

Botanical Garden Trust Fund - 2019

1.1 Adverse Opinion

The audit of the financial statements of the Botanical Garden Trust Fund for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of profit and loss, Statement of other comprehensive income, statement of changes in net equity and notes to the accounts and summary of significant accounting policies for the year then ended, 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 Section 3 of the National Audit Act No. 19 of 2018 and Provisions of Section 4 (a) of the Deed of Trust of the Botanic Gardens Trust Fund. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, because of the matters described in Paragraph 1.5 of this report, the financial statements do not give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Adverse Opinion

Based on the matters specified in Paragraph 1.5 of this report, I express an adverse 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 adverse 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

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

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 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 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 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 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 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 Fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Institute
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the 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 reference to the relevant standard	Comments of the Management	Recommendation
Although assets should be identified and accounted for as property, plant and equipment in accordance with paragraph 13 of Sri Lanka Public Sector Accounting Standards 07, the Fund had stated the property, plant and equipment of net value amounting to Rs. 560,010,287 kept by the Botanical Gardens Department for its administrative activities, as an assets of the Fund in the financial statements.	It is informed that in maintaining the accounts of this Fund, the final accounts have been prepared up to now by nominally identifying the assets, liabilities and income apart from expenses in terms of State Finance Circular PF / 423 dated 22.12.2006.	Action should be taken in accordance with the Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Expenditure of Rs. 382,905 in the form of revenue incurred on development activities of the Botanical Gardens on two occasions during the year under review had been brought to account as capital expenditure.	It is informed that the said error will be rectified in the future accounts and accounted for under the expenses.	Expenses should be identified and accounted for accurately.

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| (b) | Ticket income for the year under review had been overstated by Rs. 360,000 in the account. | It is informed that steps will be taken to correct the error and account for in the preparation of future accounts | Revenue should be identified and accounted for accurately |
| (c) | Receivable income of Rs.401,115 for the year under review pertaining to Instruction Leaflets and Floriculture Books had been accounted for twice. | It is informed that steps will be taken to correct the error and account for in the preparation of future accounts | As the income has double counted, action should be taken to rectify the error. |
| (c) | According to the stock registers, the cost of the floriculture instruction leaflet stock of the herbarium as at 01 January 2019 wasRs. 394,200, however, since the opening stock value of the financial statements had been understated by that amount, the deficit of the year had also been understated by that amount. | It is informed that action will be taken to correct it and account for in the preparation of future accounts. | Action should be taken to identify and account for the stocks accurately. |
| (e) | The accounting of floriculture books and instruction leaflet income of Rs. 565,940 twice in the preceding year had not been corrected. | It is informed that action will be taken to correct the error and account for in the preparation of future accounts. | As the income has double counted, action should be taken to rectify the error. |

1.5.3 Unreconciled Control Accounts or Reports

Item	Value as per the Financial Statements	Value as per the corresponding reports	Difference	Comments of the Management	Recommendation
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	Rs.	Rs.	Rs.		
Stock of the books on floriculture	2,990,568	2,883,474	107,094	It is informed that further stock verification will be done and necessary corrections will be made.	Action should be taken to correct this.

1.5.4 Lack of Documentary Evidence for Audit

Evidence not submitted	Comments of the Management	Recommendations
The asset relating to the values totalling Rs. 6,923,907 and Rs. 6,957,916 shown under the assets under the building development and land development activities respectively in the financial statements presented during the year under review, and the evidence such as payment vouchers and bills related thereto had not been furnished to audit.	It is informed that action will be taken to recorrect these notes and to make entries so as to separately identify each asset.	In capitalizing the assets, action should be taken to identify their correct value and account for correctly.

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

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
State Finance Circular No.02/2018 dated 18 August 2018.	Action should be taken to wind up this Fund as per the circular instructions. Nevertheless, without being taken action to wind up, discussions had been conducted at the State Finance Department on 01 March 2019 to further continue this Fund as a statutory Fund. The said statutory Fund had not been established even by 31 May 2020.	It was discussed at the discussion held in the State Finance Department on 01.03. 2019 that the above Fund is required to be further continued converting as a statutory Fund and the activities of the Fund should be further carried out until then.	Action should be taken to establish the Fund as a statutory Fund or liquidate the same.

2. Financial Review

2.1 Financial Results

The operations of the Fund for the year under review had resulted in a surplus of Rs.103,488,041 as compared with the corresponding surplus of Rs.119,721,992 for the preceding year, thus observing a deterioration of Rs.16,233,951 in the financial result. This deterioration was mainly due to the decrease in the income by Rs.18,199,819 and increase in the other expenditure by Rs.3,798,758 in the year under review as compared with the preceding year.