit balance in the Capital Grant Spent account, there was an abnormal debit balance of Rs.32,092,188 as at 31 December 2021 in that account.	The capital grant spent balance in the year 2020 and 2021 was showing a negative balance of Rs.8,906,970 and Rs.32,092,188 respectively due to capital amortization adjustment. Since the adjustment followed till 2020 was done in the same way in the year 2021, I would like to inform that the classification error that occurred in the	Actions should be taken to prepare financial statements accurately.

double entry will be corrected in the final accounts of 2022.

## 2. Financial Review

### 2.1 Financial Results

The operating result for the year under review was a surplus of Rs.1,657,203 and corresponding deficit in the preceding year amounted to Rs. 7,181,363. Therefore, an improvement amounting to Rs. 8,838,566 of the financial result was observed. The increase of Government Grant for Recurrent Expenditure and Course income during the year under review had influence mainly for the above-mentioned improvement.

## 3. Operational Review

### 3.1 Under -utilization of Funds

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Total balance of Rs.3,435,527 was remained in 10 research grants as at 31 December 2021 had not been utilized during the year under review to achieve the expected objectives.	Due to the corona epidemic during the year under review, the use of the provision for each test is carried out under very limited conditions. Due to the inability to obtain samples from the relevant fields and the inability to obtain the relevant chemicals for this research from the suppliers and the scientists coming from abroad not being able to come to Sri Lanka, the research activities were postponed for the year 2022.	Purposeful tasks should be identified and spent in a planned manner.

### 3.2 Idle or underutilized assets

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
As on 31 December 2020, 85 items of stock totaling Rs.549,616 were remained idle in the warehouse without being utilized in the year 2021.	For some students (in MLS, CMI sections) stocks have to be kept at the beginning of the project and should remain for the student till the end of his studies. Some academic projects had to be postponed. Then we keep the stock unused until the project is finished. Certain items are used for their own research for the respective staffs.	Requirements should be properly identified, and purchases should be made accordingly, and they should be utilized for the respective functions.