

## **Botanic Gardens Trust Fund – 2018**

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### **1.1 Qualified Opinion**

The audit of the financial statements of the Botanic Gardens Trust Fund for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of profit and loss and comprehensive income, 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(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report 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 accompanying financial statements give a true and fair view of the financial position of the Botanic Gardens Trust Fund as at 31 December 2018, and of 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**

My opinion is qualified 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**

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 Botanic Gardens Trust Fundability 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 Botanic Gardens Trust Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Botanic Gardens Trust Fund financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Botanic Gardens Trust Fund 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 Botanic Gardens Trust Fund.

#### **1.4 Auditor's Responsibility.**

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 Botanic Gardens Trust Fund'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 Botanic Gardens Trust Fund'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 Botanic Gardens Trust Fund 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.

- 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 Botanic Gardens Trust Fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Botanic Gardens Trust Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Botanic Gardens Trust Fund;

- Whether the Botanic Gardens Trust Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Botanic Gardens Trust Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Financial Statements

### 1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
It was stated that the amortization policy was changed in the year accordingly standard no 16 and, any assets should be depreciated in proportion to the date of commencement of use. However, due to the depreciation of the total asset capitalized during the year, including the assets capitalized at the end of the year in respect of the fund, the amount of depreciation in the year under review was Rs.7,546,446 were reported in the financial statements.	Action will be taken to correct depreciation adjustment.	According to accounting standards, assets should be depreciated from the point of use.

### 1.5.2 Accounting Deficiencies

The following observations are made.

Audit Issue	Management Comment	Recommendation
(a) Under the income for the year under review sale of floriculture books and guided leaflets accounted for Rs.565,940. Nevertheless floriculture books and guided leaflets income have doubled in revenue as the loss has been adjusted again to the income by preparing profit and loss account for sale of floriculture books and guided leaflets.	Action will be taken to correct this double counting of floriculture books and guided leaflets income.	Since revenues have been accounted for twice, action must be taken to correct it.
(b) The cost of construction of chain link fence at Hakgala Botanic Garden amounted to Rs.1,615,373 and the cost of construction of lightning conductor system at Awissawella Botanic Garden amounted to Rs.4,142,584 had been adjusted doubled to work in progress and Fixed assets.	Action will be taken to correct this double count.	Since the value of property plant and equipment is double accounted it must be corrected.

- (c) A sum of Rs.245,247 had been paid for the year under review for the initial work of the construction in Hakgala Botanical Garden. Although the construction was subjected to a landslide. It was capitalized without considering as expenditure. Action will be taken to correct the amount of Rs.245, 247 as for. The expenditure should be identified and accounted for.
- (d) As land development activities amounted to Rs.5,174,337 has been capitalized under building development activities. Therefore depreciation had been under stated by Rs.170,753 in the financial statement the year under review. Action will be taken to correct The asset must be separately identified and correctly accounted.
- (e) The total amount of Rs.3,562,988 had been paid for four completed projects as advances and which were capitalized. Although it has shown in the financial statements as advances without being transferred to the work in progress account. Will work to correct Action will be taken to identify the accounting deficiency and correct.

### 1.5.3 Unreconciled Control Accounts or Records

Item	As per Financial Statements Rs.	As per corresponding Record Rs.	Difference Rs	Management Comment	Recommendation
Land Development Activities	210,786,985	210,351,124	435,861	Action will be taken to correct this deficiency.	Action must be taken to correct it.

### 1.5.4 Documentary Evidences not made available for Audit

Evidence not	Management Comment	Recommendation
Although depreciation had been adjusted on historically basis by the fund. Although the date of purchase of those assets could not be verified as the detail were not submitted for audit.	It is practically impossible to separately identify the date of purchase/use of each asset. Therefore depreciation has been adjusted for all purchase/use assets for whole year since 2006.	In the event of changing depreciation policy, it should be taken to account depreciation from the date of purchase.

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

Following observations are made.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Instrument of Trust of the Botanical Garden Trust Fund			
(i) Paragraph 3 (g) 1	The board of trustees meets once every quarter. However, it did not hold meetings in the first and third quarters of the year under review, and two meetings in the second quarter.	As the Department of National Botanical garden has functioned under four ministries and several secretaries of the Ministry from time to time. The post of Director General of the Department was appointed as the post of Acting Director General for about seven months. Therefore it was unable to hold the Board of Trustees in due time.	Meetings should be held quarterly in accordance with the deed of trust.
(ii) Paragraph 5(2) c	The scientists who work in botanic gardens have been agreed to provide financial assistance to upgrade their scientific knowledge, activities, facilities and purchase any necessary materials, even though contrary with the above objectives amounting to Rs.1,189,585 had been paid to general foreign training by the fund.	The developing and improving of the botanic gardens It is required to scientific knowledge as well as contribution to all areas of management, engineering, accounting, auditing, procurement and administration, Therefore departmental officers were participated in six foreign training programs of the year 2018 and four training programs directly uplifted the scientific knowledge. The remaining two programs help to enhance the knowledge of botanical gardens in other areas.	According to the deed of trust, the fund may provide financial assistance to enhance the knowledge, skills and activities of the scientists.

(iii)	Circular of Action should be taken to close down this fund in terms of the circular. However, an appeal was filed by the Director General of the Department of National Botanical Garden on 17 September 2018 and it was observed that negotiations are ongoing.	Comments are not presented.	Action will be taken to establish it as a statutory fund or liquidate.
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## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.119,721,992 and the corresponding surplus in the preceding year amounted to Rs.134,504,011 Therefore an deterioration amounting to Rs.14,782,019 of the financial result was observed. The reasons for the deterioration are change depreciation policy then increased depreciation amounted to Rs.40,876,786 as well as increased financial and other expenditure amounted to Rs.3,408,590 year under review.

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
Out of seven objective of the fund, expenditure can be made for to meet the shortfall of recurrent funds for a specific programme of the Department of National Botanical Garden. Even though the department had paid recurrent expenditure of Rs.23,690,558 considering as specific recurrent expenditure during the year under review.	To maintain successive office functions of the Botanical Gardens are required to be kept open for visitors throughout the 365 days and activities have been identified as special functions of the botanical gardens so it were informed to the board of trustees and after obtaining the approval, the relevant recurrent expenditure was paid.	In order to meet the objectives and goals of the fund special recurrent expenditure should be paid from the fund and other recurrent expenditure should not be paid.